



Intellectual Property in the New Technological Age: 2023

Volume II: Copyrights,
Trademarks & State IP Protections

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For Claire, Dylan and Veronica, and Noah and Taylor

P.S.M.

For Rose, as always

M.A.L.

For my brothers, Bruce, Paul, and Matt

R.P.M.

For Irene and Marky

S.B.



PREFACE

When we embarked on this project more than two decades ago, we envisioned many things, but not that it would lead to self-publishing a casebook.

A lot has changed since we began collaborating. At the time that we launched this project, most intellectual property courses were taught along particular mode of protection lines: patent law, copyright law, trademark law, and trade secret law. From our research and real world experience, we recognized that digital technology blurred the traditional doctrinal lines. We set out to design a book for the emerging technological age. We built the book around core philosophical frameworks, broad integrated coverage, and a pedagogical model that emphasizes problem-solving.

Over the ensuing years, our insight and framing proved enduring. Nearly all manner of enterprise and organization—from high technology start-ups to traditional manufacturing and media companies, government agencies, and even educational institutions—came to confront a broad range of intellectual property issues spanning the full spectrum of protection modes. The survey intellectual property course became a core subject at our law schools and many others across the United States and around the world. That much we had at least dreamed of.

But we did not foresee entering the publishing business. During the formative stage of our careers, we were thrilled to gain the interest of established publishers. Our book hit the market just as the Internet was gaining traction. The IP field expanded rapidly and we found ourselves churning out new editions every two or three years to keep pace with the increasing velocity of IP law. Little, Brown's law book division was acquired by Aspen, which was then acquired by Wolters Kluwer. The market for our book continued to grow.

Yet as advances in digital technology reshaped the world around us—from Internet search to online publishing—we, and our adopters and students, saw relatively little change in our publishing market. Prices continued to rise each year. Publishing schedules remained rigid. The publishing of our book seemed suspended in time. Most frustratingly, our students were paying \$250 for a book that generated just \$15 in total author royalties. This pattern conflicted with the thrust of our book and scholarship. Advances in digital technology and competition should have been driving prices down, not up. Our frustration grew.

These issues came to a head in September 2014. When our publisher indicated that we missed the deadline for getting our book into the summer 2015 catalog, we dusted off our original publishing contract from December 1993. In checking the revision clause, we recognized that we held the copyright in the work *and* retained the right to prepare derivative works.

Once we realized that we had the right to shift to self-publishing, we faced a choice: stay with a leading publisher or take on the start-up costs and day-to-day operations of

self-publishing. Peter had been writing about disintermediation in the media industries and strongly believed the time was ripe to branch out on our own. He posed a simple question: how would we view this choice ten years down the road? A quick review of self-publishing options indicated that we could substantially reduce the cost of our book while providing students with more convenient access—both digital versions and print-on-demand. We could also move to annual editions and take control over the production pipeline. This would ensure that our book was always current. Although striking out on our own involved some risk and additional tasks, failing to take this path would perpetuate an obsolete and unjustifiably costly burden on students at a time when they can ill afford it. We decided to take the plunge.

After reviewing options, we decided to begin our self-publishing experiment with Amazon. (We retain copyright ownership and hence flexibility to try other platforms as the marketplace evolves, an important lesson from various media markets.) Amazon's publishing platform imposes size limits that required us to divide our book into two volumes: Volume I covering Philosophical Perspectives, Trade Secrets, and Patent Law (we also included the patent preemption cases from Chapter VI for those interested in studying those materials in conjunction with the trade secret and patent law chapters); Volume II covering Copyright Law, Trademark Law, and State Law IP Protections (including the preemption materials). The volumes are available as eBooks and through Amazon's on-demand publishing platform. This has the virtues of reducing the weight of what students need to carry around on a daily basis and creating more modular teaching options. We also distribute Chapters I and II on SSRN so that students can sample the book before committing to the class.

Which brings us to what we hope is a New Publishing Age for all manner of academic publishing. In addition to releasing IPNTA2--- (we plan to designate new editions by publication year rather than volume number), we launched Clause 8 Publishing, a new publishing venture to “promote Progress” in intellectual property education (and possibly more). We plan to introduce a series of complementary products, enhancements, supplementary texts, multimedia, and other resources for adopters and students—at low cost and with easy accessibility. You will be able to learn about these resources at IPNTA.com and Clause8Publishing.com.

Peter has managed the transition of our book to a self-publishing model and has taken the lead on establishing this platform. Those interested in adopting our book (or anything else about the project) should contact him at pmenell@law.berkeley.edu. (Please include “IPNTA” or “Clause 8” in the subject line.) IPNTA2016, the first self-published edition of “Intellectual Property in the New Technological Age,” more than exceeded our hopes. Sales for IPNTA increased above the highest sales of prior editions, resulting in savings to students of over \$1 million in the first year. IPNTA2017 through IPNTA 2020 continued on this path. We added Shyamkrishna Balganeshe to this project in 2020. IPNTA2023 updates the text to reflect the most recent developments in this rapidly evolving field of law.

In retrospect, the subject matter covered by our original edition—philosophical perspectives on intangible resources, promoting progress in technology and creative

expression, and competition policy—set us on the path to DIY/New Age publishing. Copyright law seeks to harness market forces to encourage creative expression and widespread dissemination. It builds bridges between creators and those who value their work. Digital technology and the Internet enhance these powerful forces by lowering the costs of creation and providing the virtual dissemination bridges. We feel fortunate to have liberated our book and very much look forward to working with law professors and students in building a more productive marketplace and community for IP teaching materials.

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NEW FEATURES

Rapid advances in digital and life sciences technology continue to spur the evolution of intellectual property law. As professors and practitioners in this field know all too well, Congress and the courts continue to develop intellectual property law and jurisprudence at a rapid pace. For that reason, we have significantly augmented and revised our text.

The 2023 volumes reflect the following principal developments:

- **Trade Secrets:** Congress passed the Defend Trade Secrets Act of 2016, one of the most momentous changes in the history of trade secret protection. We have updated this chapter to reflect its growing influence.
- **Patent Law:** The past several years have witnessed some of the most significant developments in U.S. patent history and technological change. This edition weaves generative AI into various parts of the chapter, including a new section on inventorship featuring the Federal Circuit’s decision in *Thaler v. Vidal*. It also revamps the enablement section in light of the Supreme Court’s *Amgen* decision.
- **Copyright Law:** This chapter substantially reworks coverage of fair use law in the aftermath of the Supreme Court’s momentous decision in *The Andy Warhol Foundation v. Goldsmith*. It also weaves generative AI into various sections, including a new section on authorship.
- **Trademark Law:** This chapter revises coverage of trademark defenses—particularly the role of the First Amendment and parody—in light of the Supreme Court’s decision in *Jack Daniel’s Properties v. VIP Products*.
- **Other State IP Protections:** This chapter expands the section on the right of publicity to encompass the emergence of name, image, and likeness (NIL) policy in the college sports marketplace. It also includes a problem highlighting ramifications of generative AI for recording artists.



ABOUT Clause 8 Publishing

Clause 8 Publishing is a digital publishing venture founded and managed by Peter Menell. Mark Lemley, Robert Merges, and Shyamkrishna Balganesh serve on the Editorial Board. Inspired by Article I, Section 8, Clause 8 of the U.S. CONSTITUTION, Clause 8 Publishing seeks to promote production and dissemination of the highest quality and most up-to-date educational resources at fair prices and in a way that ensures that much of the revenue flows to authors. It aims to streamline the publishing process, take full advantage of evolving digital platforms and print-on-demand functionality, and develop innovative educational resources.

Clause 8 Publishing plans to produce annual editions of INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE.

Over the coming years, Clause 8 Publishing aims to support a series of complementary products (statutory supplement, primers, problem sets, multi-media presentations) and resources for intellectual property professors, students, judges, and policy makers. It aspires to lead the academy toward more productive and just publishing models. More information will be available at Clause8Publishing.com and IPNTA.com.



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We are indebted to a great many people who have helped us since this project began in 1991. We would like to thank our many colleagues who reviewed earlier drafts of the book and provided helpful guidance. While many of these reviews were anonymous, we have also benefitted from the advice of Lynn Baker, Paul Heald, Tom Jorde, and Pam Samuelson, each of whom read several different drafts of the book as it made its way through the editorial process. We gratefully acknowledge the research assistance of Evelyn Findeis, Edwin Flores, Ryan Garcia, Shari Heino, Toni Moore Knudson, Christopher Leslie, and Barbara Parvis. We would also like to thank Michele Co for exceptional secretarial and administrative assistance in completing the original text.

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EDITORIAL NOTE

We have selectively omitted citations and footnotes from cases without the uses of ellipses or other indications. All footnotes are numbered consecutively within each chapter, except that footnotes in cases and other excerpts correspond to the actual footnote numbers in the published reports. Many of the problems in this text are taken from actual cases. In many instances, we have altered the facts and the names of the parties for pedagogical purposes. In a few cases, however, particularly in the trademark chapter, we felt that it was important to the problem to use the name of a product or company with which the reader would be familiar. Readers should understand that the problems are hypothetical in nature and that we do not intend them to represent the actual facts of any case or situation.



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A. INTRODUCTION

This chapter explores the broad and expanding domain of copyright law, a principal means for protecting works of authorship. Although focused upon expressive (and non-functional) works, copyright has since its inception responded to advances in technologies for reproducing, disseminating, and storing information. Copyright laws emerged in the wake of the printing press and have evolved to encompass other methods of creating, instantiating, and reproducing works of authorship, such as photography, motion pictures, and sound recordings. The development of broadcasting technology—enabling the performance of works at distant points—triggered a second wave of expansions and adjustments to copyright. The digital revolution represents a third distinct wave of technological innovation reshaping copyright law. By bringing about new modes of expression (such as computer programming, synthesized music, video games, and interactive multimedia works) and empowering anyone with a computer and an Internet connection to flawlessly, inexpensively, and instantaneously reproduce and distribute works of authorship, digital technology represents possibly the greatest set of challenges to copyright law. This latest wave is just cresting—as the Internet and digital technology have become widely diffused—and hence the future of copyright law is very much in flux.

We begin with a brief survey of the origins of copyright law, its philosophical underpinnings, and of its vast provisions. Building upon this introduction, we examine copyright subject matter, ownership structure, rights (including infringement analysis), defenses, and remedies. We integrate the new and rapidly developing frontier of digital copyright law. The chapter concludes by surveying international dimensions of copyright law.

1. Brief History of Copyright Protection

The invention of the printing press in the West provided the impetus for the establishment of copyright protection.¹ Working from wine press technology from his native Rhine Valley, Johannes Gutenberg, a German goldsmith, developed a printing press with wood and metal movable type by the year 1440. Gutenberg experimented with this technology for the next decade with funding from a German businessman. An infusion of new funding around 1450 enabled Gutenberg to build a larger press, ultimately leading to the first printed version of the Bible in 1452. This extraordinary technological achievement encountered some resistance from nobles, who refused to tarnish their libraries of hand copied manuscripts with printed books; the Catholic

¹ Printing technology developed in the Far East much earlier, resulting in the earliest dated printed book (“Diamond Sutra,” a Buddhist scripture) using a block printing technology in China at least as early as the year 868. A printing device using movable clay type was invented in China in 1041 by Bi Sheng.

Church, which sought to control technology of mass communication; and the Islamic world, with its calligraphic traditions. Nonetheless, the printing press spread rapidly across Europe. With its highly developed guild system and fertile technological culture, Venice emerged as the “capital of printing” in the late fifteenth century.

Not surprisingly given Venice’s progressive, humanist tradition, patent protection presaged the development of copyright. The Venetian Republic granted Johann Speyer, a German goldsmith and the first printer in the city, a patent in 1469 for the printing press, affording Speyer an exclusive right to print books in all Venetian territories for the next five years. See JOHN FEATHER, PUBLISHING, PIRACY AND POLITICS: AN HISTORICAL STUDY OF COPYRIGHT IN BRITAIN 10–11 (1994). Within a few decades, the Venetian Cabinet recognized for the first-time exclusive rights in the printing of particular books (as distinguished from the technology of reproduction), awarding Daniele Barbaro a ten-year exclusive grant to publish his late brother’s book on Aristotelian ethics. See Christopher May, *The Venetian Moment: New Technologies, Legal Innovation and the Institutional Origins of Intellectual Property*, 20 PROMETHEUS 159, 172 (2002). Ease of entry into printing and an oversupply of books ultimately led the Venetian Senate to restrict the printing privilege to “new and previously unprinted works.” By the middle of the sixteenth century, a new decree organized all of Venice’s printers and booksellers into a guild and provided a means for allowing the Church to suppress heretical works.

With the growth of international commerce and the emergence of London as a leading center of trade, England became a focal point for the development of copyright law. The first “copyright” was granted in England by royal decree in 1512, not long after the introduction of the printing press in England.² See ELIZABETH L. EISENSTEIN, *THE PRINTING REVOLUTION IN EARLY MODERN EUROPE* (1993). For political reasons, the Crown consolidated the new printing business in the hands of the Stationers’ Company. It granted printers of this company—not authors—the exclusive right to control the printing and sale of books, forever. Not incidentally, the government conferred these copyrights upon loyal publishers who would not publish books that the Crown considered politically or religiously objectionable, and indeed it subjected the printing business to the oversight of the Star Chamber. See David Lange, *At Play in the Fields of the Word: Copyright and the Construction of Authorship in the Post-Literate Millennium*, 55 LAW & CONTEMP. PROBLEMS 139 (1992).

After the exclusive right of the Stationers’ Company ended in 1695, members of the company faced substantial competition in the printing of books for the first time. They promptly sought assistance from Parliament. In 1710, Parliament responded by passing the Statute of Anne. The Statute of Anne vested in *authors* of books a monopoly over their works. Unlike the perpetual rights granted to publishers by decree, the statutory right was limited to only 14 years, with an additional 14 years if the author

² Prior to royal decrees, an author had the property right to physical possession of his manuscript as well as copyright protection at common law. See H. Tomás Gómez-Arostegui, *Copyright at Common Law in 1774*, 47 CONN. L. REV. 1 (2014).

of the principal milestones and motivating forces behind the evolution of U.S. copyright law over the past century:

i. 1909 Act

The most significant overhaul of the Copyright Act since its founding occurred in 1909. Like the piece-meal amendments of the nineteenth century, the 1909 Act further expanded protection to include “all writings,” reaching works in progress and speeches, among other new matter. Copyright protection lasted for an initial term of 28 years, with an additional 28 years available upon renewal. Failure to provide proper notice upon publication of a work forfeited protection.

The requirements of registration and notice of copyright put the U.S. at odds with an emerging European consensus prohibiting any formality to copyright protection. Establishing compliance with formalities proved difficult in this relatively primitive technological era. Authors prevailed upon signatories of the Berne Convention for the Protection of Literary and Artistic Works (initially promulgated in 1886), as revised in 1908 in Berlin, to prohibit any formal prerequisites to copyright enforcement in foreign tribunals. As a result of its registration, notice upon publication, and domestic manufacturing requirements, the U.S. was not eligible for Berne membership.

ii. 1976 Act and Related Reforms

Advances in technology for creating and distributing works of authorship—most notably, sound recording and broadcasting—as well as anachronisms of the 1909 Act (such as the dual term of protection) periodically aroused interest in reforming the Copyright Act through the middle of the twentieth century, but no significant legislation resulted. In 1955, Congress requested that the Copyright Office undertake a series of studies aimed at assessing the copyright system and set in motion an effort aimed at comprehensive reform of the statute through negotiation among the principal interest groups affected by copyright policy. The complex process bogged down over the treatment of cable television and jukeboxes. With the rise of record piracy in the late 1960s, Congress passed, as interim measure, a law providing federal copyright protection for sound recordings in 1971. Congress finally approved the omnibus reform in 1976. This law continues to serve as the principal framework for copyright protection in the United States.

The 1976 Act expanded both the scope and duration of protection. All written works became protected upon being “fixed in a tangible medium of expression,” even if they were unpublished. The duration of copyright was expanded to the life of the author plus 50 years, or 75 years in the case of anonymous works, pseudonymous works, and works made for hire. Furthermore, the formal notice and registration requirements were loosened, although not discarded. In other respects, the 1976 Act weakened intellectual property protection by establishing several new compulsory licensing regimes, approving numerous exemptions from liability, codifying the fair use doctrine that had been developing through the courts, and preempting most state and common law protections that impinge upon federal copyright protection. In 1980, Congress expressly incorporated protection for computer programs into the Copyright Act. At the urging of

the major copyright industries, Congress added an additional 20 years to the duration of copyright protection in 1998.

In contrast to the 1909 Act, which was a relatively concise statute that required significant judicial gap-filling, the Copyright Act of 1976 is a far more detailed statute with an extensive legislative history. In several areas, the Act gave statutory recognition to doctrines that had previously been judge-made (e.g., §102(b)); in others, it left the law to courts to continue to develop incrementally (e.g., originality, fair use); and in yet others, it introduced altogether new and comprehensive regulatory schemes.

iii. Berne Convention Accession

As the global content marketplace expanded to unprecedented levels in the 1980s and piracy of copyrighted works in many corners of the world increased, the United States joined the Berne Convention in 1989 as a means for expanding protection for U.S. works throughout the world and enhancing U.S. influence on the direction of global copyright protection. As a result, Congress approved several amendments between 1988 and 1994 scaling back formalities, extending protection for moral rights and architectural works, and restoring copyright for foreign works under protection in the source country but in the public domain in the United States so as to bring U.S. copyright law into compliance with the minimum standards set forth in the Berne Convention.

iv. The Digital Age

By the early 1990s, advances in digital technology were beginning to be felt in the major content marketplaces. The traditional content industries feared that widespread availability of technology for making low-cost, perfect copies of digital media could undermine their ability to enforce their rights. In response, Congress has passed several detailed amendments to the Copyright Act during the 1990s aimed at reforming copyright law for the digital age. The Audio Home Recording Act of 1992 regulated the design of digital audio tape technology and imposes a levy on the sale of devices and blank media intended to compensate copyright owners for losses from home copying. The Digital Performance Right in Sound Recordings Act of 1995 afforded creators and owners of sound recordings a basis for earning income on digital streams (webcasts) of their works. The No Electronic Theft (NET) Act of 1996 expanded criminal enforcement for piracy over digital networks. The Digital Millennium Copyright Act (DMCA) of 1998 afforded copyright owners rights against those who circumvent copy protection technologies and insulated online service providers from liability for infringing acts of their subscribers subject to various limitations. The Music Modernization Act (MMA), passed in 2018, substantially overhauled digital music licensing and extended federal copyright protection to pre-1972 sound recordings.

2. An Overview of the Copyright Regime

Although the copyright and patent laws flow from the same constitutional basis and share the same general approach—statutorily created exclusive rights to foster progress—they feature different elements and rights, reflecting the very different fields

of creativity that they seek to encourage. We sketch below the basic elements and rights of copyright law. As you review these features, contrast them to the analogous provisions of the patent law. How do you explain the differences?

A protectable copyright has the following elements:

- *Copyrightable Subject Matter.* The subject matter protectable by copyright spans the broad range of literary and artistic expression—including literature, song, dance, sculpture, graphics, painting, photography, sound, movies, and computer programming. Ideas themselves are not copyrightable, but the author’s particular expression of an idea is protectable.
- *Threshold for Protection.* A work need only exhibit a modicum of originality and be fixed in a “tangible medium of expression.”
- *Formalities.* Notice of copyright is required on all works published prior to 1989. Registration of a copyright is not strictly required for its validity, but is required of U.S. authors prior to instituting an infringement suit. Deposit of copies of the work is required to obtain registration of copyright.
- *Authorship and Ownership.* The work must have been created by the party bringing suit, or rights in the work must have been transferred by the author to the party bringing suit. In the case of “works made for hire,” the employer and not the original creator is considered the author and the owner of the work.
- *Duration of Copyright.* A copyright lasts for the life of the author plus 70 years, or 95 years from first publication in the case of anonymous works, pseudonymous works, works made for hire (or 120 years from the year of creation, whichever occurs first).

Although the United States Copyright Office registers works, unlike the Patent and Trademark Office, it does not conduct a search of the prior art or make any assessment of validity (other than to ensure a modicum of creativity). The Copyright Office functions more like a title registry office. A copyright is protectable at the moment the work is created.

Compared to patents, the ease with which copyrights may be obtained and the duration for which they last are counterbalanced by the more limited rights accorded and the numerous and substantial exceptions and limitations to protection. Ownership of a valid copyright confers the following rights:

- *Reproduction.* The owner has the exclusive right to make copies. She may sue a copier for infringement if the copying is “material” and “substantial,” even if the copy is in a different form or is of only part of the whole.
- *Derivative Works.* The owner has the exclusive right to prepare derivative works, which are works based on the original but in different forms or otherwise altered (such as translations, movies based on books, etc.). These derivative works are themselves copyrightable to the extent that they contain original expression. Note that the right to create derivative works is closely related to the right to reproduce and employs essentially the same standard for infringement.

- *Distribution.* The owner has the right to control the sale and distribution of the original and all copies or derivative works, including licensed copies. However, this right extends only to the first sale of such works. The owner does not have the right to limit resale by purchasers of her works (except in certain limited circumstances).
- *Performance and Display.* The owner has the right to control public (but not private) performance and display of her works, including both literary and performance-oriented works. This right extends to computer programs and other audiovisual works. The owner generally does not, however, have the right to prevent the display of a particular original or copy of a work of art in a public place.
- *Anticircumvention.* The Copyright Act prohibits the circumvention of technological protection measures (such as encryption) designed to safeguard digitally encoded works, subject to several exceptions and limitations.
- *Moral Rights.* Certain visual artists possess an attribution right in their works as well as rights to prevent intentional distortion, mutilation, or other modification of their work, and to block destruction of works of “recognized stature,” subject to several limitations.

Like patents, copyrights are protected against both direct and indirect (contributory, vicarious, or inducement) infringement.

These rights are limited in several ways. The fair use doctrine, intended to create leeway for criticism, comment, news reporting, teaching, scholarship, and research, applies a balancing test to determine whether a use of copyrighted material should be permitted without the owner’s authorization. In addition, the Copyright Act establishes compulsory licensing for musical compositions, cable television, and webcasts, among others, and exempts some uses from liability. The Act also establishes a safe harbor that partially immunizes online service providers from monetary liability for infringing acts of their subscribers.

There is a more fundamental difference between patent and copyright law. Copyrights do not give their owner the exclusive right to prevent others from making, using, or selling their creations. Rather, they give the author only the right to prevent *unauthorized copying* of their works, as well as the right to prevent some limited types of uses of those works (such as public performances) when derived from the copyright owner. The independent development of a similar or even identical work is perfectly legal. This means that copyright law must have some mechanism for determining when a work has been copied illegally. While in some cases direct proof of copying may be available, in most cases courts determine whether copying has occurred on the basis of the defendant’s access to the plaintiff’s work and the extent which the two works are similar. If copying is proven—whether directly or by inference—then infringement will be found if the defendant’s work is substantially similar to protected expression—in whole or substantial part—in the plaintiff’s work.

for the general public good. “The sole interest of the United States and the primary object in conferring the monopoly,” this Court has said, “lie in the general benefits derived by the public from the labors of authors.”

Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975). See also *Mazer v. Stein*, 347 U.S. 201, 219 (1954). And it has explained that:

The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of this genius after the limited period of exclusive control has expired.

Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984).

American copyright law can thus be seen as primarily striving to achieve an optimal balance between fostering incentives for the creation of literary and artistic works and the optimal use and dissemination of such works. Nonetheless, copyright law reflects other philosophical perspectives as well. Society grants copyrights both because it wants to encourage creation and because it wants to reward authors for their work. Copyright also reflects the Lockean principle that authors deserve to own the works they have created. The law limits the duration and scope of copyrights because it wants to make sure that copyright protection does not unduly burden other creators or free expression, that works are widely disseminated, and that the next generation of authors can make use of ideas in creating still more works. As we will see later in this chapter, international pressure and appeals by artists have brought increased recognition of the moral rights of artists. These policies interact in complex ways. In many cases, there is still great controversy over which policy should predominate.

COMMENTS AND QUESTIONS

1. How can we strike the proper balance between fostering incentives for the creation of literary and artistic works and the optimal use and dissemination of such works? Does the same duration of protection for all copyrightable works—whether books, computer programs, songs, paintings, or choreographic works—make sense? Do other justifications beyond the utilitarian balance better explain copyright’s structure and provisions?

2. As you review this chapter, contrast the way in which copyright law, trade secret law, and patent law vary along the following dimensions:

- threshold for protection
- duration of protection
- rights conferred
- treatment of independent creation
- defenses to infringing use

To what extent can the differences among these legal regimes be explained by differences in the subject of coverage (and the nature of the creative process in these

areas)? Differences in the philosophical justifications for these modes of protection? Other factors?

3. The term “copyright” reflects the underlying philosophy of the Anglo-American regime for protecting literary and artistic works—regulation of the right to make *copies* for the purpose of promoting progress in the arts and literature. The emphasis is on the benefit to the public, not the benefits or rights of authors. By contrast, the civil law analog to copyright has a different name and orientation. In France, the comparable body of law is *droit d’auteur*, which translates to “author’s rights.” The laws in Germany and Spain are similar—*Urheberrecht* and *derecho de autor*. This civil law tradition derives more from a Kantian (natural rights) or Hegelian (personhood) justification for legal entitlements, and thus focuses on the rights of *authors*. Thus, the civil law countries have long expressly protected the moral rights of authors—e.g., the right of an author to prevent the mutilation of his or her work after it is sold. *See generally* Jane C. Ginsburg, *A Tale of Two Copyrights: Literary Property in Revolutionary France and America*, 64 TUL. L. REV. 991 (1990).

Of what significance is the underlying philosophical perspective—whether utilitarian, natural rights, or personhood—for the structure and content of copyright law? Which perspective is more appropriate as a matter of social justice? Public policy? Can these perspectives be effectively harmonized without losing their coherence? Do different philosophical perspectives apply to different copyright doctrines?

4. To what extent does the open source model of collaborative creativity call the need for copyright law into question? Does the Internet’s essentially free distribution system call for radical changes in the structure of copyright law? Should copyright law be strengthened or weakened in the digital age? What considerations guide your analysis? *See* Peter S. Menell, *This American Copyright Life, Reflections on Re-Equilibrating Copyright for the Internet Age*, 61 J. COPYRIGHT SOC’Y OF THE U.S.A. 235 (2014); ROBERT LEVINE, *FREE RIDE: HOW DIGITAL PARASITES ARE DESTROYING THE CULTURE BUSINESS, AND HOW THE CULTURE BUSINESS CAN FIGHT BACK* (2011); YOCHAI BENKLER, *THE WEALTH OF NETWORKS: HOW SOCIAL PRODUCTION TRANSFORMS MARKETS AND FREEDOM* (2006); ERIC VON HIPPEL, *DEMOCRATIZING INNOVATION* (2005); LAWRENCE LESSIG, *FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL* (2004); PAUL GOLDSTEIN, *COPYRIGHT’S HIGHWAY: FROM GUTENBERG TO THE CELESTIAL JUKEBOX* (2d ed. 2003).

B. REQUIREMENTS

1. Original Works of Authorship

17 U.S.C. §102. Subject Matter of Copyright: In General

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. . . .

The legislative history to the 1976 Copyright Act provides:

The two fundamental criteria of copyright protection—originality and fixation in a tangible form—are restated in the first sentence of this cornerstone provision. The phrase “original works of authorship,” which is purposively left undefined, is intended to incorporate without change the standard of originality established by the courts under the present copyright statute. This standard does not include requirements of novelty, ingenuity, or esthetic merit, and there is no intention to enlarge the standard of copyright protection to require them. . . .

As developed by the courts, originality entails *independent creation* of a work reflecting a *modicum of creativity*. Independent creation requires only that the author not have copied the work from some other source. As the eminent copyright jurist Learned Hand observed,

If by some magic a man who had never known it were to compose anew Keats’s *Ode on a Grecian Urn*, he would be an “author” and, if he copyrighted it, others might not copy that poem, though they might of course copy Keats’s. *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54 (2d Cir. 1936). This highlights an important distinction between patent and copyright law.

The alleged inventor is chargeable with full knowledge of all the prior art, although in fact he may be utterly ignorant of it. The “author” is entitled to a copyright if he independently contrived a work completely identical with what went before; similarly, although he obtains a valid copyright, he has no right to prevent another from publishing a work identical with his, if not copied from his.

Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99, 103 (2d Cir. 1951).

Courts have set the threshold of creativity necessary to satisfy the originality requirement quite low. Copyright law does not require that a work be strikingly unique or novel. . . . All that is needed to satisfy both the Constitution and the statute is that the “author” contributed something more than a “merely trivial” variation, something recognizably “his own.” Originality in this context “means little more than a prohibition of actual copying.” No matter how poor artistically the “author’s” addition, it is enough if it be his own.

Id. at 102–03. Courts say they will not judge the artistic merit of a work:

It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits. At one extreme some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke. It may be more than doubted, for instance, whether the etchings of Goya or the paintings of Manet would have been sure of protection when seen for the first time. At the other end, copyright would be denied to pictures which appealed to a public less educated than the judge.

Bleistein v. Donaldson Lithographing Co., 188 U.S. 239, 251–52 (1903) (finding a circus advertisement to be sufficiently original). Courts have rarely found literary or artistic works to fall below the *de minimis* originality threshold of copyright law. The few exceptions generally relate to slogans and exceedingly modest variations on another work. See 37 C.F.R. §202.1 Material Not Subject to Copyright (“(a) Words and short phrases such as names, titles, and slogans; familiar symbols or designs; mere variations of typographical ornamentation, letter or coloring; mere listing of ingredients or contents . . . (e) Typeface as typeface.”); H.R. REP. NO. 1476, 94th Cong., 2d Sess. at 55 (noting that Judiciary Committee “does not regard the design of typeface . . . to be a copyrightable “pictorial, graphic, or sculptural work” due to their “intrinsic utilitarian function . . . in composing text or other cognizable combinations of characters.”); *but see* *Hall v. Swift*, 786 F. Appx. 711 (9th Cir. 2019) (holding in suit against Taylor Swift that the six-word phrase “players gonna play, haters gonna hate” was sufficiently original to be copyrightable).

A more difficult problem arises when an author creates a work in a mechanical or functional manner. Such assemblage of information can be costly and time consuming (entailing significant “sweat of the brow”), but may lack creativity. Should copyright law protect such works? Proponents of copyright protection for so-called “sweatworks” draw upon Lockean (labor theory), economic (without protection, there would be inadequate incentives to compile data), and fairness (unjust enrichment) rationales. See Robert Denicola, *Copyright in Collections of Facts: A Theory for the Protection of Nonfiction Literary Works*, 81 COLUM. L. REV. 516 (1981). Opponents of copyright protection for “sweatworks” see these works as in conflict with the rationale of protecting creativity. Furthermore, they point to the dangers of monopoly and wasted resources if several competing companies do the same fact-intensive work to produce the same product. The Supreme Court examined this set of issues through a constitutional lens in the following case.



**Feist Publications v. Rural Telephone Service
Supreme Court of the United States
499 U.S. 340 (1991)**

JUSTICE O’CONNOR delivered the opinion of the Court.

This case requires us to clarify the extent of copyright protection available to telephone directory white pages.

I

Rural Telephone Service Company is a certified public utility that provides telephone service to several communities in northwest Kansas. It is subject to a state regulation that requires all telephone companies operating in Kansas to issue annually an updated telephone directory. Accordingly, as a condition of its monopoly franchise, Rural publishes a typical telephone directory, consisting of white pages and yellow pages. The white pages list in alphabetical order the names of Rural’s subscribers, together with their towns and telephone numbers. The yellow pages list Rural’s business

this point, noting in its brief that “facts and discoveries, of course, are not themselves subject to copyright protection.” At the same time, however, it is beyond dispute that compilations of facts are within the subject matter of copyright. Compilations were expressly mentioned in the Copyright Act of 1909, and again in the Copyright Act of 1976.

There is an undeniable tension between these two propositions. Many compilations consist of nothing but raw data—i.e., wholly factual information not accompanied by any original written expression. On what basis may one claim a copyright in such a work? Common sense tells us that 100 uncopyrightable facts do not magically change their status when gathered together in one place. Yet copyright law seems to contemplate that compilations that consist exclusively of facts are potentially within its scope.

The key to resolving the tension lies in understanding why facts are not copyrightable. The *sine qua non* of copyright is originality. To qualify for copyright protection, a work must be original to the author. See *Harper & Row, supra*, at 547–549. Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity. 1 M. NIMMER & D. NIMMER, COPYRIGHT §2.01[A], [B] (1990) (hereinafter NIMMER). To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily, as they possess some creative spark, “no matter how crude, humble or obvious” it might be. *Id.*, §1.08[C][1]. Originality does not signify novelty; a work may be original even though it closely resembles other works so long as the similarity is fortuitous, not the result of copying. . . .

Originality is a constitutional requirement. The source of Congress’ power to enact copyright laws is Article I, §8, cl. 8, of the Constitution, which authorizes Congress to “secur[e] for limited Times to Authors . . . the exclusive Right to their respective Writings.” In two decisions from the late 19th century—*The Trade-Mark Cases*, 100 U.S. 82 (1879); and *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53 (1884)—this Court defined the crucial terms “authors” and “writings.” In so doing, the Court made it unmistakably clear that these terms presuppose a degree of originality.

In *The Trade-Mark Cases*, the Court addressed the constitutional scope of “writings.” For a particular work to be classified “under the head of writings of authors,” the Court determined, “originality is required.” 100 U.S., at 94. The Court explained that originality requires independent creation plus a modicum of creativity: “[W]hile the word *writings* may be liberally construed, as it has been, to include original designs for engraving, prints, &c., it is only such as are *original*, and are founded in the creative powers of the mind. The writings which are to be protected are *the fruits of intellectual labor*, embodied in the form of books, prints, engravings, and the like.” *Ibid.* (emphasis in original).

In *Burrow-Giles*, the Court distilled the same requirement from the Constitution’s use of the word “authors.” The Court defined “author,” in a constitutional sense, to mean

“he to whom anything owes its origin; originator; maker.” 111 U.S., at 58 (internal quotation marks omitted). As in *The Trade-Mark Cases*, the Court emphasized the creative component of originality. It described copyright as being limited to “original intellectual conceptions of the author,” 111 U.S., at 58, and stressed the importance of requiring an author who accuses another of infringement to prove “the existence of those facts of originality, of intellectual production, of thought, and conception.” *Id.*, at 59–60.

The originality requirement articulated in *The Trade-Mark Cases* and *Burrow-Giles* remains the touchstone of copyright protection today. See *Goldstein v. California*, 412 U.S. 546, 561–562 (1973). It is the very “premise of copyright law.” *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 1368 (CA5 1981). Leading scholars agree on this point. As one pair of commentators succinctly puts it: “The originality requirement is constitutionally mandated for all works.” Patterson & Joyce, *Monopolizing the Law: The Scope of Copyright Protection for Law Reports and Statutory Compilations*, 36 UCLA L. REV. 719, 763, n.155 (1989) (emphasis in original) (hereinafter Patterson & Joyce). *Accord, id.*, at 759–760, and n.140; NIMMER §1.06[A] (“[O]riginality is a statutory as well as a constitutional requirement”); *id.*, §1.08[C][1] (“[A] modicum of intellectual labor . . . clearly constitutes an essential constitutional element”).

It is this bedrock principle of copyright that mandates the law’s seemingly disparate treatment of facts and factual compilations. “No one may claim originality as to facts.” *Id.*, §2.11[A], p. 2-157. This is because facts do not owe their origin to an act of authorship. The distinction is one between creation and discovery: the first person to find and report a particular fact has not created the fact; he or she has merely discovered its existence. . . .

Factual compilations, on the other hand, may possess the requisite originality. The compilation author typically chooses which facts to include, in what order to place them, and how to arrange the collected data so that they may be used effectively by readers. These choices as to selection and arrangement, so long as they are made independently by the compiler and entail a minimal degree of creativity, are sufficiently original that Congress may protect such compilations through the copyright laws. NIMMER §§2.11[D], 3.03. Thus, even a directory that contains absolutely no protectable written expression, only facts, meets the constitutional minimum for copyright protection if it features an original selection or arrangement. See *Harper & Row*, 471 U.S., at 547.

This protection is subject to an important limitation. The mere fact that a work is copyrighted does not mean that every element of the work may be protected. Originality remains the *sine qua non* of copyright; accordingly, copyright protection may extend only to those components of a work that are original to the author. . . .

This inevitably means that the copyright in a factual compilation is thin. Notwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another’s publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement. As one commentator explains it: “[N]o matter how much original authorship the work displays,

the facts and ideas it exposes are free for the taking. . . . [T]he very same facts and ideas may be divorced from the context imposed by the author, and restated or reshuffled by second comers, even if the author was the first to discover the facts or to propose the ideas.” Ginsburg 186-8.

It may seem unfair that much of the fruit of the compiler’s labor may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not “some unforeseen byproduct of a statutory scheme.” *Harper & Row*, 471 U.S., at 589 (dissenting opinion). It is, rather, “the essence of copyright,” and a constitutional requirement. The primary objective of copyright is not to reward the labor of authors, but “to promote the Progress of Science and useful Arts.” Art. I, §8, cl. 8. *Accord Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). . . .

III

There is no doubt that Feist took from the white pages of Rural’s directory a substantial amount of factual information. At a minimum, Feist copied the names, towns, and telephone numbers of 1,309 of Rural’s subscribers. Not all copying, however, is copyright infringement. To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original. *See Harper & Row*, 471 U.S., at 548. The first element is not at issue here; Feist appears to concede that Rural’s directory, considered as a whole, is subject to a valid copyright because it contains some foreword text, as well as original material in its yellow pages advertisements.

The question is whether Rural has proved the second element. In other words, did Feist, by taking 1,309 names, towns, and telephone numbers from Rural’s white pages, copy anything that was “original” to Rural? Certainly, the raw data does not satisfy the originality requirement. Rural may have been the first to discover and report the names, towns, and telephone numbers of its subscribers, but this data does not “owe its origin” to Rural. *Burrow-Giles*, 111 U.S., at 58. Rather, these bits of information are uncopyrightable facts; they existed before Rural reported them and would have continued to exist if Rural had never published a telephone directory. The originality requirement “rules out protecting . . . names, addresses, and telephone numbers of which the plaintiff by no stretch of the imagination could be called the author.” *Patterson & Joyce* 776. . . .

The question that remains is whether Rural selected, coordinated, or arranged these uncopyrightable facts in an original way. As mentioned, originality is not a stringent standard; it does not require that facts be presented in an innovative or surprising way. It is equally true, however, that the selection and arrangement of facts cannot be so mechanical or routine as to require no creativity whatsoever. The standard of originality is low, but it does exist. *See Patterson & Joyce* 760, n.144 (“While this requirement is sometimes characterized as modest, or a low threshold, it is not without effect”). As this Court has explained, the Constitution mandates some minimal degree of creativity, *see The Trade-Mark Cases*, 100 U.S., at 94; and an author who claims infringement must

prove “the existence of . . . intellectual production, of thought, and conception.” *Burrow-Giles, supra*, at 59–60.

The selection, coordination, and arrangement of Rural’s white pages do not satisfy the minimum constitutional standards for copyright protection. As mentioned at the outset, Rural’s white pages are entirely typical. Persons desiring telephone service in Rural’s service area fill out an application and Rural issues them a telephone number. In preparing its white pages, Rural simply takes the data provided by its subscribers and lists it alphabetically by surname. The end product is a garden-variety white pages directory, devoid of even the slightest trace of creativity.

Rural’s selection of listings could not be more obvious: it publishes the most basic information—name, town, and telephone number—about each person who applies to it for telephone service. This is “selection” of a sort, but it lacks the modicum of creativity necessary to transform mere selection into copyrightable expression. Rural expended sufficient effort to make the white pages directory useful, but insufficient creativity to make it original.

We note in passing that the selection featured in Rural’s white pages may also fail the originality requirement for another reason. Feist points out that Rural did not truly “select” to publish the names and telephone numbers of its subscribers; rather, it was required to do so by the Kansas Corporation Commission as part of its monopoly franchise. *See* 737 F. Supp., at 612. Accordingly, one could plausibly conclude that this selection was dictated by state law, not by Rural.

Nor can Rural claim originality in its coordination and arrangement of facts. The white pages do nothing more than list Rural’s subscribers in alphabetical order. This arrangement may, technically speaking, owe its origin to Rural; no one disputes that Rural undertook the task of alphabetizing the names itself. But there is nothing remotely creative about arranging names alphabetically in a white pages directory. It is an age-old practice, firmly rooted in tradition and so commonplace that it has come to be expected as a matter of course. *See* Brief for Information Industry Association et al. as *Amici Curiae* 10 (alphabetical arrangement “is universally observed in directories published by local exchange telephone companies”). It is not only unoriginal, it is practically inevitable. This time-honored tradition does not possess the minimal creative spark required by the Copyright Act and the Constitution.

We conclude that the names, towns, and telephone numbers copied by Feist were not original to Rural and therefore were not protected by the copyright in Rural’s combined white and yellow pages directory. . . .

COMMENTS AND QUESTIONS

1. *Originality Intent?* The Court’s conclusion turns critically upon the premise that the framers of the Constitution—through their use of the word “authors” and “writings”—intended originality as the touchstone and the bedrock for copyright protection. Does this square with the scope of protection for the 1790 Act—books, *maps*, and *charts*—approved by many of the framers during the first Congress? *Cf. Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 56 (1884) (expressing doubt

- Physicians' Current Procedural Termination (CPT)—the American Medical Association's coding system for medication procedures. *See Practice Mgmt. Info. Corp. v. Am. Med. Ass'n*, 121 F.3d 516, 517 (9th Cir. 1997), amended by 133 F.3d 1140 (9th Cir. 1998) (holding federal agency's adoption of work as standard in preparation of Medicare and Medicaid claims did not render copyright invalid, but that the Association engaged in copyright misuse by licensing work to agency, which regulated submission of Medicare and Medicaid claims, in exchange for the agency's agreement not to use competing coding system).
- Jerry Seinfeld and Larry David created a complex and fickle ensemble of characters—Jerry, George, Elaine, Kramer, Newman, the Soup Nazi—based in part on real people, their relationships, and their experiences. To what extent are they and the incidents that the *Seinfeld* television series portrays protectable. *See Castle Rock Entertainment Inc. v. Carol Publishing Group*, 150 F.3d 132 (2d Cir. 1998) (holding “facts” about Seinfeld episodes copyrightable).
- Southco's nine-digit part numbering system for its line of mechanical fastener parts in which different digits denote functional characteristics of each product—e.g., installation type, thread size, recess type (Phillips or slotted), grip length, type of material, and knob finish. *See Southco, Inc. v. Kanebridge Corp.*, 390 F.3d 276 (3d Cir. 2004) (Alito, J.) (en banc) (holding part numbers used to identify and distinguish among types of screw fasteners not protectable).
- The Red Book, a well-known listing of regional car valuations reflecting the editors' projections of the values for the next six weeks of average versions of most of the used cars (up to seven years old) sold in that region. *See CCC Info. Servs., Inc. v. Maclean Hunter Mkt. Reports, Inc.*, 44 F.3d 61, 63 (2d Cir. 1994) (reversing district court decision finding the valuations to be unprotectable facts and holding that the Red Book numbers as well as the selection and arrangement of the Red Book to be protectable expression).
- A comprehensive weekly report of wholesale prices for collectible United States coins, used extensively by coin dealers. *See CDN Inc. v. Kapes*, 197 F.3d 1256 (9th Cir. 1999) (holding that a list of wholesale prices for rare coins listed by publisher contained sufficient originality to attract copyright protection).

Does the *Feist* definition of facts—as things that are “discovered” but not “created”—illuminate or complicate the analysis of these contexts? Are phone numbers discovered or created?

4. *Fictitious “Facts” and Copyright Estoppel*. Suppose that an author writes a manuscript that she holds out to the world as fact, even though the work is fictional. Should that author be able to prevent another from appropriating these fictitious “facts” in another work, such as a movie, on the basis of copyright infringement? The courts have developed a defense of copyright estoppel to bar such lawsuits: “equity and good morals will not permit one who asserts something as a fact which he insists his readers believe as the real foundation for its appeal to those who may buy and read the work, to change that position for profit in a law suit.” *Oliver v. Saint Germain Foundation*, 41 F.

Supp. 296 (S.D. Cal. 1941) (dismissing lawsuit by alleged copyright owner who averred that his manuscript had been dictated by a spirit from another planet); *Urantia Found. v. Maaherra*, 114 F.3d 955 (9th Cir. 1997) (concluding that copyright did not extend to words allegedly dictated by a deity, but human selection and arrangement of the scripture could be copyrightable). But some courts have found that fictitious elements included as a copyright trap in an otherwise factual historical work can be copyrighted. See *De Acosta v. Brown*, 146 F.2d 408, 409-10 (2d Cir. 1944); Jacqueline Kett, *As a Matter of Fact: Copyrighting Fictitious Entries within Reference Works*, 72 CASE W. RES. L. REV. 507 (2021) (providing a taxonomy of fictitious fact cases).

5. *Historical Facts and Research*. It is clear that copyright law does not protect historical facts on the ground that such information is not original. Some courts have extended this doctrine to deny copyright protection for historical research. In *Miller v. Universal Studios*, 650 F.2d 1365 (5th Cir. 1981), an investigative reporter spent more than 2,500 hours researching a bizarre kidnapping and rescue in which the victim had been buried alive in an underground coffin for five days. The researcher and the victim published a book describing the events. After efforts to obtain movie rights for the book failed, Universal Studios proceeded to produce a film based largely upon the book. The Fifth Circuit held “the valuable distinction in copyright between facts and the expression of facts cannot be maintained if research is held to be copyrightable.” 650 F.2d at 1365; see also *Corbello v. Valli*, 974 F.3d 965 (9th Cir. 2020) (rejecting suit claiming that the musical *Jersey Boys*, about singer Frankie Valli, infringed his autobiography by depicting the facts of his life); see also *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir. 1980).

Should copyright deny protection for the discoveries of historians? Is this consistent with the incentive basis for copyright protection? What arguments can be made in defense of the doctrine? To what extent is the selection and arrangement of facts protectable under copyright? What about an original theory interpreting historical research? See Jane C. Ginsburg, *Sabotaging and Reconstructing History: A Comment on the Scope of Copyright Protection in Works of History After Hoehling v. Universal Studios*, 29 J. COPYRIGHT SOC’Y 647 (1982).

6. *Policy Analysis of Database Protection*. Putting aside the debatable historical analysis underlying the *Feist* decision, is the Court’s determination sound from a larger policy perspective? See Jerome H. Reichman & Pamela Samuelson, *Intellectual Property Rights in Data?*, 50 VAND. L. REV. 51 (1997). Is there any room for protection of factual compilations after *Feist*? See *Experian Info. Solutions v. Nationwide Mktg. Servs.*, 893 F.3d 1176 (9th Cir. 2018) (holding that Experian could protect its database matching 250 million names to addresses, but only against “bodily appropriation” of the database; the defendant’s database was only 80% of the size of plaintiff’s database and therefore was not a nearly-complete copy).

In the wake of *Feist*, owners of databases and other factual compilations have turned increasingly to contract law to protect their “sweat of the brow” investment. See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996). These cases allow database vendors to protect by contract what they cannot protect by copyright, so that someone who

protect such works under the Intellectual Property Clause? Could such legislation be grounded on the Commerce Clause? Is it necessary, given the success of a number of database companies without direct protection in the decades following *Feist*?

7. *Photography*. During the early development of photography, great skill was required to capture even a basic portrait. The photographer paid special attention to lighting, composition, exposure, and printing. Today, even a monkey can take a selfie, although it does not qualify as an author under the Copyright Act and lacks standing to assert infringement. See *Naruto v. Slater*, 888 F.3d 418 (9th Cir. 2018). Yet Ansel Adams and Galen Rowell have captured some of the most beautiful images of nature. Do all photographs clear the originality threshold? Why? Does it matter whether they are candid or composed? What if they are just portraits of a person with no background? See Rebecca Tushnet, *Worth a Thousand Words: The Images of Copyright*, 125 HARV. L. REV. 683 (2012); Justin Hughes, *The Photographer's Copyright—Photograph as Art, Photograph as Database*, 25 HARV. J.L. & TECH. 339 (2011–2012); Eva E. Subotnik, *Originality Proxies: Toward a Theory of Copyright and Creativity*, 76 BROOK. L. REV. 1487 (2011).

8. *Copyright Protection for Maps*. Recall that the first federal copyright statute expressly included maps and charts (e.g., nautical maps) within the scope of copyright protection. Under the present statute, copyright protection extends to maps under the definition of “pictorial, graphic and sculptural works.” Can a map satisfy the originality requirement set forth in *Feist*? Isn't a map by its nature predominantly if not entirely driven by functional considerations (i.e., accurate representation of geographic information)?

In *Mason v. Montgomery Data, Inc.*, 967 F.2d 135 (5th Cir. 1992), a case decided after *Feist*, the court held that a series of real estate maps of a Texas county were eligible for copyright protection. The court found the maps original in two distinct respects: (1) Mason had exercised “sufficient creativity in [] the selection, coordination and arrangement of the facts that [the maps] depict”; and (2) the graphic artistry of the maps themselves was sufficiently original to qualify for protection. Are either of these elements truly original in the typical map? For example, what if the map includes every publicly accessible road? How many ways are there to accurately depict the United States and its 50 states? Should copyright depend on something as trivial as the colors chosen for each political subdivision? Cf. *Darden v. Peters*, 488 F.3d 277 (4th Cir. 2007) (upholding refusal of the Copyright Office to register standard census maps with the addition of color, shading, and labels using standard fonts and shapes as insufficiently original).

PROBLEMS

Problem IV-1. Central Bell, the local telephone utility, distributes both a “white pages” telephone book and a “yellow pages,” which lists businesses that have chosen to advertise there. Bell’s yellow pages are organized alphabetically by subject matter of the business and alphabetically within each subject. Bell itself created the subject

headings with input from its advertisers. Bell also sells larger advertisements to certain companies for more money. Christopher Publications decides to create and distribute its own yellow pages directory to compete with Bell. Christopher does this by taking a copy of Bell's yellow pages and calling every business that advertises there and asking each if it would like to advertise in Christopher's publication. Christopher places the resulting ads in its own subject matter listings (which do overlap somewhat with Bell's). Many of the advertisements themselves (which are submitted by the advertisers) are identical to those in the Bell directory. Bell sues Christopher for copyright infringement. Who should prevail?

Problem IV-2. Harry Historian had always been curious about the cause of the Hindenburg disaster, the explosion of a German zeppelin in 1938. After carefully investigating records and news accounts of the disaster and interviewing witnesses, Harry concluded that the disaster was caused by a disgruntled crew member who sabotaged the dirigible so as to embarrass the Nazi regime. He then wrote a book developing his hypothesis. The book contained rich descriptions of the events leading up to the disaster, including detailed accounts of German beer hall revelry and the passionate patriotism of German nationals (as expressed in their enthusiastic singing of the German national anthem). Without obtaining the movie rights to Harry's book, Capitalistic Studios produced a movie of the disaster which featured a crewman-saboteur and many of the richly detailed scenes in Harry's book. Does Harry have a valid copyright infringement claim? Should he have such a claim?

Problem IV-3. Assume that West Publishing Company, which has published both official and unofficial reports of federal and state court decisions for over 100 years, and Lexis are the only competitors in the market for computer legal research databases. Because cases (especially in the federal courts) are cited by West's volume and page number, Lexis decides to copy West's pagination in its computer database. West sues, arguing that the arrangement of its cases in its reporters is copyrighted. Does West have a valid copyright?

Problem IV-4. The Bond News and Investor's World are both financial reporting services. Each provides to its subscribers a weekly update of all municipal bonds that have been "called" by the city, and several pieces of information about the bonds: the bond series, the call price, the date of the call, and the address and phone number of the calling agency. Bond obtains this information by having researchers cull through published notices in 250 newspapers nationwide each day. Bond, suspecting that Investor's is copying its data rather than conducting a similar search, plants false information in its updates. When Investor's publishes the same false information in its updates, Bond sues. Investor's admits copying the data but claims that it had a right to do so because the data were not copyrightable. Who should prevail?

Problem IV-5. In 1996, the New York-New York Hotel & Casino paid Robert Davidson \$385,000 to sculpt the Las Vegas statue. Rather than replicate the New York Harbor Statue of Liberty precisely, he improvised a more contemporary female face. The eyes, eyelids and eyebrows on the replica appear more sharply defined than on the original statue. The lips on the replica are sultry and the hair is more modern.

In December 2010, the U.S. Postal Service issued a new stamp commemorating the Statue of Liberty. The press release announced “[t]he statue, located on Liberty Island in New York Harbor, was designed by French sculptor Frederic-Auguste Bartholdi.”



Statue of Liberty
New York City



Statue of Liberty Replica
Las Vegas

Several months later, stamp collectors noticed that the image depicted on the stamp was based on a photograph not of the Statue of Liberty in New York Harbor, but rather a half-sized replica of the famous statue at the New York-New York Hotel & Casino on the Las Vegas strip. Upon learning of the U.S. Postal Service’s mistake, Mr. Davidson filed suit a copyright infringement suit against the U.S. Postal Service in the Court of Claims. Between 2010 and 2014, when the Statue of Liberty stamp was retired, the U.S. Postal Service sold more than 5 billion stamps for more than \$2 billion, earning more than \$70 million for the federal government.

Does Davidson have copyright protection for his sculpture?

be considered is whether there has been a fixation. If the images and sounds to be broadcast are first recorded (on a video tape, film, etc.) and then transmitted, the recorded work would be considered a “motion picture” subject to statutory protection against unauthorized reproduction or retransmission of the broadcast. If the program content is transmitted live to the public while being recorded at the same time, the case would be treated the same; the copyright owner would not be forced to rely on common law rather than statutory rights in proceeding against an infringing user of the live broadcast.

Thus, assuming it is copyrightable—as a “motion picture” or “sound recording,” for example—the content of a live transmission should be accorded statutory protection if it is being recorded simultaneously with its transmission. On the other hand, the definition of “fixation” would exclude from the concept purely evanescent or transient reproductions such as those projected briefly on a screen, shown electronically on a television or other cathode ray tube, or captured momentarily in the “memory” of a computer.

Under the first sentence of the definition of “fixed” in section 101, a work would be considered “fixed in a tangible medium of expression” if there has been an authorized embodiment in a copy or phonorecord and if that embodiment “is sufficiently permanent or stable” to permit the work “to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” The second sentence makes clear that, in the case of “a work consisting of sounds, images, or both, that are being transmitted,” the work is regarded as “fixed” if a fixation is being made at the same time as the transmission.

Under this definition “copies” and “phonorecords” together will comprise all of the material objects in which copyrightable works are capable of being fixed. The definitions of these terms in section 101, together with their usage in section 102 and throughout the bill, reflect a fundamental distinction between the “original work” which is the product of “authorship” and the multitude of material objects in which it can be embodied. Thus, in the sense of the bill, a “book” is not a work of authorship, but is a particular kind of “copy.” Instead, the author may write a literary “work,” which in turn can be embodied in a wide range of “copies” and “phonorecords,” including books, periodicals, computer punch cards, microfilm, tape recordings, and so forth. It is possible to have an “original work of authorship” without having a “copy” or “phonorecord” embodying it, and it is also possible to have a “copy” or “phonorecord” embodying something that does not qualify as an “original work of authorship.” The two essential elements—original work and tangible object—must merge through fixation in order to produce subject matter copyrightable under the statute.

COMMENTS AND QUESTIONS

1. The fixation requirement arises in two separate portions of the Copyright Act. First, it is a requirement for copyright protection. Section 102(a) of the Copyright Act provides that “[c]opyright protection subsists . . . in original works of authorship *fixed in any tangible medium of expression*, now known or later developed, from which they

can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device” (emphasis added). Unless and until a work of authorship is so fixed, it does not qualify for copyright protection.

Fixation also plays a role in determining whether a defendant has infringed a copyright. Section 106(1) of the act provides that the copyright owner has the exclusive right to “reproduce the copyrighted work in copies or phonorecords.” Section 101 of the act defines “copies” as “material objects . . . in which a work is *fixed*. . .” (emphasis added). Thus, a defendant does not infringe the right to reproduce unless she has reproduced the copyrighted work in fixed form.

2. *Constitutional Mandate? Anti-Bootlegging Legislation.* As with the originality requirement, the Supreme Court has indicated that fixation is a constitutional requirement based on the Founders’ use of the term “Writings” in art. I, §8, cl. 8. *See Goldstein v. California*, 412 U.S. 546, 561 (1973) (interpreting “Writings” to mean “physical rendering[s]” of expression). The reach of this proposition as well as the interrelationship between the Intellectual Property Clause and the Commerce Clause was tested by the 1994 amendments to the Copyright Act, 17 U.S.C. §1101 (civil) and §2319A (criminal), allowing performers to sue and prosecutors to indict makers and distributors of bootleg recordings. Defendants in several cases asserted that this provision was unconstitutional on the ground that such performances were not “fixed.” *See United States v. Martignon*, 492 F.3d 140 (2d Cir. 2007); *United States v. Moghadam*, 175 F.3d 1269 (11th Cir. 1999) (upholding anti-bootlegging statute under the Commerce Clause). The Second Circuit in *Martignon* determined that although the anti-bootlegging provisions could find no constitutional support under the Intellectual Property Clause, they could be validated under the Commerce Clause so long as they don’t violate limits of the Intellectual Property Clause. Addressing only the criminal law provision—which was the only issue before it—the court determined that §2319A merely authorizes the government to prosecute offenders and does not create rights, and therefore is not a copyright law. As a result, §2319A was not enacted under the Intellectual Property Clause and therefore does not violate it. The implication, however, is that the civil provision may be unconstitutional. Note that the civil anti-bootlegging provision is also arguably infirm under the “Limited Times” clause of the Intellectual Property Clause since it contains no durational limit. *See* Section D(2).

3. *Policy Rationale(s) for a Fixation Requirement.* Why have a fixation requirement at all? One explanation for fixation lies in a view of copyright as intended to protect communication. *See* David G. Luetgen, *Functional Usefulness vs. Communicative Usefulness: Thin Copyright Protection for the Nonliteral Elements of Computer Programs*, 4 TEX. INTELL. PROP. L.J. 233 (1996). Certainly, the original copyright laws—and the Constitution—speak of authors and writings, which we associate with relatively direct communication between writer and audience. On this view, material that does not communicate (directly) to people is undeserving of copyright protection. Is there any necessary connection between whether a work is “fixed” and whether it communicates directly with an audience? Compare an extemporaneous public speech (unfixed, but communicative) with an individual’s private diary (fixed, but private).

Another argument for the fixation requirement relates to the practical requirements of copyright litigation. Fixation helps in proving authorship. See Douglas Lichtman, *Copyright as a Rule of Evidence*, 52 DUKE L.J. 683, 716–35 (2003). If any expression could be copyrighted, the law might face a large number of frivolous infringement suits that would be virtually impossible to verify—along the lines of “I gave them the idea (or rather the expression of the idea) for that book!” Analogous rules exist in other areas of law. Consider the statute of frauds in contract law and the best evidence rule, requiring the use of original documents as evidence in trials so as to ensure authenticity. But these rules are subject to various exceptions. Couldn’t the authenticity function of the fixation rule be accomplished by a heightened evidentiary requirement (e.g., corroborating evidence, eye- or earwitnesses, strong proof of access by the defendant) for unfixed works to be the basis for copyright infringement?

4. *Fixation in the Computer Context.* As noted above, a defendant does not infringe the right to reproduce unless she has fixed the work in a copy that persists for more than transitory duration. This issue takes on a technical dimension in computer cases. Does the act of loading a computer program in random access memory (RAM) constitute a copy? In *MAI v. Peak Computing*, 991 F.2d 511 (9th Cir. 1993), Peak performed maintenance on and repaired computers made by MAI. Peak needed to operate the computer and run MAI’s copyrighted operating software to perform these functions. The Ninth Circuit found that because “the copy created in the RAM can be ‘perceived, reproduced, or otherwise communicated,’ [] the loading of software into the RAM creates a copy under the Copyright Act.” But the court did not directly address the duration element. Distinguishing *MAI*, the Fourth Circuit held that electronic instantiations of data while in transit through an Internet service provider’s routers were not fixed for more than transitory duration. See *CoStar Grp., Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550–51 (4th Cir. 2004). Similarly, the Second Circuit in *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 127–30 (2d Cir. 2008), held that data that resides in a buffer for no more than 1.2 seconds before being automatically overwritten is merely of transitory duration and hence does not constitute a “copy” for copyright purposes. And even the Ninth Circuit has backed away from *MAI*, noting in *CDK Global v. Brnovich*, 16 F.4th 1266 (9th Cir. 2021), that “we agree with the Second Circuit’s characterization of our decisions: *MAI* and the cases following it establish only that loading a program into a computer’s memory *can* result in copyright that program, not that loading a program into a form of memory *always* results in copying” (emphasis in original).

How long must information reside in computer memory before it is more than “merely transitory”? What if a computer is left on indefinitely?

5. *Natural Authorship and Fixation?* Chapman Kelley, a recognized landscape artist who designed and implemented two large elliptical wildflower plots in Chicago’s Grant Park, brought an action against the park district under copyright law’s moral rights provisions following its decision to substantially reduce and reconfigure his work. Under the moral rights provisions, which we explore in Chapter IV(E)(5), an artist of certain types of visual art has the right to prevent any distortion or modification of his

work that would be “prejudicial to his . . . honor or reputation,” and to recover for any such intentional distortion or modification undertaken without his consent. *See* 17 U.S.C. §106A(a)(3)(A). In rejecting this claim, the Seventh Circuit concluded that [a] living garden like Wildflower Works is neither “authored” nor “fixed” in the senses required for copyright. . . .

Simply put, gardens are planted and cultivated, not authored. A garden's constituent elements are alive and inherently changeable, not fixed. Most of what we see and experience in a garden—the colors, shapes, textures, and scents of the plants—originates in nature, not in the mind of the gardener. At any given moment in time, a garden owes most of its form and appearance to natural forces, though the gardener who plants and tends it obviously assists. All this is true of Wildflower Works, even though it was designed and planted by an artist.

Of course, a human “author”—whether an artist, a professional landscape designer, or an amateur backyard gardener—determines the initial arrangement of the plants in a garden. This is not the kind of authorship required for copyright. To the extent that seeds or seedlings can be considered a “medium of expression,” they originate in nature, and natural forces—not the intellect of the gardener—determine their form, growth, and appearance. Moreover, a garden is simply too changeable to satisfy the primary purpose of fixation; its appearance is too inherently variable to supply a baseline for determining questions of copyright creation and infringement. If a garden can qualify as a “work of authorship” sufficiently “embodied in a copy,” at what point has fixation occurred? When the garden is newly planted? When its first blossoms appear? When it is in full bloom? How—and at what point in time—is a court to determine whether infringing copying has occurred?

In contrast, when a landscape designer conceives of a plan for a garden and puts it in writing—records it in text, diagrams, or drawings on paper or on a digital-storage device—we can say that his intangible intellectual property has been embodied in a fixed and tangible “copy.” This writing is a sufficiently permanent and stable copy of the designer's intellectual expression and is vulnerable to infringing copying, giving rise to the designer's right to claim copyright. The same cannot be said of a garden, which is not a fixed copy of the gardener's intellectual property. Although the planting material is tangible and can be perceived for more than a transitory duration, it is not stable or permanent enough to be called “fixed.” Seeds and plants in a garden are naturally in a state of perpetual change; they germinate, grow, bloom, become dormant, and eventually die. This life cycle moves gradually, over days, weeks, and season to season, but the real barrier to copyright here is not temporal but essential. The essence of a garden is its vitality, not its fixedness. It may endure from season to season, but its nature is one of dynamic change.

3. Authorship

Both the originality and fixation requirements of the statute are closely tied to a third fundamental requirement for protection, one that has assumed greater relevance in recent times: authorship. The statute uses the phrase “original works of *authorship*”, even though it nowhere defines “author.” §102(a) (emphasis supplied). Similarly, the U.S. Constitution identifies “Authors” as the primary beneficiaries of copyright law. U.S. CONST., ART. I, §8, CL. 8. It has therefore fallen to courts to identify the author of a work and enumerate the legal criteria for authorship.

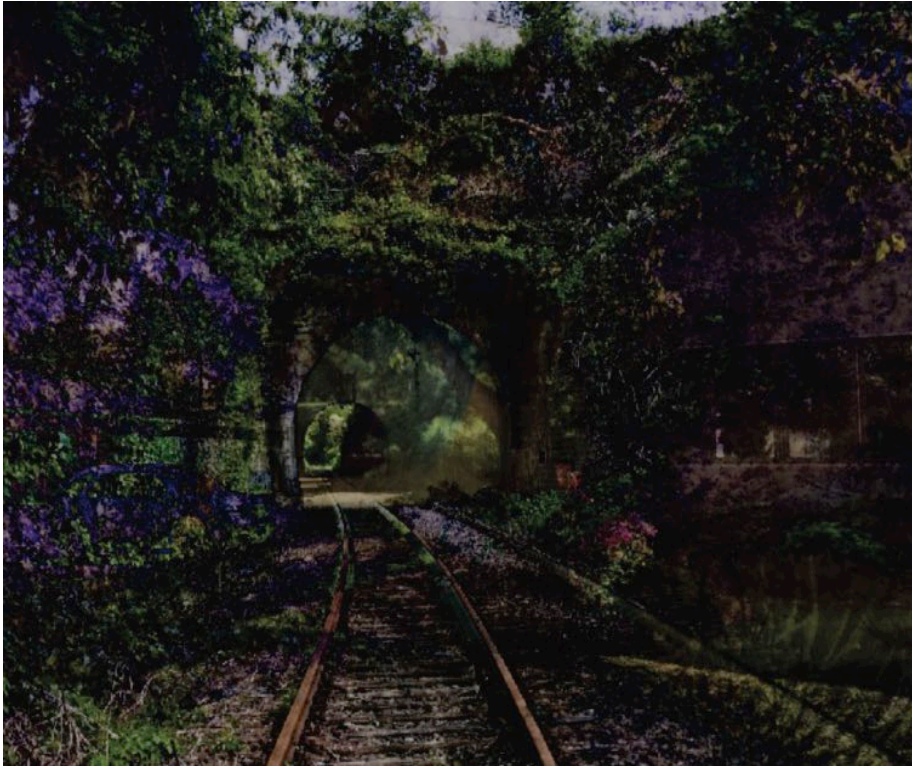
In an early case involving the copyrightability of photographs, the Supreme Court reiterated the centrality of authorship to copyright and defined an author as the person “to whom anything owes its origin; originator; maker; one who completes a work of science or literature.” *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 58 (1884). The Court then went on to emphasize that in relation to a photograph, the author was “the person who effectively is as near as he can be the cause of the picture which is produced . . . the man who is the effective cause of that.” *Id.* at 61. Since then, authorship in copyright law has come to be understood as equivalent to human causation. *See* Shyamkrishna Balganes, *Causing Copyright*, 117 COLUM. L. REV. 1 (2017).

The U.S. Copyright Office interprets the authorship requirement to be limited to works “created by a human being.” U.S. COPYRIGHT OFFICE, COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICES §306 (2021). It further specifies that “works produced by nature, animals, or plants” lack human authorship, as do “works produced by a machine or mere mechanical process that operates randomly or automatically without any creative input or intervention from a human author.” §313.2 The Compendium offers up the following test for determining whether a work generated in part by a computer or AI is copyrightable:

The crucial question is “whether the ‘work’ is basically one of human authorship, with the computer [or other device] merely being an assisting instrument, or whether the traditional elements of authorship in the work (literary, artistic, or musical expression or elements of selection, arrangement, etc.) were actually conceived and executed not by man but by a machine.”

Id.

The Copyright Office refused to register a work of art titled *A Recent Entrance to Paradise* produced by the artist Steven Thaler, reproduced below. Thaler had produced the artwork using a computer machine called “The Creativity Machine”, which he claimed had “autonomously created” the work.



Thaler's application listed the Creativity Machine as the author of the work, and him as the owner and claimant. Looking to copyright caselaw on authorship, the Office rejected the registration, concluding that it lacked human authorship. On appeal to the Review Board, the refusal was affirmed. Thaler has since appealed the refusal to a district court where the matter is currently pending. *Thaler v. Perlmutter*, Case No. 1:22-cv-01564 (D.D.C. June 2, 2022).

More recently, in 2022 the artist Kristina Kashtanova created a graphic novel titled *Zarya of the Dawn* using the generative AI program Midjourney. Midjourney is a program that independently generates images based on textual prompts provided by a human actor. Kashtanova fed prompts into Midjourney, which in turn generated images and these embedded several of those images into the novel along with other components. After initially registering the work as an original work of authorship, the Copyright Office modified the registration and concluded that Kashtanova was *not* the author of the images generated through Midjourney, but had merely selected and arranged them in the final work, and the work was accordingly granted protection only as a compilation. Relying on *Burrow-Giles*, the Office explained its conclusion as follows:

Rather than a tool that Ms. Kashtanova controlled and guided to reach her desired image, Midjourney generates images in an unpredictable way.

Accordingly, Midjourney users are not the “authors” for copyright purposes of the images the technology generates. As the Supreme Court has explained, the “author” of a copyrighted work is the one “who has actually formed the picture,” the one who acts as “the inventive or master mind.” *Burrow-Giles*, 111 U.S. at 61. A person who provides text prompts to Midjourney does not “actually form” the generated images and is not the “master mind” behind them. Instead, as explained above, Midjourney begins the image generation process with a field of visual “noise,” which is refined based on tokens created from user prompts that relate to Midjourney’s training database. The information in the prompt may “influence” generated image, but prompt text does not dictate a specific result. ... Because of the significant distance between what a user may direct Midjourney to create and the visual material Midjourney actually produces, Midjourney users lack sufficient control over generated images to be treated as the “master mind” behind them. ... The fact that Midjourney’s specific output cannot be predicted by users makes Midjourney different for copyright purposes than other tools used by artists.

Letter from the Copyright Office on *Zarya of the Dawn* (Registration #VAu001480196), Feb. 21, 2023, <https://www.copyright.gov/docs/zarya-of-the-dawn.pdf>. The Office did, however, allow that a sufficiently detailed set of prompts might itself rise to the level of protectable human expression.

Should AI-generated works be copyrightable? Why or why not? Can we really say that there is less original expression in the image Thaler submitted than in an ordinary candid portrait? If we do protect such works, who should own the copyright? the developer of the initial algorithm? whoever trained it? the person who entered the prompt? Or whatever company owns the AI?

PROBLEM IV-7

Do the following works of expression—assuming they are original and fixed—satisfy the requirement of “authorship”?

a. Photographer Patil is a well-known photographer. In order to obtain a close up photograph of a group of pigeons feeding in Central Park, New York, he devises a plan. He situates his photograph in an area frequented by a large group of pigeons and sets it to autofocus. Patil then throws a bag of breadcrumbs and birdfeed on the ground near the camera. More importantly, he spreads some bird feed and crumbs on the shutter button of his camera. Thereafter he leaves the camera and departs. Several pigeons arrive to feed on the crumbs. As planned, some of the pigeons jump on the camera and in the process trigger the shutter button causing the camera to take a series of close up photographs of the feeding frenzy.

b. Now suppose that Patil had no plan, but had merely forgotten his camera on the park bench and a pigeon stepped on the shutter button, causing the same picture.

c. Cathy Cold is a resident of Minneapolis, known for its cold winters. One January, the National Weather Advisory issues a flash freeze warning for her neighborhood,

1976 Act/Pre-Ratification of Berne Convention (January 1, 1978–March 1, 1989). The 1976 Act provided that copyright protection begins upon the creation of a work, not upon publication. Congress maintained a notice requirement, although it liberalized the rules governing form and location of notice, *see* §§401–03,⁴ and it took much of the harshness out of the requirement, *see* §§405–06. Failure to give notice on a small number of copies would not result in forfeiture; nor would even large-scale omissions, so long as they were inadvertent and the copyright holder registered the work within five years after publication and made reasonable efforts to give notice after the omission was discovered.

Post-Ratification of the Berne Convention (since March 1, 1989). The Berne Convention Implementation Act, Pub. L. No. 100-568, 102 Stat. 2853 (1988), eliminated the notice requirement of U.S. copyright law prospectively. Thus, both the 1909 Act and 1976 Act (pre-Berne) regimes still apply to works publicly distributed without proper notice prior to March 1, 1989. Congress, however, *encouraged* voluntary notice by precluding alleged infringers from asserting “innocent infringement” (in mitigation of actual or statutory damages) unless the copies to which she had access lacked proper notice. §401(d).

ii. Publication

a. 1909 Act

Federal copyright protection under the 1909 Act was triggered by the act of publishing a work. Unpublished works could be protected under state common law, or “constructively” published by registration with the Copyright Office. Despite the importance of “publication” to federal copyright protection, the 1909 Act did not specifically define the term. This gap spawned a rich and complex jurisprudence defining publication. Because of the grave consequences of publishing a work without proper notice—*forfeiture of copyright protection*—the courts developed a distinction between *divestive* publication, resulting in forfeiture (divestiture) of common law copyright protection, and *investive* publication, resulting in forfeiture of federal copyright protection if notice is inadequate. In a leading case, the Second Circuit observed that

. . . courts apply different tests of publication depending on whether plaintiff is claiming protection because he did not publish and hence has a common law claim of infringement—in which case the distribution must be quite large to constitute “publication”—or whether he is claiming under the copyright statute—in which case the requirements for publication are quite narrow. In each case the courts appear so to treat the concept of “publication” as to prevent piracy.

⁴ The Copyright Office has issued regulations to accommodate different works by requiring only “reasonable” placement of the notice. In some cases, this may be on packaging, particularly where the user would not encounter the notice on the actual work (e.g., computer software object code) or where affixing the notice to the actual work would interfere with the work (e.g., sound recordings, some forms of visual art).

American Visuals Corp. v. Holland, 239 F.2d 740, 744 (2d Cir. 1956). Thus, the extent of distribution required to divest common law copyright protection is substantially greater than that required to invest, i.e., require notice for, a federal copyrighted work. In *White v. Kimmell*, 193 F.2d 744, 746–47 (9th Cir. 1952), *cert. denied*, 343 U.S. 957 (1952), the court distinguished between “limited publication” whereby a distribution of copies to “a definitely selected group and for a limited purpose, and without the right of diffusion, reproduction, distribution or sale” did not constitute a publication for purposes of the 1909 Act, and “general publication,” which operated to divest common law protection. In addition, courts generally found that public performance or display of a work did not constitute publication unless tangible copies of the work were distributed to the public. *See Ferris v. Frohman*, 223 U.S. 424 (1912) (applying pre-1909 Act law); *McCarthy v. White*, 259 F. 364 (S.D.N.Y. 1919) (public performance of musical work); *Estate of Martin Luther King, Jr., Inc. v. CBS, Inc.*, 194 F.3d 1211 (11th Cir. 1999) (holding that King’s delivery of his renowned “I Have a Dream” speech in August 1963 to a large audience, along with the fact that sponsors of the event obtained live broadcasts on radio and television and extensive contemporary coverage of event in the news media, did not alone amount to general publication of the speech for copyright purposes and hence did not divest King of common law copyright protection for the speech); *King v. Mister Maestro, Inc.*, 224 F. Supp. 101 (S.D.N.Y. 1963) (same). Furthermore, courts determined that unauthorized distribution did not constitute publication. In these ways, courts alleviated some of the harsh effects of failure to adhere to the notice requirements.

Is a television broadcast a “publication” within the meaning of the 1909 Act? Does it matter whether permanent copies are made at the time of the broadcast?

b. 1976 Act/Pre-Ratification of Berne Convention

Under the 1976 Act, effective January 1, 1978–March 1, 1989, federal copyright protection is triggered by the act of creating a work fixed in a tangible medium of expression, and common law copyright is preempted. Hence publication no longer served to distinguish between statutory and common law copyright. Nonetheless, publication still served to determine when notice was required.

The 1976 Act clarified the copyright law by defining “publication” as . . . the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

17 U.S.C. §101. This definition largely codified the principal considerations that evolved through judicial interpretation of the 1909 Act. *See H.R. REP. NO. 1476*, 94th Cong., 2d Sess., 138 (1976). Publication turns on physical transfer of copies to the public generally without disclosure restrictions or to a narrower group for purposes of distribution or dissemination. The 1976 Act definition of publication expressly excludes public performance or display.

c. ***Post-Ratification of the Berne Convention***

With the elimination of a mandatory notice requirement, the act of publication is no longer a factor in determining the validity of works created after March 1, 1989. Nonetheless, publication still has relevance for works created after March 1, 1989 in the following respects:

- *Deposit.* Deposit at the Library of Congress is mandatory only for published works. §407.
- *Works of Foreign Authors.* Whereas all unpublished works are protected regardless of nationality or domicile of the author, *published* works of foreign authors are protected only under the conditions described in §104(b).
- *Duration of Copyright Protection.* The term of protection for entity owners and works for hire is 95 years from the year of first publication and 120 years from creation for unpublished works. §302(c); *see also* §302(d), (e).
- *Reproduction Rights of Libraries* depend on whether the work has been published. *See* §108(b), (c).
- *Termination of Transfers.* *See* §203(a)(3).
- *Certain Performance Rights.* *See* §§110(9), 118(b), (d).
- *Establishing Prima Facie Evidence of Validity of Copyright.* Registration of copyright must occur within five years of first publication. §410(c).
- *Damages.* Statutory damages and attorney's fees are available for published works only if registration preceded the infringement or if the work was registered within three months after publication. §412.

PROBLEM IV-8

Which of the following acts constitute publication under the 1909 Act? the 1976 Act?

a. Penelope Poet brings copies of her latest three poems to the monthly meeting of the Philadelphia Aspiring Poets Society. She distributes copies to the eight people in attendance that month prior to reading the poems.

b. Professor Edgar Edifice assembles a course reader consisting of public domain materials and excerpts he wrote himself. Students in his Advanced Copyright Theory seminar purchase the reader for the cost of reproduction from the school's reprographics service.

c. Arnold Author recently completed a draft of his first novel. He sends a copy to his agent, whom he authorizes to distribute copies to publishing houses for consideration.

iii. Registration

Registration of a copyrighted work with the Copyright Office has been “voluntary” since the 1909 Act. Also unlike the notice requirement, the registration requirement remains in effect today with regard to works of U.S. origin, notwithstanding United States’ adherence to the Berne Convention.⁵

a. 1909 Act

The term of a copyright for a 1909 Act work initially ran for 28 years, with the author having the right to renew the copyright for an additional 28 years. The Act did not require registration in order to obtain a copyright (publication with proper notice triggered protection), but it did require registration by the 28th year in order to renew the copyright.⁶ Furthermore, registration of the work was a prerequisite to bringing an infringement action.

b. 1976 Act/Pre-Ratification of Berne Convention

By shifting to a unitary term, the 1976 Act abolished renewal for works created after January 1, 1978, making copyright registration entirely optional for the maintenance of copyright protection. Duration of copyright protection no longer depends on registration. Nonetheless, Congress retained the registration system and encouraged its use through various incentives. First, successful registration constitutes *prima facie* evidence of the validity of the copyright. §410. Second, a copyright holder must register the copyright before bringing an infringement action, §411, so in practice an unregistered copyright is only a potential right rather than an actual right.⁷ Finally, there is also a powerful incentive for *early* registration: a copyright holder can obtain statutory damages and attorneys’ fees only for infringements that occurred after registration (or which occurred after publication if the work was registered within three months after publication).

Registration fees can add up, *see* <https://www.copyright.gov/about/fees.html>. although they pale in comparison to the cost of patents or trademarks. The basic fee for electronically registering a work is \$45 for a single author, single work that was not

⁵ As we will see in the international copyright law section, *see* Section I, the Berne Convention does not mandate that nations jettison formalities entirely, only that they may not impose formalities as a prerequisite for copyright protection with respect to works of foreign origin. Nations remain free to discriminate against works of domestic origin.

⁶ Pursuant to the Copyright Renewal Act of 1992, Congress made renewal automatic. Therefore, works published with proper notice after January 1, 1964 (1992 – 28 = 1964) receive the full duration available under the statute regardless of whether copyright was renewed. Nonetheless, Congress encouraged renewal registration by offering several benefits, such as automatic vesting, reversion rights in derivative works (§ 304(a)(4)(A), *see* Chapter IV(D)(3)(iii) (discussion of *Abend*-rights)), evidentiary weight (renewal registration constitutes *prima facie* evidence of the facts asserted in the renewal certificate), and enhanced remedies.

⁷ Interestingly, a copyright holder need only *file* for registration of copyright and obtain a response before bringing suit. The putative copyright owner is entitled to bring suit even if the Copyright Office rejects the registration application. *See* § 411(a).

done for hire; and \$65 for other electronic filings. A paper filing costs \$125. Fees vary for registration of databases, serials, unpublished works, and other types of works.

c. Post-Ratification of the Berne Convention

To comply with the Berne Convention, Congress amended §411 to eliminate the requirement that a copyright owner whose country of origin⁸ is another Berne member nation must register his or her works prior to instituting suits. However, Congress retained the requirement of registration prior to suit for domestic works and works originating in non-Berne nations.

d. Registration Must Be Made Prior to Filing Suit

Section 411(a) states that “no civil action for infringement of the copyright in any United States work shall be instituted until . . . registration of the copyright claim has been made in accordance with this title.” The Supreme Court held in *Fourth Estate Public Benefit Corp. v. Wall-Street.com, LLC*, 139 S.Ct. 881 (2019), that “registration is akin to an administrative exhaustion requirement that the owner must satisfy before suing to enforce ownership rights.” The Copyright Office takes approximately six months to process registration applications, which can delay the initiation of litigation. Applicants can, however, expedite registration to one week by paying a higher fee to obtain special handling. In addition, the Copyright Act provides for preregistration of classes of unpublished works that are prone to prerelease infringement (motion pictures, sound recordings, musical compositions, literary works, computer programs, and advertising photographs). See Artists’ Rights and Theft Prevention Act of 2005, Pub. L. No. 109-9, 119 Stat. 218 (Title I), codified at §408(f).

Inaccuracies on the certificate of registration issued by the Copyright Office do not affect a plaintiff’s ability to bring a civil action unless those inaccuracies were knowingly included by the applicant in its application and the inaccuracy would have resulted in a denial of registration. See 17 U.S.C. §411(1). Genuine mistakes made during the application process—whether of fact or of law—do not impact the validity of the registration. See *Unicolors, Inc. v. H&M Hennes & Mauritz, L.P.*, 142 S.Ct. 941 (2022).

iv. Deposit

Section 407 of the Copyright Act requires deposit of two copies of each work published in the United States⁹ for which copyright is claimed within three months after publication.¹⁰ (Certain categories of works are exempted from the requirement.) The purpose of this requirement is to enhance the collection of the Library of Congress.

⁸ A work’s country of origin is the country in which it was first published, or in the case of unpublished works, the country in which it was created.

⁹ The provision limiting the Library deposit requirement to works published in the United States was added by the Berne implementing legislation in 1988.

¹⁰ In amending the 1976 Act to adhere to the Berne Convention, Congress concluded that retention of the deposit requirement was not inconsistent with the Berne Convention because failure to comply with the deposit requirement did not result in forfeiture of any copyright protection. H.R. REP. NO. 609, 100th Cong., 2d Sess. 44 (1988).

F.3d 548 (3d Cir. 2002). In effect, these works are retrieved from the public domain in the United States and are treated in the same way as any other copyrighted works for purposes of duration, ownership, and so on. Under this law, copyrights in *The Hobbit*, *The Fellowship of the Ring*, and various other works of J.R.R. Tolkien were restored in the United States in 1996. See Library of Congress, Copyright Office, Copyright Restoration of Works in Accordance with the Uruguay Round Agreements Act, 61 Fed. Reg. 46,133 (Aug. 30, 1996).

Copyright restoration presents a number of potential problems and efforts to deal with them have made §104A a complex provision. Copyright protection in restored works is not retroactive. However, the copyright owner does have the right to “cut off” future uses of the work after a limited grace period by giving the Copyright Office notice of her intention to enforce the copyright. More complex problems are presented by those who have created “derivative works” in reliance on the U.S. public domain status of a work of foreign origin. Should such authors be prevented from exploiting their creations following restoration of the underlying work’s copyright? The Act provides that the authors of such derivative works may continue to exploit them, provided they pay “reasonable compensation” to the original copyright owner. See §104A(d)(3)(B).

Does restoring copyright in works already in the public domain “promote the progress of science and the useful arts”? How? What additional incentive does such a right give to current authors? If it does not confer such an additional incentive, is it constitutional? Does copyright restoration violate First Amendment interests in the continued exploitation of public domain works? The Supreme Court rejected these lines of argument in *Golan v. Holder*, 565 U.S. 302 (2012), holding that the Intellectual Property Clause does not bar Congress from extending copyright protection to works that are already in the public domain. The Court reasoned that nothing in the text or history of the Copyright Clause confines the “Progress of Science” exclusively to “incentives for creation.” The decision pointed to historical evidence, Congressional practice, and prior Supreme Court decisions suggesting that inducing the dissemination of existing works is an appropriate means to promote science. The Court also rejected the First Amendment argument on the ground that traditional limitations on copyright protection—such as the idea/expression dichotomy and fair use—serve as “built-in First Amendment accommodations.”

C. COPYRIGHTABLE SUBJECT MATTER

1. The Domain and Scope of Copyright Protection

§102. Subject Matter of Copyright: In General

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

- (1) literary works;

- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works;
- (7) sound recordings; and
- (8) architectural works.¹²



H.R. REP. NO. 94-1476
94th Cong., 2d Sess. (1976)

The second sentence of section 102 lists [eight] broad categories which the concept of “works of authorship” is said to “include.” The use of “include,” as defined in section 101, makes clear that the listing is “illustrative and not limitative,” and that the [eight] categories do not necessarily exhaust the scope of “original works of authorship” that the bill is intended to protect. Rather, the list sets out the general area of copyrightable subject matter, but with sufficient flexibility to free the courts from rigid and outmoded concepts of the scope of particular categories. The items are also overlapping in the sense that a work falling within one class may encompass works coming within some or all of the other categories. . . .

i. Literary Works

Section 101 of the Copyright Act defines “literary works” as “works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, films, tapes, disks, or cards, in which they are embodied.”

The legislative history notes that “[t]he term ‘literary works’ does not connote any criterion of literary merit or qualitative value: it includes catalogs, directories, and similar factual reference, or instructional works and compilations of data. It also includes computer databases, and computer programs to the extent that they incorporate authorship in the programmer’s expression of original ideas, as distinguished from the ideas themselves.” Copyright Law Revision, H.R. REP. NO. 94-1476, 94th Cong., 2d Sess. (1976). Although the domain of literary works is quite broad and the originality threshold for protection is low, the Copyright Office regulations state that “words and short phrases such as names, titles, and slogans” are not subject to copyright. 37 C.F.R. §202.1.¹³

¹² The category of “architectural works” was added to section 102(a) by the Architectural Works Copyright Protection Act of 1990.

¹³ Titles, names of characters, and phrases may, however, be protectable under trademark or unfair competition law. See Chapter 5.

The scope of copyright protection for literary works extends not only to the literal text but also to non-literal elements of a work such as its structure, sequence, and organization. Thus, a second comer may not circumvent copyright law merely by paraphrasing an original text. As Judge Learned Hand has explained, were the rule otherwise, a “plagiarist would escape liability by immaterial variations” of the copyrighted work. *Nichols v. Universal Pictures*, 45 F.2d 119, 121 (2d Cir. 1930).

While the words of a story and other expressive elements of its text are clearly protectable, courts have struggled to delineate the scope of protection for other elements of literary works such as fictional characters. As we saw earlier, the scope of copyright protection is limited to expressive content and does not extend to the underlying ideas. To what extent, therefore, should an original literary description of a fictional character, such as James Bond or Superman, limit other authors’ use of characters featuring similar attributes? In *Nichols*, Judge Learned Hand provided the following standard for determining the scope of protection for fictional characters:

[W]e do not doubt that two plays may correspond in plot closely enough for infringement. How far that correspondence must go is another matter. Nor need we hold that the same may not be true as to the characters, quite independently of the “plot” proper, though, as far as we know, such a case has never arisen. If *Twelfth Night* were copyrighted, it is quite possible that a second comer might so closely imitate Sir Toby Belch or Malvolio as to infringe, but it would not be enough that for one of his characters he cast a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress. These would be no more than Shakespeare’s “ideas” in the play, as little capable of monopoly as Einstein’s Doctrine of Relativity, or Darwin’s theory of the Origin of Species. It follows that the less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly.

Applying this standard, the Ninth Circuit held that the Batmobile (Batman’s car in the movies and comic books) was a protectable “character” because it has maintained its “physical and conceptual qualities” throughout multiple works and was “sufficiently delineated” to be recognizable as the same character wherever it appears, despite numerous changes in appearance. See *DC Comics v Mark Towle*, 802 F.3d 1012 (9th Cir. 2015).

ii. Pictorial, Graphic, and Sculptural Works

Section 101 of the Copyright Act defines “[p]ictorial, graphic, and sculptural [PGS] works” to include “two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. . . .” As with literary works, courts are not authorized to judge the artistic merit of the work in deciding whether PGS works ought to qualify for copyright protection other than to determine that the threshold of original expression has been attained.

The most significant limitation placed on PGS works is the utilitarian function exception discussed below. Such works are not protectable to the extent that they have a utilitarian rather than artistic function. Thus, the useful article doctrine poses a significant limitation on the scope of protection for sculptural works.

As with literary works, the scope of protection for PGS works depends on the degree to which the author has delineated the subjects of the work. In some cases, particularly photographs, drawings and maps, the limited range of expressive choices necessarily limits the scope of protection afforded by copyright law.

PROBLEM IV-9

The New York Arrows, a professional soccer team, hired Sports Images, an advertising firm, to develop a logo to advertise the team. Sports Images developed the accompanying logo.



After a dispute with the team about fees, Sports Images submitted an application to the Copyright Office to register the work. Is the work copyrightable?

iii. Architectural Works

Under the 1976 Act, architectural plans in the United States were protected as a species of PGS works. The protection afforded architectural works—actual structures—was therefore limited by the useful article doctrine and the idea/expression dichotomy. As provided in the definition of PGS works in §101, “the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” Hence architectural structures, as opposed to the drawings for them, had little if any protection under copyright law. *See Demetriades v. Kaufmann*, 690 F. Supp. 658 (S.D.N.Y. 1988) (holding that traced architectural plans infringed the originals, but that the construction of an identical building would not violate a copyright in architectural plans under the principles of *Baker v. Selden*).

In order to bring the United States into compliance with Article 2(1) of the Berne Convention, Congress passed the Architectural Works Copyright Protection Act of 1990. The Act specifically protects “the design of a building as embodied in any tangible

medium of expression, including a building, architectural plans, or drawings. The work includes the overall form and elements in the design, but does not include individual standard features.” §101. The House Report states:

By creating a new category of protectable subject matter in new section 102(a)(8), and therefore, by deliberately not encompassing architectural works as pictorial, graphic, or sculptural works in existing section 102(a)(5), the copyrightability of architectural works shall not be evaluated under the separability test applicable to pictorial, graphic, or sculptural works embodied in useful articles. There is considerable scholarly and judicial disagreement over how to apply the separability test, and the principal reason for not treating architectural works as pictorial, graphic, or sculptural works is to avoid entangling architectural works in this disagreement.

The Committee does not suggest, though, that in evaluating the copyrightability or scope of protection for architectural works, the Copyright Office or the courts should ignore functionality. A two-step analysis is envisioned. First, an architectural work should be examined to determine whether there are original design elements present, including overall shape and interior architecture. If such design elements are present, a second step is reached to examine whether the design elements are functionally required. If the design elements are not functionally required, the work is protectable without regard to physical or conceptual separability. As a consequence, contrary to the Committee’s report accompanying the 1976 Copyright Act with respect to industrial products, the aesthetically pleasing overall shape of an architectural work would be protected under this bill.

H.R. REP. NO. 101-735, 101st Cong., 2d Sess. 20-21 (1990).

The effective date for the Architectural Works Copyright Protection Act of 1990 is December 1, 1990, and it does not apply retroactively. Therefore, architectural works produced before that time are governed by the standard for PGS works. In addition, the protection of §102(a)(8) is subject to two important limitations set forth in §120:

(a) **Pictorial representations permitted.**—The copyright in an architectural work that has been constructed does not include the right to prevent the making, distributing, or public display of pictures, paintings, photographs, or other pictorial representations of the work, if the building in which the work is embodied is located in or ordinarily visible from a public place.

(b) **Alterations to and destruction of buildings.**—Notwithstanding the provisions of §106(2), the owners of a building embodying an architectural work may, without the consent of the author or copyright owner of the architectural work, make or authorize the making of alterations to such building, and destroy or authorize the destruction of such building.

COMMENTS AND QUESTIONS

1. Is the distinction that Congress seeks to make between the conceptual separability analysis required for pictorial, graphic, and sculptural works and the two-step functionality limitation for architectural works coherent? In what circumstances do they produce different outcomes? What aspects of a house design are protectable?

2. *Distinguishing Architectural Works and Sculptural Structures.* The artist who designed the streetwall and courtyard space for a building in downtown Los Angeles sued the producers of the film *Batman Forever*, which featured this structure in the film (the building was the Second Bank of Gotham), for infringing the artist's copyright in its "sculptural work." The Ninth Circuit held that the work more properly constituted part of a larger architectural work comprising the building towers and hence could be photographed without authorization of the copyright owner under §120(a). *See Leicester v. Warner Bros.*, 232 F.3d 1212 (9th Cir. 2000).

3. *Broadening the Pictorial Representation Limitation.* Section 120(a) enables other creators to film in the vicinity of publicly accessible architectural works. The transaction costs of having to negotiate licenses would be high, and it is difficult to imagine that architects' incentives to create would be much affected by not being able to control such uses. Couldn't a more general argument be made with regard to all publicly displayed sculpture, whether or not it is integrated into an architectural work? What about publicly visible artwork generally? Should it depend on the extent to which it is featured in the film or promotional advertising? Shouldn't filmmakers be allowed to capture that which is publicly viewable?

4. *Architecture and Copyright Trolls.* In *Design Basics, LLC v. Signature Construction*, 994 F.3d 879 (7th Cir. 2021), the Seventh Circuit ruled that the plaintiff's business strategy of registering copyrights in thousands of floor plans for suburban, single-family tract homes, trawling the Internet for similarly designed homes, and threatening lawsuits with the goal of settling for less than the nuisance value of litigation amounted to an "intellectual property shakedown." *Id.* at 882; *see also* Matthew Sag, *Copyright Trolling, An Empirical Study*, 100 IOWA L. REV. 1105 (2015). As in a prior case involving the same plaintiff, the court applied the *scènes à faire* and merger doctrines, *see infra* Section IV(C)(2)(i), to constrain the plaintiff's ability to assert expansive copyright protection in a manner that impedes future creativity. *Design Basics, LLC v. Lexington Homes, Inc.*, 858 F.3d 1093, 1097 (7th Cir. 2017). The court concluded in both cases that much of the designs was dictated by functional considerations and existing design conventions for affordable, suburban, single-family homes. Because copyright protection for compilations of unprotectable stock elements—a few bedrooms, a kitchen, a great room, etc.—was thin, protection extended only to virtually identical designs. Under this standard, no reasonable jury could find for Design Basics.

iv. Musical Works and Sound Recordings

Musical creativity manifests in various ways, including individual musical compositions, sound recordings of such compositions, dramatic works (such as operas

and musical plays) incorporating music, motion pictures (soundtracks, musical performances), and audiovisual works (theme music, sound effects). Copyright law distinguishes among these aspects of musical creativity. We begin here with the basic building blocks: musical works (music, lyrics, and arrangements) and sound recordings. Copyright law affords each of these different aspects of music protection in recognition of the distinctive skills and individuality involved in their creation. This distinction can have important ramifications. As we will discuss in more detail in section D on copyright ownership rights, U.S. copyright law accords owners of musical composition the full complement of rights (including the right to perform in public), whereas sound recordings do not receive a traditional performance right (although they now have a digital performance right). Therefore, when you hear a sound recording on traditional “over the air” radio broadcasts, the owner of the copyright in the musical composition typically is paid a royalty whereas the performer is not. Performers (and record labels) are paid, however, for satellite radio transmissions and digital streaming.

Congress first extended copyright protection for musical compositions in 1831 and added a performance right in 1897. Sound recordings did not receive federal copyright protection until 1972, and then only prospectively and without a public performance right. Congress afforded post-1972 sound recordings a digital performance right in 1995. Congress finally extended federal protection to pre-1972 sound recordings in 2018. Federal copyright protection does not extend to non-digital public performances of sound recordings, but such performances may be eligible for state law protection.

The more limited right structure for sound recordings reflects the lobbying clout of broadcasters. They successfully resisted copyright protection for sound recordings for many years. When it finally gained enough momentum to pass, they were able to extract as a compromise that such protection would not include a performance right, thereby avoiding the burden of obtaining additional licenses.

Musical works can be written on paper, pressed onto a phonorecord, recorded on audiotape, represented in binary code on digital media, or otherwise fixed in a tangible medium of expression. The work must be original in its melody, harmony, or rhythm, individually or in combination. Sound recordings are magnetically or electronically recorded versions of a musical composition or any aural performance (such as spoken words, animal sounds, or sound effects). The definition of “sound recordings” excludes “the sounds accompanying a motion picture or other audiovisual work.” §101. Such recordings are protected as part of the motion picture or audiovisual work.

v. Dramatic, Pantomime, and Choreographic Works

The protection afforded these three distinct copyrightable forms is similar in that each extends to written or otherwise fixed instructions for performing a work of art. A dramatic work portrays a story by means of dialogue or acting. “It gives direction for performance or actually represents all or a substantial portion of the action as actually occurring rather than merely being narrated or described.” U.S. Copyright Office, Compendium II of Copyright Office Practices §431. Distinguishing between literary, musical, and dramatic works can be important in practice. Although the three types of

vii. Semiconductor Chips Designs (Mask Works)

With the emergence of the semiconductors in the 1970s, the industry became increasingly concerned that competitors could duplicate the design of these works in a matter of months for a fraction of the development cost. Patent protection could protect the basic electronic circuitry if sufficiently novel and nonobvious, but such protection was perceived as inadequate to protect the painstaking work involved in designing semiconductor chips. The utilitarian nature of “mask works” arguably placed them outside of copyright protection. Responding to these concerns, Congress enacted a *sui generis* form of intellectual property for mask works in 1984 to fill the gap between patent and copyright protection. Although codified in the same Title of the U.S. Code housing the Copyright Act, *see* §§901–14, the Semiconductor Chip Protection Act (SCPA) is “separate from and independent of the Copyright Act.” *See* H.R. REP. NO. 98-781, at 5 (1984). Nonetheless, the SCPA reflects several principles of copyright law, such as the exclusion of protection for designs that are unoriginal, “staple, commonplace, or familiar in the semiconductor industry.” Section 902(c) mirrors §102(b) of the Copyright Act, barring protection for any “any idea, procedure, process, system, method of operation, concept, principle, or discovery.” The SCPA also protects the right to reverse engineer mask works. In essence, this regime extends the lead-time of chip developers by deterring outright piracy of chip designs.

The regime has almost never been used because it largely codified industry norms and semiconductor industry changed their manufacturing process in the mid 1980s. There have only been two reported decisions involving copyright protection for mask works.

viii. Vessel Hull Designs

After the Supreme Court struck down a Florida law protecting the design of boat hulls on the grounds that the Patent Act preempted state protection for innovation, *see Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), boat designers brought their concerns to Congress. They argued that competitors using “plug molding” could imitate boat hull designs in a fraction of the time and at a fraction of the cost that it took to design their works. In 1998, Congress passed the Vessel Hull Design Protection Act, codified at 17 U.S.C. §§1301–32, to fill this perceived gap in the intellectual property system. The contours of this *sui generis* regime significantly parallel the SCPA, including the bar on protection for utilitarian features modeled on copyright’s useful article doctrine and §102(b). *See* §1302. One notable difference is that the issuance of a design patent for a vessel hull terminates copyright protection for such design. *Id.* at §1329.

ix. Derivative Works and Compilations

Section 103 of the Copyright Act provides protection for derivative works and compilations. The copyright in a derivative work or compilation “extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work.” §103(b).

A “derivative work” is

based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, 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.”

§101. We explore this definition in detail in Chapter IV(E)(1)(b), addressing the right to make derivative works.

Why should the copyright owner be entitled to a separate copyright in the derivative work, in addition to the copyright in the original work? There are at least two possible explanations for granting separate copyright protection to the original elements of a derivative work.

First, derivative works along a “chain” of related works may well entail significant new creativity beyond the original copyrighted work. For example, an author may produce a children’s book, then a movie script based on the book, followed by a movie based on the script, and a series of stuffed animals based on characters from the movie. The stuffed animals at the end of this “chain” may bear little if any resemblance to identifiable characters in the original book. Allowing the derivative works to be copyrighted gives the copyright holder a stronger argument that each new step in the chain is in fact protectable as a derivative of the prior copyright. A second justification is that we may wish to protect new expression “derived” from works that are already in the public domain. *See* Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPYRIGHT SOC’Y OF THE U.S.A. 209 (1983).

In addition, because derivative works often capture different markets, the copyright owner in the original work may wish to license to others the right to produce derivative works. Just because someone is a successful writer, for example, does not mean that he will be particularly successful at manufacturing and selling plush toys. Separating the copyright in original elements of a derivative work may facilitate the division of ownership between the original author and his licensees.

A “compilation” is a work “formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term ‘compilation’ includes collective works.” §101. A “collective work” is a work, “such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.” §101.

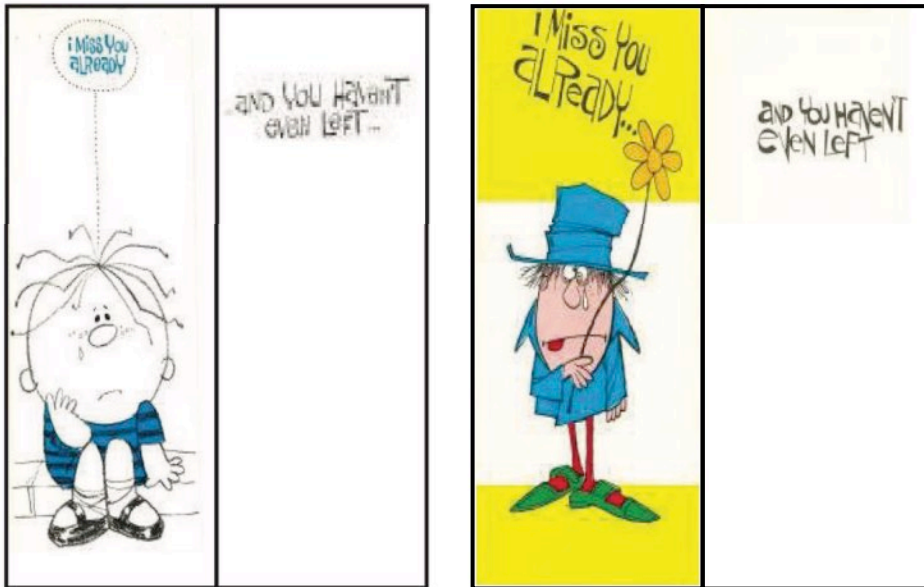
The level of originality required for a compilation to be copyrightable has been a contentious issue in copyright law. Many fact-based works, such as telephone directories, require tremendous time, effort, and expense to compile. As we saw in the *Feist* case, however, there must be “some minimal degree of creativity” to garner copyright protection. Since neither the underlying material being compiled (names,

which are factual) nor the method of arrangement (alphabetical order) were original, the compilation thus created was not copyrightable, regardless of how much effort was involved in producing the directory.

Many controversial copyright cases turn on whether a collection of uncopyrightable elements becomes copyrightable as a compilation. What is the threshold for originality in a compilation?

PROBLEM IV-11

Roth Greeting Card Company sells cute, clever, and sappy greeting cards comprising simple illustrations on the cover with very short segments of associated text (e.g., a character crying under the heading “I miss you already”) as well as text inside the card (e.g., “. . . and you haven’t even left.”).



Some of the cards say nothing more than “I wuv you.” United Card Company sells cards with different illustrations but identical text and arguably a similar style. Does Roth have a valid copyright in these cards? Under what theory?

2. Limitations on Copyrightability: Distinguishing Function and Expression

This section considers the fundamental doctrines that operate to channel protection for works between the patent and copyright regimes.

i. The Idea-Expression Dichotomy

The most significant doctrine limiting the copyrightability of works is the “idea-expression” dichotomy, which is partially codified in §102(b):

§102. Subject Matter of Copyright: In General

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery regardless of the form in which it is described, explained, illustrated, or embodied in such work.

The division between protectable expression and unprotectable ideas was explicated by the Supreme Court in the seminal case of *Baker v. Selden*.



Baker v. Selden
Supreme Court of the United States
101 U.S. 99 (1879)

MR. JUSTICE BRADLEY delivered the opinion of the court.

Charles Selden, the testator of the complainant in this case, in the year 1859 took the requisite steps for obtaining the copyright of a book, entitled “Selden’s Condensed Ledger, or Book-keeping Simplified,” the object of which was to exhibit and explain a peculiar system of book-keeping. In 1860 and 1861, he took the copyright of several other books, containing additions to and improvements upon the said system. The bill of complaint was filed against the defendant, Baker, for an alleged infringement of these copyrights. The latter, in his answer, denied that Selden was the author or designer of the books, and denied the infringement charged, and contends on the argument that the matter alleged to be infringed is not a lawful subject of copyright. . . .

The book or series of books of which the complainant claims the copyright consists of an introductory essay explaining the system of book-keeping referred to, to which are annexed certain forms or blanks, consisting of ruled lines, and headings, illustrating the system and showing how it is to be used and carried out in practice. This system effects the same results as book-keeping by double entry; but, by a peculiar arrangement of columns and headings, presents the entire operation, of a day, a week, or a month, on a single page, or on two pages facing each other, in an account-book. The defendant uses a similar plan so far as results are concerned; but makes a different arrangement of the columns, and uses different headings. If the complainant’s testator had the exclusive right to the use of the system explained in his book, it would be difficult to contend that the defendant does not infringe it, notwithstanding the difference in his form of arrangement; but if it be assumed that the system is open to public use, it seems to be equally difficult to contend that the books made and sold by the defendant are a violation of the copyright of the complainant’s book considered merely as a book explanatory of the system. Where the truths of a science or the methods of an art are the common property of the whole world, an author has the right to express the one, or explain and use the other, in his own way. As an author, Selden explained the system in a particular

way. It may be conceded that Baker makes and uses account-books arranged on substantially the same system; but the proof fails to show that he has violated the copyright of Selden's book, regarding the latter merely as an explanatory work; or that he has infringed Selden's right in any way, unless the latter became entitled to an exclusive right in the system.

. . . [T]he question is, whether the exclusive property in a system of book-keeping can be claimed, under the law of copyright, by means of a book in which that system is explained? . . .

There is no doubt that a work on the subject of book-keeping, though only explanatory of well-known systems, may be the subject of a copyright; but, then, it is claimed only as a book. Such a book may be explanatory either of old systems, or of an entirely new system; and, considered as a book, as the work of an author, conveying information on the subject of book-keeping, and containing detailed explanations of the art, it may be a very valuable acquisition to the practical knowledge of the community. But there is a clear distinction between the book, as such, and the art which it is intended to illustrate. The mere statement of the proposition is so evident, that it requires hardly any argument to support it. The same distinction may be predicated of every other art as well as that of book-keeping. A treatise on the composition and use of medicines, be they old or new; on the construction and use of ploughs, or watches, or churns; or on the mixture and application of colors for painting or dyeing; or on the mode of drawing lines to produce the effect of perspective, would be the subject of copyright; but no one would contend that the copyright of the treatise would give the exclusive right to the art or manufacture described therein. The copyright of the book, if not pirated from other works, would be valid without regard to the novelty, or want of novelty, of its subject-matter. The novelty of the art or thing described or explained has nothing to do with the validity of the copyright. To give to the author of the book an exclusive property in the art described therein, when no examination of its novelty has ever been officially made, would be a surprise and a fraud upon the public. That is the province of letters-patent, not of copyright. The claim to an invention or discovery of an art or manufacture must be subjected to the examination of the Patent Office before an exclusive right therein can be obtained; and it can only be secured by a patent from the government.

The difference between the two things, letters-patent and copyright, may be illustrated by reference to the subjects just enumerated. Take the case of medicines. Certain mixtures are found to be of great value in the healing art. If the discoverer writes and publishes a book on the subject (as regular physicians generally do), he gains no exclusive right to the manufacture and sale of the medicine; he gives that to the public. If he desires to acquire such exclusive right, he must obtain a patent for the mixture as a new art, manufacture, or composition of matter. He may copyright his book, if he pleases; but that only secures to him the exclusive right of printing and publishing his book. So of all other inventions or discoveries. . . .

Of course, these observations are not intended to apply to ornamental designs, or pictorial illustrations addressed to the taste. Of these it may be said, that their form is their essence, and their object, the production of pleasure in their contemplation. This

category or genus to which the work belongs. The more fine-grained and precise the definition of the category or genus, the more likely that the “expression” alleged to have been infringed is in fact an “idea.”

Apply this reasoning to *Baker* itself. If the idea of Selden’s book is to write a step-by-step guide explaining the use of his new forms (a low level of abstraction), even the detailed structure of the explanatory text may be unprotectable (because it is “necessary” to the idea). At a slightly higher level of abstraction, the Court considered the forms themselves unprotectable but gave Selden considerable latitude to protect his description of his system. At the highest levels of abstraction, had the Supreme Court determined that Selden’s idea was to improve accounting, his double-entry bookkeeping forms might well have been considered simply one means of expressing that idea. In that case, Selden would presumably be entitled to copyright the forms.

How do courts determine the appropriate “level of abstraction” for distinguishing idea and expression? Professor Paul Goldstein suggests that there are three categories of unprotectable ideas: the “animating concept” behind the work, the functional principles or “solutions” described or embodied in the work (such as Selden’s forms), and the fundamental “building blocks” of creative expression (such as basic plot or character outlines in literary or dramatic works). 1 PAUL GOLDSTEIN, COPYRIGHT §2.3.1.1 (1989). In his view, courts engage in a rough sort of balancing between the dangers of overprotecting and underprotecting a particular work in determining on which side of the idea/expression line the work falls. In addition to the categories that Professor Goldstein lists, copyright law excludes unoriginal elements and facts (as we saw in *Feist*), public domain material, and stock literary elements or plot devices that are common across many works. And as we will see in the case that follows, it does not protect systems, methods of operation, or the functional aspects of works.

2. Professor Pamela Samuelson traces the history of this iconic case. See Pamela Samuelson, *The Story of Baker v. Selden: Sharpening the Distinction Between Authorship and Invention*, INTELLECTUAL PROPERTY STORIES (Jane C. Ginsburg and Rochelle C. Dreyfuss, eds. 2005) (noting that Selden had in fact unsuccessfully sought patent protection before trying copyright law).

3. Does the doctrine of *Baker v. Selden*—which establishes an idea-expression dichotomy—coherently channel intellectual property protection between the copyright and patent modes of protection? What differences between patentable subject matter (and the process of innovation) and copyrightable subject matter (and the process of artistic creativity) justify such a doctrine?

Consider the Seventh Circuit’s discussion of copyright protection (or lack thereof) for recipes:

The . . . recipes’ directions for preparing the assorted dishes fall squarely within the class of subject matter specifically excluded from copyright protection by [§] 102(b). . . . The recipes at issue here describe a procedure by which the reader may produce many dishes featuring a specific yogurt. As such,

they are excluded from copyright protection as either a “procedure, process, or system” [under §] 102(b).

. . . Protection for ideas or processes is the purview of patent. . . .

. . . [N]othing in our decision today runs counter to the proposition that recipes may be copyrightable. There are cookbooks in which the authors lace their directions for producing dishes with musings about the spiritual nature of cooking or reminiscences they associate with the wafting odors of certain dishes in various stages or preparation. . . . In other cases, recipes may be accompanied by tales of their historical or ethnic origin.

Publications Int’l v. Meredith Corp., 88 F.3d 473, 480–81 (7th Cir. 1996). What aspects of a cookbook are protectable?

4. *Blank Forms*. The Copyright Office considers the following works not copyrightable and hence ineligible for registration: “Blank forms, such as time cards, graph paper, account books, diaries, bank checks, scorecards, address books, report forms, order forms and the like, which are designed for recording information and do not in themselves convey information.” 37 C.F.R. §202(1)(c).

PROBLEMS

Problem IV-12. Mediforms designs and sells health care forms to doctors, who submit them to insurance carriers. The diagnosis checklist, pictured below, contains categories specified by the American Medical Association or government publications (including official code numbers). Mediforms offers a variety of forms, according to specialty, to reflect the illnesses and treatments most relevant to the particular doctor. The forms are personalized to include the doctor’s name and address, the nature of the doctor’s practice, and the hospitals or clinics at which the doctor performs services. Doctors may use the checklists provided or may customize their own checklists, which most doctors choose to do. The forms also contain brief instructions for filling in each blank and instructions explaining how to obtain insurance reimbursement. The forms were widely praised in the industry and were copied by competitors and individual doctors. Are the forms copyrightable? Should Mediforms be entitled at least to recoup its investment in developing the forms?

C. COPYRIGHTABLE SUBJECT MATTER 577

STATE LIC. # 123456789
SOC. SEC. # 600-11-0000

JOHN R. JOHNNSON, M.D.
Type of Practice or Specialty
1000 MAIN STREET, SUITE 10
SOME PLACE, USA 70000

TELEPHONE: (123) 234-5678

<input type="checkbox"/> PRIVATE <input type="checkbox"/> BLUE CROSS <input type="checkbox"/> BLUE SHIELD <input type="checkbox"/> DIND. <input type="checkbox"/> MEDICAID <input type="checkbox"/> MEDICARE <input type="checkbox"/> GOV'T.					
PATIENT'S LAST NAME	FIRST	INITIAL	BIRTHDATE	SEX	TODAY'S DATE
ADDRESS			CITY	STATE	ZIP
SUBSCRIBER OR POLICYHOLDER			RELATION TO SUBSCRIBER	REFERRING PHYSICIAN	
ADDRESS - IF DIFFERENT			CITY	STATE	ZIP
INSURANCE CARRIER			INS. ID	COVERAGE CODE	GROUP
DISABILITY RELATED TO: <input type="checkbox"/> ILLNESS <input type="checkbox"/> ACCIDENT <input type="checkbox"/> INJ. <input type="checkbox"/> PREGNANCY <input type="checkbox"/>		DATE SYMPTOMS APPEARED, INCEPTION OF PREGNANCY, OR ACCIDENT OCCURRED: / /		OTHER HEALTH COVERAGE? - <input type="checkbox"/> NO <input type="checkbox"/> YES - IDENTIFY	
ASSIGNMENT: I hereby assign my insurance benefits to be paid directly to the undersigned physician. I am financially responsible for non-covered services. SIGNED: (Patient or Parent if Minor)				RELEASE: I authorize the undersigned physician to release any information acquired in the course of my examination or treatment. SIGNED: (Patient or Parent if Minor)	
Date:				Date:	

Family Practice					
DESCRIPTION	CPT4/MO	FEE	DESCRIPTION	CPT4/MO	FEE
1. OFFICE VISIT					
Minimal	90030		3. HOSP. SERVICES	NEW	EST.
Brief	90000	90040	Interm. (days)	90215	90260
Limited	90010	90050	Extended	90270	
Intermediate	90015	90060	Comprehensive	90220	
Extended	90070		Discharge 30 min. - 1 hr.		
Comprehensive	90020	90080	Detention Time 30 min. - 1 hr.	99150	
			Detention Time Hrs.	99151	
2. INJECTIONS & IMMUNIZATIONS					
Surgical Injection	206		4. SPECIAL SERVICES		
DPT	90701		Called to ER during ofc. hrs	99055	
DT	90702		Night Call - before 10 pm	99050	
Tetanus	90703		Night Call - after 10 pm	99052	
OPV	90712		Sundays or Holidays	99054	
MMR	90707		5. EMERGENCY ROOM		
				905	
			6. HOUSE CALLS		
				901	
			7. EXTENDED CARE FACILITY		
				903	
			8. CONSULTATION		
				906	
DIAGNOSIS					
<input type="checkbox"/> Abscess	682.9	<input type="checkbox"/> Chrysioma Accuminata	078.1	<input type="checkbox"/> Hemorrhoids	455.6
<input type="checkbox"/> Abrasion-sup. Injury	919	<input type="checkbox"/> Conjunctivitis	372	<input type="checkbox"/> Hypertension	401.9
<input type="checkbox"/> Allergic Reaction	995.3	<input type="checkbox"/> Contusion, Hematoma	924.9	<input type="checkbox"/> Influenza	487.1
<input type="checkbox"/> Amenorrhea	626.0	<input type="checkbox"/> Coronary Artery Dis.	414.9	<input type="checkbox"/> Ingrown Toenail	703.0
<input type="checkbox"/> Anemia	285.9	<input type="checkbox"/> Cystitis-Pyeloneph	595.9/890.80	<input type="checkbox"/> Insomnia	780.52
<input type="checkbox"/> Anxiety-Strass-Depression	309	<input type="checkbox"/> Cephalg-Migraine Tension	784.0	<input type="checkbox"/> Irritable Colon	564.1
<input type="checkbox"/> Arteriosclerosis	440.9	<input type="checkbox"/> Dermatitis	682.0	<input type="checkbox"/> Jaundice-Hepatitis	782.4
<input type="checkbox"/> Arthralgia	710.4	<input type="checkbox"/> Diabetes Mellitus	250.0	<input type="checkbox"/> Labyrinth - Vertigo	386.30/780.4
<input type="checkbox"/> Arthritis-Osteo Rheum.	716/714	<input type="checkbox"/> Duodenal Ulcer	532.9	<input type="checkbox"/> Laryngo-Tracheitis	464
<input type="checkbox"/> Asthma Hayfever	493.0	<input type="checkbox"/> Duodenitis-Gas	535.6	<input type="checkbox"/> Lipoma	214.9
<input type="checkbox"/> Bleeding Internal	626.6	<input type="checkbox"/> Dysmenorrhea	625.3	<input type="checkbox"/> Lipid Cholesterol Ab	272.7
<input type="checkbox"/> Bleeding Post Men	627.1	<input type="checkbox"/> Emphysema-COPD	496	<input type="checkbox"/> Low Back Pain	724.2
<input type="checkbox"/> Boil-Cebuncular/Furuncle	680	<input type="checkbox"/> Epicondylitis	726.32	<input type="checkbox"/> Lymphadenitis	289.3
<input type="checkbox"/> Bronchitis-Acute/Chronic	480	<input type="checkbox"/> Epilepsy	348.9	<input type="checkbox"/> Lymphangitis	457.2
<input type="checkbox"/> Bronchopneumonitis	485	<input type="checkbox"/> Eustachian Tube Congest.	381.50	<input type="checkbox"/> Memorrhage	626.2
<input type="checkbox"/> Bursitis	727	<input type="checkbox"/> Exogenous Obesity	278.0	<input type="checkbox"/> Menopausal Syndrome	627.2
<input type="checkbox"/> Cellulitis-Impetigo	682	<input type="checkbox"/> Fatigue	780.7	<input type="checkbox"/> Myofascitis-Tendonitis	729.1
<input type="checkbox"/> Cerebral Con.	850.9	<input type="checkbox"/> Foreign Body	879.8	<input type="checkbox"/> Muscle Strain/Sprain	848.9
<input type="checkbox"/> Cervicitis	816.0	<input type="checkbox"/> Gastroenteritis	588.9	<input type="checkbox"/> Otitis-External Cerumen	382.9
<input type="checkbox"/> Cholecyst. & Cholelith.	575/574	<input type="checkbox"/> Heart Failure	428.0	<input type="checkbox"/> Otitis-Media Acute	382.9
		<input type="checkbox"/> Hiatal Hernia	883.3	<input type="checkbox"/> Pain	
				<input type="checkbox"/> Paroxysmal Atrial Tachy.	427.2
				<input type="checkbox"/> Pediculosis Pubis-Scabies	133.0
				<input type="checkbox"/> Pelvic Congestion	629.5
				<input type="checkbox"/> Pharyngitis, Tonsil.-Acute	482
				<input type="checkbox"/> Pigmented Nevus	M8720.0
				<input type="checkbox"/> Post Nasal Drip	473.9
				<input type="checkbox"/> Pneumonitis-Pleuritis	486
				<input type="checkbox"/> P. I. D.	614.9
				<input type="checkbox"/> Prostatitis	601.9
				<input type="checkbox"/> Puncture Wound	875.8
				<input type="checkbox"/> Renal Stone	582.0
				<input type="checkbox"/> Sebaceous Cyst	706.2
				<input type="checkbox"/> Seizure Disorder	780.3
				<input type="checkbox"/> Sinusitis	473.9
				<input type="checkbox"/> Thyroid Disorder	248.9
				<input type="checkbox"/> Tinea Corpus Pedis	110.5
				<input type="checkbox"/> URI-Viral Syndrome	480
				<input type="checkbox"/> Urethritis-Cystitis	599.0
				<input type="checkbox"/> Vaginitis	616.10
				<input type="checkbox"/> Weight Loss	783.2

DIAGNOSIS: (IF NOT CHECKED ABOVE)		SERVICES PERFORMED AT: <input type="checkbox"/> Office <input type="checkbox"/> Johnson's Hospital <input type="checkbox"/> State Hospital <input type="checkbox"/> I.E.R. 100 Main St. 200 State St. <input type="checkbox"/> N.M. Some Place, USA 70000 Some Place, USA 70001		LAB SENT TO:		DATES DISABLED: FROM: / / TO: / / OK TO RETURN TO WORK/SCHOOL	
RETURN APPOINTMENT INFORMATION: 8 - 10 - 15 - 20 - 30 - 45 - 60		NEXT APPOINTMENT: M - T - W - TH - F - S		DOCTOR'S SIGNATURE/DATE			
DAYS		WKS.		MOS.		PRN	
PX.		DATE: / /		TIME:		AM	
PM		ACCEPT ASSIGNMENT? <input type="checkbox"/> YES <input type="checkbox"/> NO		REC'D BY:			
INSTRUCTIONS TO PATIENT FOR FILING INSURANCE CLAIMS		1. COMPLETE UPPER PORTION OF THIS FORM.		<input type="checkbox"/> CASH		TOTAL TODAY'S FEE	
2. SIGN & DATE.		3. MAIL THIS FORM DIRECTLY TO YOUR INSURANCE COMPANY. YOU MAY ATTACH YOUR OWN INSURANCE COMPANY'S FORM IF YOU WISH, ALTHOUGH IT IS NOT NECESSARY.		<input type="checkbox"/> CR. CD.		OLD BALANCE	
				<input type="checkbox"/> CK.		TOTAL	
				#_____		AMT. REC'D. TODAY	
						NEW BALANCE	

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Mediforms Medical Information Form

Problem IV-13. After years of research, Missy Chase Lapine wrote “The Sneaky Chef: Simple Strategies for Hiding Healthy Foods in Kids’ Favorite Meals,” which was published in April 2007. It includes dozens of recipes about how to camouflage purees of fruits and vegetables (such as spinach and sweet potatoes) into kids’ favorite foods. Six months later, Jessica Seinfeld published “Deceptively Delicious: Simple Secrets to Getting Your Kids Eating Good Foods.” It included many recipes with the same hidden purees: chocolate pudding (avocado); chocolate chip cookies (white bean); brownies (spinach); grilled cheese (sweet potato); French toast (sweet potato/carrot); meat sauce (sweet potato); chicken tenders (sweet potato); green eggs (spinach). Does Lapine have a valid copyright in the ingredient lists and proportions? What about the recipes and descriptive material? What about the arrangement of the recipes?



Lotus Development Corp. v. Borland International
United States Court of Appeals for the First Circuit
49 F.3d 807 (1st Cir. 1995),
aff’d by equally divided court, 526 U.S. 233 (1996)

STAHL, CIRCUIT JUDGE.

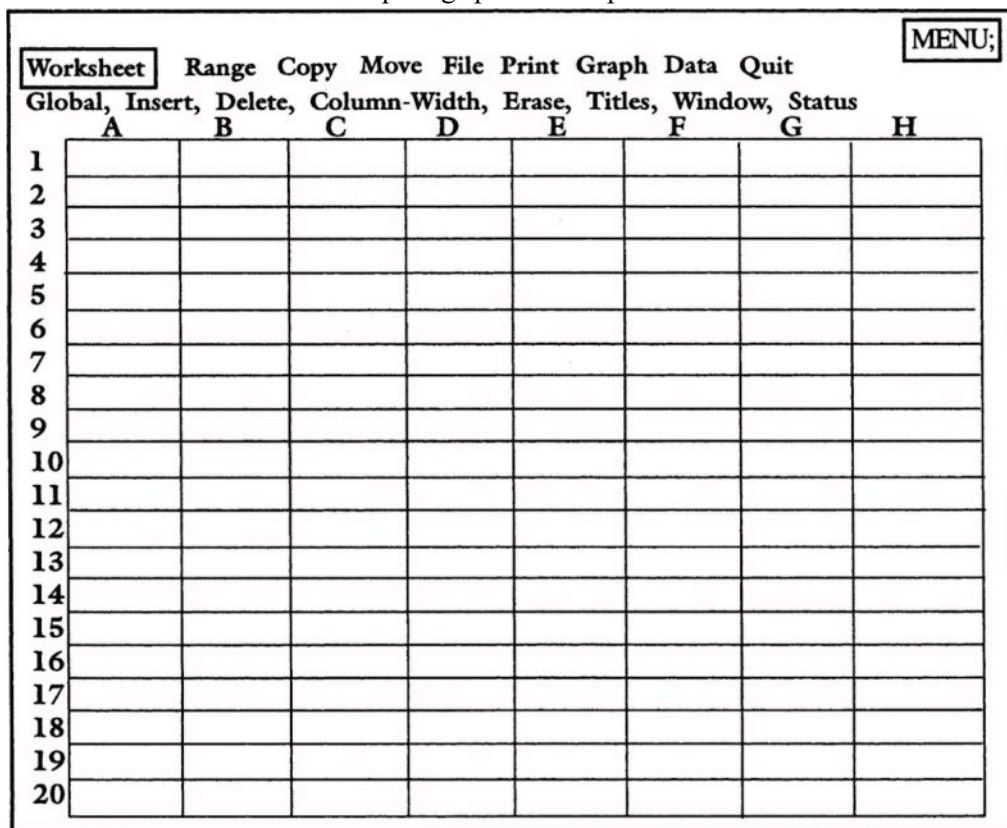
This appeal requires us to decide whether a computer menu command hierarchy is copyrightable subject matter. In particular, we must decide whether, as the district court held, plaintiff-appellee Lotus Development Corporation’s copyright in Lotus 1-2-3, a computer spreadsheet program, was infringed by defendant-appellant Borland International, Inc., when Borland copied the Lotus 1-2-3 menu command hierarchy into its Quattro and Quattro Pro computer spreadsheet programs. *See Lotus Dev. Corp. v. Borland Int’l, Inc.*, 788 F. Supp. 78 (D. Mass. 1992) (“Borland I”); *Lotus Dev. Corp. v. Borland Int’l, Inc.*, 799 F. Supp. 203 (D. Mass. 1992) (“Borland II”); *Lotus Dev. Corp. v. Borland Int’l, Inc.*, 831 F. Supp. 202 (D. Mass. 1993) (“Borland III”); *Lotus Dev. Corp. v. Borland Int’l, Inc.*, 831 F. Supp. 223 (D. Mass. 1993) (“Borland IV”).

I. Background

Lotus 1-2-3 is a spreadsheet program that enables users to perform accounting functions electronically on a computer. Users manipulate and control the program via a series of menu commands, such as “Copy,” “Print,” and “Quit.” Users choose commands either by highlighting them on the screen or by typing their first letter. In all, Lotus 1-2-3 has 469 commands arranged into more than 50 menus and submenus. [See picture below.]

Lotus 1-2-3, like many computer programs, allows users to write what are called “macros.” By writing a macro, a user can designate a series of command choices with a single macro keystroke. Then, to execute that series of commands in multiple parts of the spreadsheet, rather than typing the whole series each time, the user only needs to type the single pre-programmed macro keystroke, causing the program to recall and perform the designated series of commands automatically. Thus, Lotus 1-2-3 macros shorten the time needed to set up and operate the program.

Borland released its first Quattro program to the public in 1987, after Borland's engineers had labored over its development for nearly three years. Borland's objective was to develop a spreadsheet program far superior to existing programs, including Lotus 1-2-3. In Borland's words, "from the time of its initial release . . . Quattro included enormous innovations over competing spreadsheet products."



Facsimile of a Lotus 1-2-3 screen display

The district court found, and Borland does not now contest, that Borland included in its Quattro and Quattro Pro version 1.0 programs "a virtually identical copy of the entire 1-2-3 menu tree." *Borland III*, 831 F. Supp. at 212. In so doing, Borland did not copy any of Lotus's underlying computer code; it copied only the words and structure of Lotus's menu command hierarchy. Borland included the Lotus menu command hierarchy in its programs to make them compatible with Lotus 1-2-3 so that spreadsheet users who were already familiar with Lotus 1-2-3 would be able to switch to the Borland programs without having to learn new commands or rewrite their Lotus macros.

In its Quattro and Quattro Pro version 1.0 programs, Borland achieved compatibility with Lotus 1-2-3 by offering its users an alternate user interface, the "Lotus Emulation Interface." By activating the Emulation Interface, Borland users would see the Lotus menu commands on their screens and could interact with Quattro or Quattro Pro as if

using Lotus 1-2-3, albeit with a slightly different looking screen and with many Borland options not available on Lotus 1-2-3. In effect, Borland allowed users to choose how they wanted to communicate with Borland's spreadsheet programs: either by using menu commands designed by Borland, or by using the commands and command structure used in Lotus 1-2-3 augmented by Borland-added commands.

Lotus filed this action against Borland in the District of Massachusetts on July 2, 1990, four days after a district court held that the Lotus 1-2-3 "menu structure, taken as a whole—including the choice of command terms [and] the structure and order of those terms," was protected expression covered by Lotus's copyrights. *Lotus Dev. Corp. v. Paperback Software Int'l*, 740 F. Supp. 37, 68, 70 (D. Mass. 1990) ("Paperback"). . . .

On July 31, 1992, the district court denied Borland's motion [for summary judgment] and granted Lotus's motion in part. The district court ruled that the Lotus menu command hierarchy was copyrightable expression because

[a] very satisfactory spreadsheet menu tree can be constructed using different commands and a different command structure from those of Lotus 1-2-3. In fact, Borland has constructed just such an alternate tree for use in Quattro Pro's native mode. Even if one holds the arrangement of menu commands constant, it is possible to generate literally millions of satisfactory menu trees by varying the menu commands employed.

Borland II, 799 F. Supp. at 217. The district court demonstrated this by offering alternate command words for the ten commands that appear in Lotus's main menu. *Id.* For example, the district court stated that "the 'Quit' command could be named 'Exit' without any other modifications," and that "the 'Copy' command could be called 'Clone,' 'Ditto,' 'Duplicate,' 'Imitate,' 'Mimic,' 'Replicate,' and 'Reproduce,' among others." *Id.* Because so many variations were possible, the district court concluded that the Lotus developers' choice and arrangement of command terms, reflected in the Lotus menu command hierarchy, constituted copyrightable expression.

In granting partial summary judgment to Lotus, the district court held that Borland had infringed Lotus's copyright in Lotus 1-2-3. . . . *Borland II*, 799 F. Supp. at 223. The court nevertheless concluded that while the Quattro and Quattro Pro programs infringed Lotus's copyright, Borland had not copied the entire Lotus 1-2-3 user interface, as Lotus had contended. . . .

Immediately following the district court's summary judgment decision, Borland removed the Lotus Emulation Interface from its products. Thereafter, Borland's spreadsheet programs no longer displayed the Lotus 1-2-3 menus to Borland users, and as a result Borland users could no longer communicate with Borland's programs as if they were using a more sophisticated version of Lotus 1-2-3. Nonetheless, Borland's programs continued to be partially compatible with Lotus 1-2-3, for Borland retained what it called the "Key Reader" in its Quattro Pro programs. Once turned on, the Key Reader allowed Borland's programs to understand and perform some Lotus 1-2-3 macros. With the Key Reader on, the Borland programs used Quattro Pro menus for display, interaction, and macro execution, except when they encountered a slash ("/")

us in deciding this appeal. This is true even with respect to those copyright-infringement cases that deal with computers and computer software.

B. Matter of First Impression

Whether a computer menu command hierarchy constitutes copyrightable subject matter is a matter of first impression in this court. . . .

Borland vigorously argues, however, that the Supreme Court charted our course more than 100 years ago when it decided *Baker v. Selden*, 101 U.S. 99 (1879). In *Baker v. Selden*, the Court held that Selden's copyright over the textbook in which he explained his new way to do accounting did not grant him a monopoly on the use of his accounting system. Borland argues: "The facts of *Baker v. Selden*, and even the arguments advanced by the parties in that case, are identical to those in this case. The only difference is that the 'user interface' of Selden's system was implemented by pen and paper rather than by computer." . . .

We do not think that *Baker v. Selden* is nearly as analogous to this appeal as Borland claims. Of course, Lotus 1-2-3 is a computer spreadsheet, and as such its grid of horizontal rows and vertical columns certainly resembles an accounting ledger or any other paper spreadsheet. Those grids, however, are not at issue in this appeal for, unlike *Selden*, Lotus does not claim to have a monopoly over its accounting system. Rather, this appeal involves Lotus's monopoly over the commands it uses to operate the computer. Accordingly, this appeal is not, as Borland contends, "identical" to *Baker v. Selden*. . . .

D. The Lotus Menu Command Hierarchy: A "Method of Operation"

Borland argues that the Lotus menu command hierarchy is uncopyrightable because it is a system, method of operation, process, or procedure foreclosed from copyright protection by 17 U.S.C. §102(b). Section 102(b) states: "In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." Because we conclude that the Lotus menu command hierarchy is a method of operation, we do not consider whether it could also be a system, process, or procedure.

We think that "method of operation," as that term is used in §102(b), refers to the means by which a person operates something, whether it be a car, a food processor, or a computer. Thus a text describing how to operate something would not extend copyright protection to the method of operation itself; other people would be free to employ that method and to describe it in their own words. Similarly, if a new method of operation is used rather than described, other people would still be free to employ or describe that method.

We hold that the Lotus menu command hierarchy is an uncopyrightable "method of operation." The Lotus menu command hierarchy provides the means by which users control and operate Lotus 1-2-3. If users wish to copy material, for example, they use the "Copy" command. If users wish to print material, they use the "Print" command. Users must use the command terms to tell the computer what to do. Without the menu

command hierarchy, users would not be able to access and control, or indeed make use of, Lotus 1-2-3's functional capabilities.

The Lotus menu command hierarchy does not merely explain and present Lotus 1-2-3's functional capabilities to the user; it also serves as the method by which the program is operated and controlled. . . . The Lotus menu command hierarchy is . . . different from the Lotus screen displays, for users need not "use" any expressive aspects of the screen displays in order to operate Lotus 1-2-3; because the way the screens look has little bearing on how users control the program, the screen displays are not part of Lotus 1-2-3's "method of operation." The Lotus menu command hierarchy is also different from the underlying computer code, because while code is necessary for the program to work, its precise formulation is not. In other words, to offer the same capabilities as Lotus 1-2-3, Borland did not have to copy Lotus's underlying code (and indeed it did not); to allow users to operate its programs in substantially the same way, however, Borland had to copy the Lotus menu command hierarchy. Thus the Lotus 1-2-3 code is not an uncopyrightable "method of operation."

The district court held that the Lotus menu command hierarchy, with its specific choice and arrangement of command terms, constituted an "expression" of the "idea" of operating a computer program with commands arranged hierarchically into menus and submenus. *Borland II*, 799 F. Supp. at 216. Under the district court's reasoning, Lotus's decision to employ hierarchically arranged command terms to operate its program could not foreclose its competitors from also employing hierarchically arranged command terms to operate their programs, but it did foreclose them from employing the specific command terms and arrangement that Lotus had used. In effect, the district court limited Lotus 1-2-3's "method of operation" to an abstraction.

Accepting the district court's finding that the Lotus developers made some expressive choices in choosing and arranging the Lotus command terms, we nonetheless hold that that expression is not copyrightable because it is part of Lotus 1-2-3's "method of operation." We do not think that "methods of operation" are limited to abstractions; rather, they are the means by which a user operates something. If specific words are essential to operating something, then they are part of a "method of operation" and, as such, are unprotectable. This is so whether they must be highlighted, typed in, or even spoken, as computer programs no doubt will soon be controlled by spoken words.

The fact that Lotus developers could have designed the Lotus menu command hierarchy differently is immaterial to the question of whether it is a "method of operation." In other words, our initial inquiry is not whether the Lotus menu command hierarchy incorporates any expression. Rather, our initial inquiry is whether the Lotus menu command hierarchy is a "method of operation." Concluding, as we do, that users operate Lotus 1-2-3 by using the Lotus menu command hierarchy, and that the entire Lotus menu command hierarchy is essential to operating Lotus 1-2-3, we do not inquire further whether that method of operation could have been designed differently. The "expressive" choices of what to name the command terms and how to arrange them do not magically change the uncopyrightable menu command hierarchy into copyrightable subject matter.

Our holding that “methods of operation” are not limited to mere abstractions is bolstered by *Baker v. Selden*. In *Baker*, the Supreme Court explained that

the teachings of science and the rules and methods of useful art have their final end in application and use; and this application and use are what the public derive from the publication of a book which teaches them. . . . The description of the art in a book, though entitled to the benefit of copyright, lays no foundation for an exclusive claim to the art itself. The object of the one is explanation; the object of the other is use. The former may be secured by copyright. The latter can only be secured, if it can be secured at all, by letters-patent.

Baker v. Selden, 101 U.S. at 104–05. Lotus wrote its menu command hierarchy so that people could learn it and use it. Accordingly, it falls squarely within the prohibition on copyright protection established in *Baker v. Selden* and codified by Congress in §102(b).

In many ways, the Lotus menu command hierarchy is like the buttons used to control, say, a video cassette recorder (“VCR”). A VCR is a machine that enables one to watch and record video tapes. Users operate VCRs by pressing a series of buttons that are typically labelled “Record, Play, Reverse, Fast Forward, Pause, Stop/Eject.” That the buttons are arranged and labeled does not make them a “literary work,” nor does it make them an “expression” of the abstract “method of operating” a VCR via a set of labeled buttons. Instead, the buttons are themselves the “method of operating” the VCR.

When a Lotus 1-2-3 user chooses a command, either by highlighting it on the screen or by typing its first letter, he or she effectively pushes a button. Highlighting the “Print” command on the screen, or typing the letter “P,” is analogous to pressing a VCR button labeled “Play.”

Just as one could not operate a buttonless VCR, it would be impossible to operate Lotus 1-2-3 without employing its menu command hierarchy. Thus the Lotus command terms are not equivalent to the labels on the VCR’s buttons, but are instead equivalent to the buttons themselves. Unlike the labels on a VCR’s buttons, which merely make operating a VCR easier by indicating the buttons’ functions, the Lotus menu commands are essential to operating Lotus 1-2-3. Without the menu commands, there would be no way to “push” the Lotus buttons, as one could push unlabeled VCR buttons. While Lotus could probably have designed a user interface for which the command terms were mere labels, it did not do so here. Lotus 1-2-3 depends for its operation on use of the precise command terms that make up the Lotus menu command hierarchy. . . .

Computer programs, unlike VCRs, are copyrightable as “literary works.” 17 U.S.C. §102(a). Accordingly, one might argue, the “buttons” used to operate a computer program are not like the buttons used to operate a VCR, for they are not subject to a useful-article exception. The response, of course, is that the arrangement of buttons on a VCR would not be copyrightable even without a useful-article exception, because the

buttons are an uncopyrightable “method of operation.” Similarly, the “buttons” of a computer program are also an uncopyrightable “method of operation.”

That the Lotus menu command hierarchy is a “method of operation” becomes clearer when one considers program compatibility. Under Lotus’s theory, if a user uses several different programs, he or she must learn how to perform the same operation in a different way for each program used. For example, if the user wanted the computer to print material, then the user would have to learn not just one method of operating the computer such that it prints, but many different methods. We find this absurd. The fact that there may be many different ways to operate a computer program, or even many different ways to operate a computer program using a set of hierarchically arranged command terms, does not make the actual method of operation chosen copyrightable; it still functions as a method for operating the computer and as such is uncopyrightable.

Consider also that users employ the Lotus menu command hierarchy in writing macros. Under the district court’s holding, if the user wrote a macro to shorten the time needed to perform a certain operation in Lotus 1-2-3, the user would be unable to use that macro to shorten the time needed to perform that same operation in another program. Rather, the user would have to rewrite his or her macro using that other program’s menu command hierarchy. This is despite the fact that the macro is clearly the user’s own work product. We think that forcing the user to cause the computer to perform the same operation in a different way ignores Congress’s direction in §102(b) that “methods of operation” are not copyrightable. That programs can offer users the ability to write macros in many different ways does not change the fact that, once written, the macro allows the user to perform an operation automatically. As the Lotus menu command hierarchy serves as the basis for Lotus 1-2-3 macros, the Lotus menu command hierarchy is a “method of operation.” . . .

We also note that in most contexts, there is no need to “build” upon other people’s expression, for the ideas conveyed by that expression can be conveyed by someone else without copying the first author’s expression. In the context of methods of operation, however, “building” requires the use of the precise method of operation already employed; otherwise, “building” would require dismantling, too. Original developers are not the only people entitled to build on the methods of operation they create; anyone can. Thus, Borland may build on the method of operation that Lotus designed and may use the Lotus menu command hierarchy in doing so.

Our holding that methods of operation are not limited to abstractions goes against *Autoskill*, 994 F.2d at 1495 n.23, in which the Tenth Circuit rejected the defendant’s argument that the keying procedure used in a computer program was an uncopyrightable “procedure” or “method of operation” under §102(b). The program at issue, which was designed to test and train students with reading deficiencies, *id.* at 1481, required students to select responses to the program’s queries “by pressing the 1, 2, or 3 keys.” *Id.* at 1495 n.23. The Tenth Circuit held that, “for purposes of the preliminary injunction, . . . the record showed that [this] keying procedure reflected at least a minimal degree of creativity,” as required by *Feist* for copyright protection. *Id.* As an initial matter, we question whether a programmer’s decision to have users select a response by pressing

the 1, 2, or 3 keys is original. More importantly, however, we fail to see how “a student selecting a response by pressing the 1, 2, or 3 keys,” *id.*, can be anything but an unprotectable method of operation. . . .

Reversed.

BOUDIN, CIRCUIT JUDGE, concurring.

The importance of this case, and a slightly different emphasis in my view of the underlying problem, prompt me to add a few words to the majority’s tightly focused discussion.

I.

Most of the law of copyright and the “tools” of analysis have developed in the context of literary works such as novels, plays, and films. In this milieu, the principal problem—simply stated, if difficult to resolve—is to stimulate creative expression without unduly limiting access by others to the broader themes and concepts deployed by the author. The middle of the spectrum presents close cases; but a “mistake” in providing too much protection involves a small cost: subsequent authors treating the same themes must take a few more steps away from the original expression.

The problem presented by computer programs is fundamentally different in one respect. The computer program is a means for causing something to happen; it has a mechanical utility, an instrumental role, in accomplishing the world’s work. Granting protection, in other words, can have some of the consequences of patent protection in limiting other people’s ability to perform a task in the most efficient manner. Utility does not bar copyright (dictionaries may be copyrighted), but it alters the calculus.

Of course, the argument for protection is undiminished, perhaps even enhanced, by utility: if we want more of an intellectual product, a temporary monopoly for the creator provides incentives for others to create other, different items in this class. But the “cost” side of the equation may be different where one places a very high value on public access to a useful innovation that may be the most efficient means of performing a given task. Thus, the argument for extending protection may be the same; but the stakes on the other side are much higher.

It is no accident that patent protection has preconditions that copyright protection does not—notably, the requirements of novelty and non-obviousness—and that patents are granted for a shorter period than copyrights. This problem of utility has sometimes manifested itself in copyright cases, such as *Baker v. Selden*, 101 U.S. 99 (1879), and been dealt with through various formulations that limit copyright or create limited rights to copy. But the case law and doctrine addressed to utility in copyright have been brief detours in the general march of copyright law.

Requests for the protection of computer menus present the concern with fencing off access to the commons in an acute form. A new menu may be a creative work, but over time its importance may come to reside more in the investment that has been made by users in learning the menu and in building their own mini-programs—macros—in reliance upon the menu. Better typewriter keyboard layouts may exist, but the familiar

But if a better spreadsheet comes along, it is hard to see why customers who have learned the Lotus menu and devised macros for it should remain captives of Lotus because of an investment in learning made by the users and not by Lotus. Lotus has already reaped a substantial reward for being first; assuming that the Borland program is now better, good reasons exist for freeing it to attract old Lotus customers: to enable the old customers to take advantage of a new advance, and to reward Borland in turn for making a better product. If Borland has not made a better product, then customers will remain with Lotus anyway.

Thus, for me the question is not whether Borland should prevail but on what basis. Various avenues might be traveled, but the main choices are between holding that the menu is not protectable by copyright and devising a new doctrine that Borland's use is privileged. No solution is perfect and no intermediate appellate court can make the final choice.

To call the menu a "method of operation" is, in the common use of those words, a defensible position. After all, the purpose of the menu is not to be admired as a work of literary or pictorial art. It is to transmit directions from the user to the computer, i.e., to operate the computer. The menu is also a "method" in the dictionary sense because it is a "planned way of doing something," an "order or system," and (aptly here) an "orderly or systematic arrangement, sequence or the like." RANDOM HOUSE WEBSTER'S COLLEGE DICTIONARY 853 (1991).

A different approach would be to say that Borland's use is privileged because, in the context already described, it is not seeking to appropriate the advances made by Lotus' menu; rather, having provided an arguably more attractive menu of its own, Borland is merely trying to give former Lotus users an option to exploit their own prior investment in learning or in macros. The difference is that such a privileged use approach would not automatically protect Borland if it had simply copied the Lotus menu (using different codes), contributed nothing of its own, and resold Lotus under the Borland label.

The closest analogue in conventional copyright is the fair use doctrine. . . . [T]he doctrine of fair use was created by the courts and can be adapted to new purposes.

But a privileged use doctrine would certainly involve problems of its own. It might more closely tailor the limits on copyright protection to the reasons for limiting that protection; but it would entail a host of administrative problems that would cause cost and delay, and would also reduce the ability of the industry to predict outcomes. Indeed, to the extent that Lotus' menu is an important standard in the industry, it might be argued that any use ought to be deemed privileged.

In sum, the majority's result persuades me and its formulation is as good, if not better, than any other that occurs to me now as within the reach of courts. Some solutions (e.g., a very short copyright period for menus) are not options at all for courts but might be for Congress. In all events, the choices are important ones of policy, not linguistics, and they should be made with the underlying considerations in view.

COMMENTS AND QUESTIONS

1. The issues raised by the *Lotus* decision remain unsettled. The Supreme Court granted certiorari in the case, but it deadlocked 4-4 and therefore affirmed the First Circuit but produced no precedential opinion. *Lotus Dev. Corp. v. Borland Int'l*, 516 U.S. 233 (1996). The Court returned to the issue a quarter-century later in *Google LLC v. Oracle Corp.*, 141 S.Ct. 1183 (2021), but once again did not resolve the question.

The First Circuit concedes that its opinion is at odds with the Tenth Circuit's decision in *Autoskill, Inc. v. National Educational Support Systems*, 994 F.2d 1476, 1495 n.23 (10th Cir. 1993), and dictum from the Ninth Circuit's decision in *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1477 (9th Cir. 1992). On the other hand, the *Lotus* approach seems consistent with the legislative history of §102(b). The House Report accompanying that section states: "Section 102(b) is intended, among other things, to make clear that the expression adopted by the programmer is the copyrightable element in a computer program, and that the actual processes or methods embodied in the program are not within the scope of the copyright law." H.R. REP. NO. 1476, 94th Cong., 2d Sess. 57 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5670. The Third Circuit recently held that elements of a communication protocol relating to a transmission scheme were uncopyrightable methods of operation. See *Pyrotechnics Mgmt., Inc. v. XFX Pyrotechnics LLC*, 2022 WL 2336477 (3d Cir. 2022). Furthermore, most commentators agree with the ultimate result in *Lotus*. See, e.g., Brief Amicus Curiae of Copyright Law Professors in Support of Respondent in *Lotus v. Borland*, No. 94-2003 (U.S. 1995) (brief submitted by 34 copyright professors urging affirmance for a variety of reasons); Dennis Karjala & Peter S. Menell, *Applying Fundamental Copyright Principles in Lotus Development Corp. v. Borland International Inc.*, 10 HIGH TECH. L.J. 177 (1995); Mark A. Lemley, *Convergence in the Law of Software Copyright?*, 10 HIGH TECH. L.J. 1 (1995).

2. In the predecessor case to *Lotus v. Borland*, defendant Paperback Software argued that the command structure of the *Lotus* program is in essence a language. It can be used to create macros and run the spreadsheet. Is this a fair characterization? The district court attacked this analogy on two basic grounds: that *Lotus 1-2-3* was not in fact a language, and that languages could be copyrightable. The first conclusion is certainly debatable; one's definition of a language (or alternatively a "system") will go a long way toward answering this question. But consider the court's second premise—that languages might be copyrightable. Is copyrighting "natural" (i.e., human) languages consistent with what you know of copyright law? Is a language functional or expressive? Does it matter whether the plaintiff is claiming the creation of certain words, on the one hand, or the entire system of grammar and interaction between words? Does the First Circuit's decision in *Lotus v. Borland* shed any light on this issue? Are languages "systems" or "methods of operation" which are denied protection under §102(b)?

Is the QWERTY keyboard protectable by copyright? Why or why not? Does the answer depend on timing—whether the QWERTY keyboard has just been introduced,

or whether it is well-established as the industry standard for typewriters? How would you apply §102(b) in each case?

3. Both the majority and Judge Boudin's concurrence express concern over the harm that would be done to users of Lotus 1-2-3 if they could not copy their macros for use on Quattro Pro. Certainly, users have invested time and effort in using Lotus 1-2-3, and this may make them reluctant to change spreadsheet programs, even if Borland's program really is superior. But is this the sort of problem with which the copyright law should be concerned? Why isn't a customer preference for a known, trusted product part of the reward that the copyright owner is entitled to reap?

Courts have declined to find copyright protection (often on the grounds of merger, see *Morrissey v. Procter & Gamble*, following these notes) in cases where similarity in computer programs has been dictated by (a) standard practices in the industry for which the software programs are designed, (b) methods or practices that a large population has come to rely upon for daily activities, and (c) the need to operate on common hardware or with common software. See Peter S. Menell, *An Epitaph for Traditional Copyright Protection of Network Features of Computer Software*, 43 ANTITRUST BULL. 651 (1998); Peter S. Menell, *An Analysis of the Scope of Copyright Protection for Application Programs*, 41 STAN. L. REV. 1045, 1101-03 (1989) (arguing that a careful application of the merger doctrine can create incentives for the development of better computer application programs).

4. *Java Application Program Interface (API)*. The copyrightability of application program interfaces (APIs) reemerged in the epic battle between Oracle and Google over Google's use of 37 Java APIs in the Android operating system. Although purporting to sidestep the copyrightability of APIs, the Supreme Court's decision, which we feature in Section IV(F)(iii)(c), has much to say about copyrightability. *Google LLC v. Oracle Corp.*, 141 S.Ct. 1183 (2021). The decision reinforces the *Lotus v. Borland* decision. The Court emphasized the importance of the functional nature of the code copied and Google's need to develop code that allowed Java programmers to port their works over to the new Android system.



Morrissey v. Procter & Gamble
United States Court of Appeals for the First Circuit
379 F.2d 675 (1st Cir. 1967)

ALDRICH, CHIEF JUDGE.

This is an appeal from a summary judgment for the defendant. The plaintiff, Morrissey, is the copyright owner of a set of rules for a sales promotional contest of the "sweepstakes" type involving the social security numbers of the participants. Plaintiff alleges that the defendant, Procter & Gamble Company, infringed, by copying almost precisely, Rule 1. In its motion for summary judgment, based upon affidavits and depositions, defendant denies that plaintiff's Rule 1 is copyrightable material, and denies access. The district court held for the defendant on both grounds. . . .

The second aspect of the case raises a more difficult question. Before discussing it we recite plaintiff's Rule 1, and defendant's Rule 1, the italicizing in the latter being ours to note the defendant's variations or changes.

1. Entrants should print name, address and social security number on a boxtop, or a plain paper. Entries must be accompanied by . . . boxtop or by plain paper on which the name . . . is copied from any source. Official rules are explained on . . . packages or leaflets obtained from dealer. If you do not have a social security number you may use the name and number of any member of your immediate family living with you. Only the person named on the entry will be deemed an entrant and may qualify for prize.

Use the correct social security number belonging to the person named on entry. . . . [A] wrong number will be disqualified.

(Plaintiff's Rule)

1. Entrants should print name, address and Social Security number on a Tide boxtop, or *on* [a] plain paper. Entries must be accompanied by Tide boxtop (*any size*) or by plain paper on which the name "Tide" is copied from any source. Official rules are *available* on Tide Sweepstakes packages, or *on* leaflets *at* Tide dealers, *or you can send a stamped, self-addressed envelope to:* Tide "Shopping Fling" Sweepstakes, P.O. Box 4459, Chicago 77, Illinois.

If you do not have a Social Security number, you may use the name and number of any member of your immediate family living with you. Only the person named on the entry will be deemed an entrant and may qualify for a prize.

Use the correct Social Security number, belonging to the person named on *the* entry—wrong numbers will be disqualified.

(Defendant's Rule)

The district court, following an earlier decision, *Gaye v. Gillis*, D. Mass., 1958, 167 F. Supp. 416, took the position that since the substance of the contest was not copyrightable, which is unquestionably correct, *Baker v. Selden*, 101 U.S. 99 (1879); *Affiliated Enters. v. Gruber*, 86 F.2d 958 (1st Cir. 1936); *Chamberlin v. Uris Sales Corp.*, 150 F.2d 512 (2d Cir. 1945), and the substance was relatively simple, it must follow that plaintiff's rule sprung directly from the substance and "contains no original creative authorship." 262 F. Supp. at 738. This does not follow. Copyright attaches to form of expression, and defendant's own proof, introduced to deluge the court on the issue of access, itself established that there was more than one way of expressing even this simple substance. Nor, in view of the almost precise similarity of the two rules, could defendant successfully invoke the principle of a stringent standard for showing infringement which some courts apply when the subject matter involved admits of little variation in form of expression. . . .

Nonetheless, we must hold for the defendant. When the uncopyrightable subject matter is very narrow, so that "the topic necessarily requires," *Sampson & Murdock Co. v. Seaver-Radford Co.*, 140 F. 539, 541 (1st Cir. 1905); *cf.* KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT, 64–65 (1967), if not only one form of expression, at best only a

F.2d 607, 616 (7th Cir. 1982). The Second Circuit’s decision in *Walker v. Time Life Films, Inc.*, 784 F.2d 44 (2d Cir. 1986), memorably illustrates the doctrine. Thomas Walker, a former police officer in the South Bronx who penned a novel (*Fort Apache*) about the events during his time in this violent, drug-dealing, prostitution-filled precinct, sued the producers of the film *Fort Apache, The Bronx* alleging copyright infringement. In rejecting the copyright claim, the court ruled that “[e]lements such as drunks, prostitutes, vermin and derelict cars would appear in any realistic work about the work of policemen in the South Bronx. These similarities therefore are unprotectible as ‘scenes a faire,’ that is, scenes that necessarily result from the choice of a setting or situation.” *Id.* at 50. To allow protection for such aspects of a work would unduly restrict subsequent authors in building their own works within general settings with which their audiences will relate.

Scenes a faire can extend not just to literary tropes but to commonplace elements in a variety of works. *Cf. Grondin v. Fanatics, Inc.*, 2023 WL 144284 (E.D. Pa. Jan. 10, 2023) (noting that “the hockey puck shape is so commonplace in the world of hockey memorabilia that it alone cannot establish the necessary similarity between the two works”).

PROBLEM IV-14

Insect Representations, Inc., sells a highly successful line of jewelry in the shape of various insects. One of its products is a stickpin in the shape of a bumblebee, made of etched gold wings and encrusted with a number of diamonds and black gems. Animal Jewelry Corp. designs and markets a jeweled bee pin that has gold wings with piping and is encrusted with diamonds and black gems.

Insect Representations



Animal Jewelry Corp.



When Insect sues Animal for copyright infringement, Animal defends on the grounds that it has taken merely the “idea” of a jeweled bee pin. Who should prevail?

ii. The Useful Article Doctrine

Section 101 of the Copyright Act defines “pictorial, graphic, and sculptural [PGS] works,” one of the categories of works protected under §102, to include

two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

The Act defines a “useful article” as an “article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a ‘useful article.’” §101.



H.R. REP. NO. 94-1476

94th Cong., 2d Sess., 47, 54–55 (1976)

[T]he definition of “pictorial, graphic, and sculptural works” carries with it no implied criterion of artistic taste, aesthetic value, or intrinsic quality. The term is intended to comprise not only “works of art” in the traditional sense but also . . . works of “applied art.” . . .

In accordance with the Supreme Court’s decision in *Mazer v. Stein*, 347 U.S. 201 (1954), works of “applied art” encompass all original pictorial, graphic, and sculptural works that are intended to be or have been embodied in useful articles, regardless of factors such as mass production, commercial exploitation, and the potential availability of design patent protection. . . .

The Committee has added language to the definition of “pictorial, graphic, and sculptural works” in an effort to make clearer the distinction between works of applied art protectable under the bill and industrial designs not subject to copyright protection. The declaration that “pictorial, graphic, and sculptural works” include “works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned” is classic language: it is drawn from Copyright Office regulations promulgated in the 1940s and was expressly endorsed by the Supreme Court in the *Mazer* case.

The second part of the amendment states that “the design of a useful article . . . shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” . . .

In adopting this amendatory language, the Committee is seeking to draw as clear a line as possible between copyrightable works of applied art and uncopyrighted works of industrial design. A two-dimensional painting, drawing, or graphic work is still capable of being identified as such when it is printed on or applied to utilitarian articles such as textile fabrics, wallpaper, containers, and the like. The same is true when a statue or carving is used to embellish an industrial product or, as in the *Mazer* case, is incorporated into a product without losing its ability to exist independently as a work of art. On the other hand, although the shape of an industrial product may be aesthetically satisfying and valuable, the Committee's intention is not to offer it copyright protection under the bill. Unless the shape of an automobile, airplane, ladies' dress, food processor, television set, or any other industrial product contains some element that, physically or conceptually, can be identified as separable from the utilitarian aspects of that article, the design would not be copyrighted under the bill. The test of separability and independence from "the utilitarian aspects of the article" does not depend upon the nature of the design—that is, even if the appearance of an article is determined by aesthetic (as opposed to functional) considerations, only elements, if any, which can be identified separately from the useful article as such are copyrightable. And, even if the three-dimensional design contains some such element (for example, a carving on the back of a chair or a floral relief design on silver flatware), copyright protection would extend only to that element, and would not cover the over-all configuration of the utilitarian article as such. * * *

The legislative history reveals that Congress intended to draw a distinction between two kinds of separability: *physical* and *conceptual*. Physical separability was rather straightforward and involved situations where the useful aspect of an object could be physically removed from the artistic part, such as a sculpture to which a light bulb and shade were affixed, to produce a table lamp. While the sculpture functioned as a lamp base, it could be physically removed from the lighting elements, thus satisfying the separability requirement. See *Mazer v. Stein*, 347 U.S. 201, 218-19 (1954).

Unfortunately, operationalizing conceptual separability proved to be a more significant challenge for courts, especially since Congress provided them with little additional guidance beyond identifying the category. Over time, lower courts developed a plethora of different tests for assessing conceptual separability. The Sixth Circuit in 2015 summarized this state of affairs as follows:

Courts have struggled mightily to formulate a test to determine whether "the pictorial, graphic, or sculptural features" incorporated into the design of a useful article "can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the [useful] article" when those features cannot be removed physically from the useful article. ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 490 (6th ed. 2012). Through the years,

courts and scholars have proposed or used the following approaches to conceptual separability:

(1) **The Copyright Office's Approach:** "A pictorial, graphic, or sculptural feature satisfies [the conceptual-separability] requirement only if the artistic feature and the useful article could both exist side by side and be perceived as fully realized, separate works — one an artistic work and the other a useful article."

(2) **The Primary-Subsidiary Approach:** A pictorial, graphic, or sculptural feature is conceptually separable if the artistic features of the design are "primary" to the "subsidiary utilitarian function."

(3) **The Objectively Necessary Approach:** A pictorial, graphic, or sculptural feature is conceptually separable if the artistic features of the design are not necessary to the performance of the utilitarian function of the article.

(4) **The Ordinary-Observer Approach** [also known as the Temporal Displacement Approach]: A pictorial, graphic, or sculptural feature is conceptually separable if "the design creates in the mind of the ordinary [, reasonable] observer two different concepts that are not inevitably entertained simultaneously."

(5) **The Design-Process Approach** [also known as the Denicola Test]: A pictorial, graphic, or sculptural feature is conceptually separable if the "design elements can be identified as reflecting the designer's artistic judgment exercised independently of functional influences."

(6) **The Stand-Alone Approach:** A pictorial, graphic, or sculptural feature is conceptually separable if "the useful article's functionality remain[s] intact once the copyrightable material is separated."

(7) **The Likelihood-of-Marketability Approach** [also known as the *Poe/Nimmer* Approach]: A pictorial, graphic, or sculptural feature is conceptually separable if "there is substantial likelihood that even if the article had no utilitarian use it would still be marketable to some significant segment of the community simply because of its aesthetic qualities."

(8) **Patry's Approach:** . . . When determining whether pictorial, graphic, or sculptural features are protectable under the Copyright Act, the focus should be on whether those pictorial, graphic, or sculptural aspects are separable from the "utilitarian aspects" of the article, not the "article" because "the protected features need not be capable of existing apart from the article, only from its functional aspects."

(9) **The Subjective-Objective Approach:** Conceptual separability is determined by balancing (A) "the degree to which the designer's subjective process is motivated by aesthetic concerns"; and (B) "the degree to which the design of a useful article is objectively dictated by its utilitarian function."

Varsity Brands, Inc. v. Star Athletica, LLC, 799 F.3d 468, 484-85 (6th Cir. 2015) (citations omitted).



Design 299A

Design 299B



Design 074

Design 078

Design 0815

Petitioner Star Athletica, L.L.C., also markets and sells cheerleading uniforms. Respondents sued petitioner for infringing their copyrights in the five designs. . . .

II

The first element of a copyright-infringement claim is “ownership of a valid copyright.” A valid copyright extends only to copyrightable subject matter. . . .

The Copyright Act [] establishes a special rule for copyrighting a pictorial, graphic, or sculptural work incorporated into a “useful article,” which is defined as “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.” The statute does not protect useful articles as such. Rather, “the design of a useful article” is “considered a pictorial, graphical, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” . . .

. . . In this case, our task is to determine whether the arrangements of lines, chevrons, and colorful shapes appearing on the surface of respondents’ cheerleading uniforms are eligible for copyright protection as separable features of the design of those cheerleading uniforms. . . .

B

We must [] decide when a feature incorporated into useful article “can be identified separately from” and is “capable of existing independently of” “the utilitarian aspects”

of the article. This is not a free-ranging search for the best copyright policy, but rather “depends solely on statutory interpretation.” *Mazer v. Stein*, 347 U.S. 201, 214 (1954). “The controlling principle in this case is the basic and unexceptional rule that courts must give effect to the clear meaning of statutes as written.” We thus begin and end our inquiry with the text, giving each word its “ordinary, contemporary, common meaning.”

The statute provides that a “pictorial, graphic, or sculptural featur[e]” incorporated into the “design of a useful article” is eligible for copyright protection if it (1) “can be identified separately from,” and (2) is “capable of existing independently of, the utilitarian aspects of the article.” §101. The first requirement—separate identification—is not onerous. The decisionmaker need only be able to look at the useful article and spot some two- or three-dimensional element that appears to have pictorial, graphic, or sculptural qualities.

The independent-existence requirement is ordinarily more difficult to satisfy. The decisionmaker must determine that the separately identified feature has the capacity to exist apart from the utilitarian aspects of the article. In other words, the feature must be able to exist as its own pictorial, graphic, or sculptural work as defined in §101 once it is imagined apart from the useful article. If the feature is not capable of existing as a pictorial, graphic, or sculptural work once separated from the useful article, then it was not a pictorial, graphic, or sculptural feature of that article, but rather one of its utilitarian aspects.

Of course, to qualify as a pictorial, graphic, or sculptural work on its own, the feature cannot itself be a useful article or “[a]n article that is normally a part of a useful article” (which is itself considered a useful article). §101. Nor could someone claim a copyright in a useful article merely by creating a replica of that article in some other medium—for example, a cardboard model of a car. Although the replica could itself be copyrightable, it would not give rise to any rights in the useful article that inspired it.

2

The statute as a whole confirms our interpretation. The Copyright Act provides “the owner of [a] copyright” with the “exclusive righ[t] . . . to reproduce the copyrighted work in copies.” §106(1). The statute clarifies that this right “includes the right to reproduce the [copyrighted] work in or on any kind of article, whether useful or otherwise.” §113(a). Section 101 is, in essence, the mirror image of §113(a). Whereas §113(a) protects a work of authorship first fixed in some tangible medium other than a useful article and subsequently applied to a useful article, §101 protects art first fixed in the medium of a useful article. The two provisions make clear that copyright protection extends to pictorial, graphic, and sculptural works regardless of whether they were created as freestanding art or as features of useful articles. The ultimate separability question, then, is whether the feature for which copyright protection is claimed would have been eligible for copyright protection as a pictorial, graphic, or sculptural work had it originally been fixed in some tangible medium other than a useful article before being applied to a useful article.

3

This interpretation is also consistent with the history of the Copyright Act. . . .

Two of *Mazer*'s holdings are relevant here. First, the Court held that the respondents owned a copyright in the statuette even though it was intended for use as a lamp base. In doing so, the Court approved the Copyright Office's regulation extending copyright protection to works of art that might also serve a useful purpose.

Second, the Court held that it was irrelevant to the copyright inquiry whether the statuette was initially created as a freestanding sculpture or as a lamp base. . . .

C

In sum, a feature of the design of a useful article is eligible for copyright if, when identified and imagined apart from the useful article, it would qualify as a pictorial, graphic, or sculptural work either on its own or when fixed in some other tangible medium.

Applying this test to the surface decorations on the cheerleading uniforms is straightforward. First, one can identify the decorations as features having pictorial, graphic, or sculptural qualities. Second, if the arrangement of colors, shapes, stripes, and chevrons on the surface of the cheerleading uniforms were separated from the uniform and applied in another medium—for example, on a painter's canvas—they would qualify as “two-dimensional . . . works of . . . art,” §101. And imaginatively removing the surface decorations from the uniforms and applying them in another medium would not replicate the uniform itself. Indeed, respondents have applied the designs in this case to other media of expression—different types of clothing—without replicating the uniform. The decorations are therefore separable from the uniforms and eligible for copyright protection.¹

The dissent argues that the designs are not separable because imaginatively removing them from the uniforms and placing them in some other medium of expression—a canvas, for example—would create “pictures of cheerleader uniforms.” . . .

This is not a bar to copyright. Just as two-dimensional fine art corresponds to the shape of the canvas on which it is painted, two-dimensional applied art correlates to the contours of the article on which it is applied. A fresco painted on a wall, ceiling panel, or dome would not lose copyright protection, for example, simply because it was designed to track the dimensions of the surface on which it was painted. Or consider, for example, a design etched or painted on the surface of a guitar. If that entire design is imaginatively removed from the guitar's surface and placed on an album cover, it would still resemble the shape of a guitar. But the image on the cover does not “replicate” the guitar as a useful article. Rather, the design is a two-dimensional work

¹ We do not today hold that the surface decorations are copyrightable. We express no opinion on whether these works are sufficiently original to qualify for copyright protection, see *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340–359 (1991), or on whether any other prerequisite of a valid copyright has been satisfied.

of art that corresponds to the shape of the useful article to which it was applied. The statute protects that work of art whether it is first drawn on the album cover and then applied to the guitar's surface, or vice versa. Failing to protect that art would create an anomaly: It would extend protection to two-dimensional designs that cover a part of a useful article but would not protect the same design if it covered the entire article. The statute does not support that distinction, nor can it be reconciled with the dissent's recognition that "artwork printed on a t-shirt" could be protected.

To be clear, the only feature of the cheerleading uniform eligible for a copyright in this case is the two-dimensional work of art fixed in the tangible medium of the uniform fabric. Even if respondents ultimately succeed in establishing a valid copyright in the surface decorations at issue here, respondents have no right to prohibit any person from manufacturing a cheerleading uniform of identical shape, cut, and dimensions to the ones on which the decorations in this case appear. They may prohibit only the reproduction of the surface designs in any tangible medium of expression—a uniform or otherwise.² . . .

D

. . .

1

. . . According to petitioner, if a feature of a useful article "advance[s] the utility of the article," then it is categorically beyond the scope of copyright. The designs here are not protected, it argues, because they are necessary to two of the uniforms' "inherent, essential, or natural functions"—identifying the wearer as a cheerleader and enhancing the wearer's physical appearance. Because the uniforms would not be equally useful without the designs, petitioner contends that the designs are inseparable from the "utilitarian aspects" of the uniform.

The Government . . . suggests that the appropriate test is whether the useful article with the artistic feature removed would "remai[n] *similarly* useful." In the view of the United States, however, a plain white cheerleading uniform is "similarly useful" to uniforms with respondents' designs.

The debate over the relative utility of a plain white cheerleading uniform is unnecessary. The focus of the separability inquiry is on the extracted feature and not on any aspects of the useful article that remain after the imaginary extraction. The statute does not require the decisionmaker to imagine a fully functioning useful article without

² The dissent suggests that our test would lead to the copyrighting of shovels. But a shovel, like a cheerleading uniform, even if displayed in an art gallery, is "an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information." 17 U.S.C. § 101. It therefore cannot be copyrighted. A drawing of a shovel could, of course, be copyrighted. And, if the shovel included any artistic features that could be perceived as art apart from the shovel, and which would qualify as protectable pictorial, graphic, or sculptural works on their own or in another medium, they too could be copyrighted. But a shovel as a shovel cannot.

the artistic feature. Instead, it requires that the separated feature qualify as a nonuseful pictorial, graphic, or sculptural work on its own.

Of course, because the removed feature may not be a useful article—as it would then not qualify as a pictorial, graphic, or sculptural work—there necessarily would be some aspects of the original useful article “left behind” if the feature were conceptually removed. But the statute does not require the imagined remainder to be a fully functioning useful article at all, much less an equally useful one. . . .

Petitioner’s argument follows from its flawed view that the statute protects only “solely artistic” features that have no effect whatsoever on a useful article’s utilitarian function. This view is inconsistent with the statutory text. The statute expressly protects two- and three-dimensional “applied art.” §101. “Applied art” is art “employed in the decoration, design, or execution of useful objects,” WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 105 (1976) (emphasis added), or “those arts or crafts that have a *primarily utilitarian function*, or . . . the designs and decorations used in these arts,” RANDOM HOUSE DICTIONARY 73 (1966) (emphasis added); *see also* 1 OED 576 (2d ed. 1989) (defining “applied” as “[p]ut to practical use”). An artistic feature that would be eligible for copyright protection on its own cannot lose that protection simply because it was first created as a feature of the design of a useful article, even if it makes that article more useful.

Indeed, this has been the rule since *Mazer*. In holding that the statuette was protected, the Court emphasized that the 1909 Act abandoned any “distinctions between purely aesthetic articles and useful works of art.” 347 U.S., at 211. Congress did not enact such a distinction in the 1976 Act. Were we to accept petitioner’s argument that the only protectable features are those that play absolutely no role in an article’s function, we would effectively abrogate the rule of *Mazer* and read “applied art” out of the statute.

Because we reject the view that a useful article must remain after the artistic feature has been imaginatively separated from the article, we necessarily abandon the distinction between “physical” and “conceptual” separability, which some courts and commentators have adopted based on the Copyright Act’s legislative history. . . .

The statutory text indicates that separability is a conceptual undertaking. Because separability does not require the underlying useful article to remain, the physical-conceptual distinction is unnecessary.

2

Petitioner next argues that we should incorporate two “objective” components into our test to provide guidance to the lower courts: (1) “whether the design elements can be identified as reflecting the designer’s artistic judgment exercised independently of functional influence,” and (2) whether “there is [a] substantial likelihood that the pictorial, graphic, or sculptural feature would still be marketable to some significant segment of the community without its utilitarian function.”

We reject this argument because neither consideration is grounded in the text of the statute. The statute’s text makes clear that our inquiry is limited to how the article and feature are perceived, not how or why they were designed. See *Brandir Int’l, Inc. v. Cascade Pacific Lumber Co.*, 834 F. 2d 1142, 1152 (CA2 1987) (Winter, J., concurring in part and dissenting in part) (The statute “expressly states that the legal test is how the final article is perceived, not how it was developed through various stages”).

The same is true of marketability. Nothing in the statute suggests that copyrightability depends on market surveys. Moreover, asking whether some segment of the market would be interested in a given work threatens to prize popular art over other forms, or to substitute judicial aesthetic preferences for the policy choices embodied in the Copyright Act.

3

Finally, petitioner argues that allowing the surface decorations to qualify as a “work of authorship” is inconsistent with Congress’ intent to entirely exclude industrial design from copyright. Petitioner notes that Congress refused to pass a provision that would have provided limited copyright protection for industrial designs, including clothing, when it enacted the 1976 Act and that it has enacted laws protecting designs for specific useful articles—semiconductor chips and boat hulls—while declining to enact other industrial design statutes. From this history of failed legislation petitioner reasons that Congress intends to channel intellectual property claims for industrial design into design patents. It therefore urges us to approach this question with a presumption against copyrightability.

We do not share petitioner’s concern. As an initial matter, “[c]ongressional inaction lacks persuasive significance” in most circumstances. Moreover, we have long held that design patent and copyright are not mutually exclusive. In any event, as explained above, our test does not render the shape, cut, and physical dimensions of the cheerleading uniforms eligible for copyright protection.

JUSTICE GINSBURG, concurring in the judgment.

I concur in the Court’s judgment but not in its opinion. Unlike the majority, I would not take up in this case the separability test appropriate under 17 U.S.C. §101. Consideration of that test is unwarranted because the designs at issue are not designs of useful articles. Instead, the designs are themselves copyrightable pictorial or graphic works *reproduced on* useful articles.

...

JUSTICE BREYER, with whom JUSTICE KENNEDY joins, dissenting.

I agree with much in the Court’s opinion. But I do not agree that the designs that Varsity Brands, Inc., submitted to the Copyright Office are eligible for copyright protection. Even applying the majority’s test, the designs cannot “be perceived as . . . two- or three-dimensional work[s] of art separate from the useful article.”

Look at the designs that Varsity submitted to the Copyright Office. You will see only pictures of cheerleader uniforms. And cheerleader uniforms are useful articles. A



Fig. 1



Fig. 2

Now suppose there is no long brass rod; instead the cat sits in the middle of the base and the wires run up through the cat to the bulbs. The cat is not physically separate from the lamp, as the reality of the lamp's construction is such that an effort to physically separate the cat and lamp will destroy both cat and lamp. The two are integrated into a single functional object, like the similar configuration of the ballet dancer statuettes that formed the lamp bases at issue in *Mazer v. Stein*, 347 U.S. 201 (1954). But we can easily imagine the cat on its own, as did Congress when conceptualizing the ballet dancer. *See* H.R. Rep., at 55 (the statuette in *Mazer* was “incorporated into a product without losing its ability to exist independently as a work of art”). In doing so, we do not create a mental picture of a lamp (or, in the Court's words, a “replica” of the lamp), which is a useful article. We simply perceive the cat separately, as a small cat figurine that could be a copyrightable design work standing alone that does not replicate the lamp. Hence the cat is conceptually separate from the utilitarian article that is the lamp. The pair of lamps pictured at Figures 1 and 2 illustrate this principle. . . .

By way of contrast, Van Gogh's painting of a pair of old shoes, though beautifully executed and copyrightable as a painting, would not qualify for a shoe design copyright. *See* 17 U.S.C. §§113(a)–(b).



Fig. 3: Vincent Van Gogh, "Shoes"

Courts have similarly denied copyright protection to objects that begin as three-dimensional designs, such as measuring spoons shaped like heart-tipped arrows, *Bonazoli v. R.S.V.P. Int'l, Inc.*, 353 F. Supp. 2d 218, 226–227 (D.R.I. 2005)^[14]; candleholders shaped like sailboats, *Design Ideas, Ltd. v. Yankee Candle Co.*, 889 F. Supp. 2d 1119, 1128 (C.D. Ill. 2012); and wire spokes on a wheel cover, *Norris Industries, Inc. v. International Tel. & Tel. Corp.*, 696 F.2d 918, 922–924 (11th Cir. 1983). Why not? Because in each case the design is not separable from the utilitarian aspects of the object to which it relates. The designs cannot be physically separated because they themselves make up the shape of the spoon, candleholders, or wheel covers of which they are a part. And spoons, candleholders, and wheel covers are useful objects, as are the old shoes depicted in Van Gogh's painting. More importantly, one cannot easily imagine or otherwise conceptualize the design of the spoons or the candleholders or the shoes *without that picture, or image, or replica being a picture of*

^[14] Here are the objects addressed in *Bonazoli*:



spoons, or candleholders, or wheel covers, or shoes. The designs necessarily bring along the underlying utilitarian object. Hence each design is not conceptually separable from the physical useful object.

The upshot is that one could copyright the floral design on a spoon but one could not copyright the shape of the spoon itself, no matter how beautiful, artistic, or esthetically pleasing that shape might be: A picture of the shape of the spoon is also a picture of a spoon; the picture of a floral design is not. See COMPENDIUM §924.2(B).

...

II

To ask this kind of simple question—does the design picture the useful article?—will not provide an answer in every case, for there will be cases where it is difficult to say whether a picture of the design is, or is not, also a picture of the useful article. But the question will avoid courts focusing primarily upon what I believe is an unhelpful feature of the inquiry, namely, whether the design can be imagined as a “two- or three-dimensional work of art.” That is because virtually any industrial design can be thought of separately as a “work of art”: Just imagine a frame surrounding the design, or its being placed in a gallery. Consider Marcel Duchamp’s “readymades” series, the functional mass-produced objects he designated as art.



Fig. 4: Marcel Duchamp,
“In Advance of the Broken Arm”

What is there in the world that, viewed through an esthetic lens, cannot be seen as a good, bad, or indifferent work of art? What design features could not be imaginatively reproduced on a painter’s canvas? Indeed, great industrial design may well include

design that is inseparable from the useful article—where, as Frank Lloyd Wright put it, “form and function are one.” FRANK LLOYD WRIGHT, AN AUTOBIOGRAPHY 146 (1943) (reprint 2005). Where they are one, the designer may be able to obtain 15 years of protection through a design patent. 35 U.S.C. §§171, 173; *see also* Mark P. McKenna & Katherine J. Strandburg, *Progress and Competition in Design*, 17 STAN. TECH. L. REV. 1, 48–51 (2013). But, if they are one, Congress did not intend a century or more of copyright protection.

III

...

The Constitution grants Congress primary responsibility for assessing comparative costs and benefits and drawing copyright’s statutory lines. Courts must respect those lines and not grant copyright protection where Congress has decided not to do so. And it is clear that Congress has not extended broad copyright protection to the fashion design industry. *See, e.g.*, 1 NIMMER §2A.08[H][3][c] (describing how Congress rejected proposals for fashion design protection within the 1976 Act and has rejected every proposed bill to this effect since then); *Esquire, Inc. v. Ringer*, 591 F. 2d 796, 800, n. 12 (CA DC 1978) (observing that at the time of the 1976 Copyright Act, Congress had rejected every one of the approximately 70 design protection bills that had been introduced since 1914).

...

IV

If we ask the “separateness” question correctly, the answer here is not difficult to find. . . . Can the design features in Varsity’s pictures exist separately from the utilitarian aspects of a dress? Can we extract those features as copyrightable design works standing alone, without bringing along, via picture or design, the dresses of which they constitute a part?

Consider designs 074, 078, and 0815. They certainly look like cheerleader uniforms. That is to say, they look like pictures of cheerleader uniforms, just like Van Gogh’s old shoes look like shoes. I do not see how one could see them otherwise. Designs 299A and 2999B present slightly closer questions. They omit some of the dresslike context that the other designs possess. But the necklines, the sleeves, and the cut of the skirt suggest that they too are pictures of dresses. Looking at all five of Varsity’s pictures, I do not see how one could conceptualize the design features in a way that does not picture, not just artistic designs, but dresses as well.

Were I to accept the majority’s invitation to “imaginatively remov[e]” the chevrons and stripes as they are arranged on the neckline, waistline, sleeves, and skirt of each uniform, and apply them on a “painter’s canvas,” that painting would be of a cheerleader’s dress. The esthetic elements on which Varsity seeks protection exist only as part of the uniform design—there is nothing to separate out but for dress-shaped lines that replicate the cut and style of the uniforms. Hence, each design is not physically

separate, nor is it conceptually separate, from the useful article it depicts, namely, a cheerleader's dress. They cannot be copyrighted.

Varsity, of course, could have sought a design patent for its designs. Or, it could have sought a copyright on a textile design, even one with a similar theme of chevrons and lines.

But that is not the nature of Varsity's copyright claim. It has instead claimed ownership of the particular "treatment and arrangement" of the chevrons and lines of the design as they appear at the neckline, waist, skirt, sleeves, and overall cut of each uniform. . . . Varsity cannot obtain copyright protection that would give them the power to prevent others from making those useful uniforms, any more than Van Gogh can copyright comfortable old shoes by painting their likeness. I fear that, in looking past the three-dimensional design inherent in Varsity's claim by treating it as if it were no more than a design for a bolt of cloth, the majority has lost sight of its own important limiting principle. One may not "claim a copyright in a useful article merely by creating a replica of that article in some other medium," such as in a picture. That is to say, one cannot obtain a copyright that would give its holder "any rights in the useful article that inspired it." . . .

With respect, I dissent.

COMMENTS AND QUESTIONS

1. *Useful Article.* A threshold issue is whether a work is a useful article at all. According to §101, a useful article is a work "having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information." Thus, a drawing of a rocket ship would not satisfy this definition, but the rocket ship itself would be a useful article. Nonetheless, the definition is difficult to apply as the degree of functionality wanes and the degree of fanciful and artistic expression rises. Consider the following examples:

- a distinctively decorated toy airplane
- clothing for a fashion doll
- an ornamental fireplace hearth that cannot burn wood

2. *Conceptual Separability.* The majority dispenses with the distinction between physical and conceptual separability on the ground that the distinction was incorrectly premised on the idea that the useful article needs to remain after eliminating its artistic features. All separability, according to majority is a "conceptual undertaking." The majority's test—"a feature of the design of a useful article is eligible for copyright if, when identified and imagined apart from the useful article, it would qualify as a pictorial, graphic, or sculptural work either on its own or when fixed in some other tangible medium of expression"—offers little guidance for assessing separability of sculptural features of useful articles.

Note the majority's wooden and selective textualist approach for finding that Congress opened the door to protecting functional aspects of works by its inclusion of "applied art" in the 1976 Act—"Were we to accept petitioner's argument that the only

protectable features are those that play absolutely no role in an article's function, we would effectively abrogate the rule of *Mazer* and read 'applied art' out of the statute." Does the court's invocation of a dictionary definition that focuses on the "decoration, design, or execution of useful objects" comport with the commands of the definition of PGS works in §101 (specifically excluding "mechanical or utilitarian aspects" of such PGS work; requiring separability) and §102(b), the explanation set forth in specific legislative history (set forth prior at prior to the *Star Athletica* case), and the logic of *Baker v. Selden*? What about the statutory requirement that "[s]uch works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned." Does the Court's test exclude mechanical and utilitarian aspects from protection? How?

By contrast, Justice Breyer's dissent retains the dual separability framework expressed in the House Report, as reflected in his distinction between a cat sitting next to a lamp base (physical separability) and a cat sculpture housing the electrical wiring for a lamp (conceptual separability). Furthermore, he emphasizes Congress's purpose to bar copyright protection for functional designs. But which of the many tests for conceptual ability would the dissent apply? Might the distinction between physical and conceptual separability take on greater significance in dealing with three-dimensional useful articles?

3. In the end, the majority and the dissent do not appear to be far apart with regard to the works at issue. As the majority notes, "[e]ven if respondents ultimately succeed in establishing a valid copyright in the surface decorations at issue here, respondents have no right to prohibit any person from manufacturing a cheerleading uniform of identical shape, cut, and dimensions to the ones on which the decorations in this case appear. They may prohibit only the reproduction of the surface designs in any tangible medium of expression—a uniform or otherwise." Does this point address Justice Breyer's concern about copyright gaining a foothold beyond surface ornamentation in the fashion industry? Why would Varsity copyright an image of the shape and cut of the uniform if not to seek protection for the shape and cut of the uniform itself? Varsity sued *Star Athletica* for making uniforms, not pictures of uniforms.

4. *The Aftermath of Star Athletica*. Lower courts have yet to coalesce around a common framework or test for applying the useful article doctrine to sculptural works, which unlike the surface designs at issue in *Star Athletica* are more difficult to "perceive" and "imagine" as separate. In *Silvertop Assocs., Inc. v. Kangaroo Mfg., Inc.*, 931 F.3d 215 (3d Cir. 2019), the Third Circuit affirmed the issuance of a preliminary injunction barring the defendant's sale of a similarly designed banana-shaped costume:

District courts have had few problems applying the *Star Athletica* test to surface designs incorporated onto a useful article. *Day To Day Imports, Inc. v. FH Grp. Int'l, Inc.*, No. CV 18-14105, 2019 WL 2754996, at *5 (D.N.J. July 2, 2019) (finding car seat designs that incorporated visual art to be protectable). However, when it comes to three dimensional objects where the ornamental and functional aspects are integrated into the shape of the useful article, courts rely on their intuition about being able to perceive and imagine the designs under the *Star Athletica* test. *Compare Lanard Toys Ltd. v. Dolgencorp LLC*, 958 F.3d 1337 (Fed. Cir. 2020) (rejecting copyright protection for the design of a toy chalk holder that was shaped like a pencil; “[i]n attempting to identify separable features, the feature cannot itself be a useful article. . . Lanard seeks protection for the dimensions and shape of the useful article itself.”)) with *Jetmax Ltd. v. Big Lots, Inc.*, No. 15-CV-9597 (KBF), 2017 WL 3726756, at *6 (S.D.N.Y. Aug. 28, 2017) (finding decorative light set covers protectable).

5. *Binary Choice vs. Sliding Scale*. Court decisions treat separability of expression from utility to be a binary choice—the expression is either separable or not, with that determination largely determining liability. Could the philosophical indeterminacies of this doctrine be at least partially defused by employing a sliding scale, in which works lacking clear physical or conceptual separability but involving significant artistic creativity are subject to a higher standard for infringement (e.g., virtual identity) and narrow scope (so as not to interfere with competition for the functional elements of the article)? See Mark A. Lemley & Mark P. McKenna, *Scope*, 57 WM. & MARY L. REV. 2197 (2016). Would this approach jeopardize the supremacy of patent law in protecting utilitarian inventions? Would this have been a better way to address the banana costume case?

6. *Relation to Utility Patent and Design Patent Protection*. Contrast the useful article doctrine with the idea-expression dichotomy. As discussed in *Baker v. Selden*, *supra*, the idea-expression dichotomy channels protection for functional works toward the patent system, which applies a relatively high threshold for protection (novelty and nonobviousness), requires examination by a skilled examiner, and affords protection for only 20 years from the time an application is filed, thereby encouraging others to build upon patented advances following a relatively limited period of exclusive protection. Awarding protection for functional works through copyright law—with its low threshold for protection and much greater duration—would undermine the role of the patent system as the principal means for protecting utilitarian works and hinder the process of sequential innovation essential to technological progress. Does the useful article doctrine reflect a similar objective? Or does it show greater solicitude for the protection of artistic works? If so, what justifies the difference?

How is your analysis affected by Congress’s statement in the legislative history to the Copyright Act of 1976 that copyright protection extends to works of “applied art” satisfying the separability requirement regardless of “the potential availability of design patent protection”? *In re Yardley*, 493 F.2d 1389 (C.C.P.A. 1974) (allowing a design patent for a copyrighted work). The Copyright Office regulations provide that “[t]he availability of protection or grant of protection under the law for a utility or design

patent will not affect the registrability of a claim in an original work of pictorial, graphic, or sculptural authorship. See 37 C.F.R. §202.10(a) (1995). Contrast copyright and design patents, Chapter III(I), in their protection for ornamental designs. What purpose is served by overlapping protection? Does copyright law do a better job of excluding functional features from protection?

Justice Breyer's dissent suggests that design patent protection might be available for design elements that are not separable from the utilitarian aspects of a PGS work. Doesn't this contradict the ornamentality/non-functionality limitation for design patents? See Peter S. Menell & Ella Corren, *Design Patent Law's Identity Crisis* 36 BERKELEY TECH. L.J. 1 (2021); Peter S. Menell & Daniel Yablon, *Star Athletica's Fissure in the Intellectual Property Functionality Landscape*, 166 U. PA. L. REV. ONLINE 137 (2017) (tracing Justice Breyer's observation to questionable amici briefing and arguing that the logic of *Baker v. Selden*, rejecting copyright protection for functional features, applies equally to design patent and trade dress protection); *contra* Christopher J. Buccafusco, Mark A. Lemley, & Jonathan Masur, *Intelligent Design*, 68 DUKE L.J. 75 (2018) (explaining that the design patent functionality doctrine is different from and far more limited than the functionality doctrines in copyright law or trade dress law).

7. *Design Protection Legislation.* Congress has considered proposals to protect design by way of copyright at various times during the past century. Title II of the 1976 Copyright Revision Bill would have raised the threshold for originality (by excluding "staple or commonplace" designs) and required registration. Designs would have been protected for a term of ten years. The provision passed the Senate but failed to get out of committee in the House. Is such protection necessary to stimulate innovation in design given the availability of design patents? If so, what is the appropriate form of protection? See generally J.H. Reichman, *Design Protection and the Legislative Agenda*, 55 LAW & CONTEMP. PROBS. 281 (1992); Ralph Brown, *Design Protection: An Overview*, 34 UCLA L. REV. 1341 (1987).

Congress has passed two specialized design protection statutes: the Semiconductor Chip Protection Act of 1984 (SCPA) (codified at 17 U.S.C. §§901–14), and the Vessel Hull Design Protection Act, as part of the Digital Millennium Copyright Act of 1998 (codified at 17 U.S.C. §§1301–32). Although included in the same Title as the Copyright Act, these laws create *sui generis* forms of legal protection to fill in gaps in the intellectual property landscape. Both Acts provide relatively short periods of protection against piracy (ten years), registration requirements, and exclusions for utilitarian features. The SCPA expressly permits reverse engineering of mask works for the purposes of teaching, analyzing, or evaluating the concepts or techniques embodied in the mask work or in the circuitry, logic flow, or organization of its components. Such knowledge gained through reverse engineering may be embodied in original mask works.

8. *Fashion Designs.* Prior to *Star Athletica*, U.S. copyright protection did not extend to the design of clothing on the ground that clothing is a "useful article" ("an article having an intrinsic utilitarian function that is not merely to portray the appearance of

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Problem IV-15. The Walt Disney Company markets a line of telephones in the shape of the cartoon characters Mickey and Minnie Mouse. The telephones resemble the characters standing up, with push buttons on the torso and the telephone receiver resting on the hand. Are these designs copyrightable?



Mickey Mouse Phone

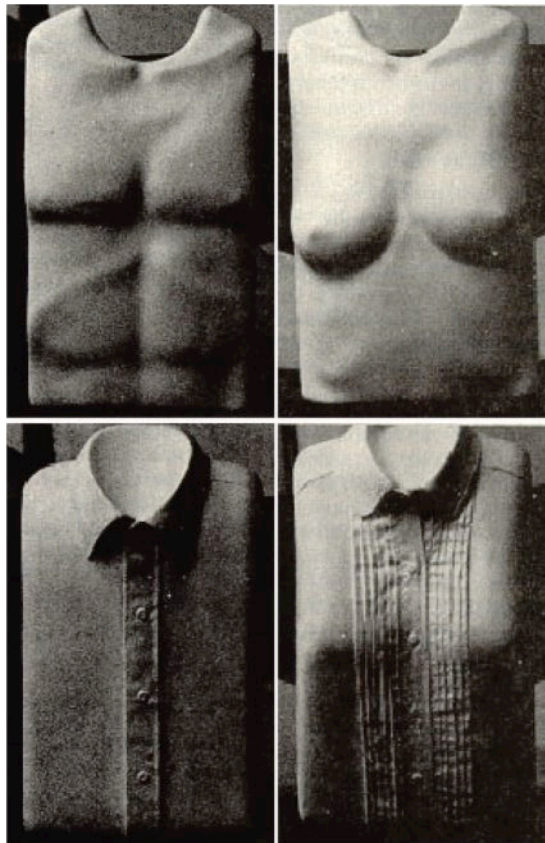
Problem IV-16. Armond Artist designs the “Vacquero” belt buckle, which sells for \$1,000 (cast in silver) and \$6,000 (cast in gold) at high-fashion jewelry stores. The design has been made a part of the permanent collection of the Metropolitan Museum of Art.



Vaquero Buckle

Is the buckle copyrightable?

Problem IV-17. Versace Fashion Display Inc. has developed a collection of original sculptural forms in the shape of the human torso. They are life-size and anatomically accurate, but without neck, arms, or a back. Versace supplies these forms to clothing retailers for the display of fashion clothing. These forms became popular in the market. Versace customers found the distinctive lines of the forms to be visually attractive and effective in selling blouses, shirts, and sweaters displayed on the forms. Discount Display, Inc., began to notice a decline in their mannequin sales after Versace entered the market. Thereafter, Discount Display expanded its catalog to include forms that it copied from Versace. In response, Versace registers its forms with the Copyright Office and sues Discount Display for copyright infringement.



Torso Mannequins

How should a court resolve this dispute?

Problem IV-18. A growing number of city zoning ordinances require that building developers provide adequate bicycle racks to accommodate the growing number of bicycle commuters, ease traffic congestion, and reduce air pollution. The conventional bicycle racks available on the marketplace clashed with the architectural style of modern building designs. In response, Brandir International, an industrial design firm, developed a graceful, tubular steel “Ribbon Bike Rack.” The Industrial Designers Society of America recognized the Brandir design for its “elegance and simplicity while providing functional security.”



Brandir Bicycle Rack

Cascade Pacific Lumber Co., a building supply company, began offering its own ribbon-style bicycle rack. Brandir comes to you for advice following the *Star Athletica* decision. They would like to know whether the ribbon design is copyrightable. How would a court resolve this dispute?

iii. Government Works and Edicts

Works of the federal government are denied copyright protection under the express terms of the Copyright Act. Section 105 provides that copyright protection is not available “for any work of the United States Government, but the United States Government is not precluded from receiving and holding copyrights transferred to it by assignment, bequest, or otherwise.” Section 101 defines “a work of the United States Government” as “a work prepared by an officer or employee of the United States Government as part of that person’s official duties.” The House Report notes that this definition should be construed in the same manner as the definition of “work made for hire.” We focus on the “work for hire” doctrine in Chapter IV(D)(1)(i).

A potential problem arises where a federal government agency commissions a work by an independent contractor. The legislative history states:

The bill deliberately avoids making any sort of outright, unqualified prohibition against copyright in works prepared under Government contract or

grant. There may well be cases where it would be in the public interest to deny copyright in the writings generated by Government research contracts and the like; it can be assumed that, where a government agency commissions a work for its own use merely as an alternative to having one of its own employees prepare the work, the right to secure a private copyright would be withheld. However, there are almost certainly many other cases where the denial of copyright protection would be unfair or would hamper the production and publication of important works. Where, under the particular circumstances, Congress or the agency involved finds that the need to have a work freely available outweighs the need of the private author to secure a copyright, the problem can be dealt with by specific legislation, agency regulations, or contractual restrictions.

H.R. REP. NO. 94-1476, 94th Cong., 2d Sess. 59 (1976).

By contrast, the Copyright Act and its accompanying legislative history say nothing about the availability of protection for works of state (and local) governments. The prevailing understanding is that state and local government bodies can obtain copyright for their works, subject to any state rules precluding or or restricting state copyright ownership.

A closely related issue involves the copyrightability of works produced by government actors or agencies in the exercise of their lawmaking authority, works that are commonly referred to as “government edicts.” This is not an issue for works produced by federal lawmaking agencies, since such works constitute “work[s] of the U.S. Government” and are ineligible for protection. It nevertheless remains a consideration for many state and local governments.

The copyrightability of government edicts arose early in the history of the American republic. Wheaton, one of the Supreme Court’s “official” reporters, asserted protection for his annotated compilations of Supreme Court opinions. Distinguishing between the reporter’s work in annotating, editing, and condensing judicial opinions and the opinions themselves, the Supreme Court held that “no reporter has or can have any copyright in the written opinions delivered by this Court; and that the judges thereof cannot confer on any reporter any such right.” *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591, 668 (1834).

Thus emerged what is commonly referred to as the “government edicts doctrine,” which denies copyright protection to edicts of government. A few decades later, the Supreme Court reiterated the doctrine and applied it to the opinions of state court judges. *See Banks v. Manchester*, 128 U.S. 253 (1888); *Callaghan v. Meyers*, 128 U.S. 617 (1888). All the same, the Court concluded that annotations (and other parts of a case report) that are not prepared by a judge—but instead by an official court reporter—would be eligible for protection unless forbidden by state law. In due course, courts extended the government edicts doctrine to official statutes, *Howell v. Miller*, 91 Fed. Rep. 129 (6th Cir. 1898), and more recently to model codes when enacted into law

by a government body, *Veeck v. S. Bldg. Code Congress Int'l, Inc.*, 293 F.3d 791 (5th Cir. 2002) (en banc).

Most recently, the Supreme Court examined whether the government edicts doctrine would apply to annotations contained in an officially published compendium of state laws. See *Georgia v. Public.Resource.Org., Inc.*, 140 S.Ct. 1498 (2020). The annotations at issue were prepared by a private actor under the direct guidance and supervision of the state's Code Revision Commission, a branch of the state legislature. The state legislature then formally approved the annotations and merged them into the official code. The Court applied the government edicts doctrine to the official annotations, concluding that since “judges, acting as judges, cannot be ‘authors’ because of their authority to make and interpret the law, it follows that legislators, acting as legislators, cannot be either.”

COMMENTS AND QUESTIONS

1. *Incentives to Develop Model Laws.* The dissent in *Veeck* asserted that copyright protection for model codes provides valuable incentives for creation of laws and model codes, noting that “unlike judges and legislators who are paid from public funds to issue opinions and draft laws, [defendant Southern Building Code Congress International] SBCCI is a private sector, not-for-profit organization which relies for its existence and continuing services, in significant part, on revenues from the sale of its model codes.” *Veeck v. S. Bldg. Code Congress Int'l Inc.*, 293 F.3d 791, 815–17 (5th Cir. 2002) (dissenting opinion) (noting that “one third, or \$3 million, of SBCCI’s annual \$9 million dollar revenue is generated by sales of model codes to contractors and other interested parties. The remaining revenue is mainly derived from the annual fees of voluntary members and member organizations. Voluntary members include scholars, builders, contractors, and governmental entities that have adopted the code.”).

Professor Paul Goldstein disagrees: “It is difficult to imagine an area of creative endeavor in which the copyright incentive is needed less. Trade organizations have powerful reasons stemming from industry standardization, quality control, and self-regulation to produce these model codes; it is unlikely that, without copyright, they will cease producing them.” See 1 GOLDSTEIN §2.5.2

Who has the better of this argument? Is it appropriate for courts to be subjecting particular classes of works to this sort of open-ended analysis of whether copyright protection “promotes progress”? Doesn’t the case turn on whether or not idea and expression merge in the wording of law? Should Congress amend the Copyright Act in order to resolve this issue one way or the other?

2. *Due Process.* Does the U.S. Constitution require that all edicts of government, such as judicial opinions, administrative rulings, legislative enactments, public ordinances, and similar official legal documents, whether federal, state, or local, are not copyrightable?

How would you evaluate the following types of works?

- *Public Safety Codes.* Such codes cover fire, electrical, building, plumbing, mechanical, fuel & gas, elevator, and boiler safety and many other topics

and are mandated by law by cities, counties, states, and the federal government. Public.Resource.Org began posting state-mandated public safety codes online in 2008. It has received no objections.

- *Technical Standards Incorporated by Reference in the Code of Federal Regulations*. Public.Resource.Org began making these materials available in 2012. Several organizations sued: the American Society for Testing and Materials (ASTM) sued for posting federally mandated testing standards; the National Fire Protection Association (NFPA) for posting the National Electrical Code and other fire safety standards; and the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) for posting DOE-mandated energy standards. Jim Shannon, the President of NFPA, claimed that the posting of documents such as the National Electrical Code “threatens our future, our ability to continue our work, and the whole system of standards development that the public and governmental agencies rely on.” See *American Society for Testing and Materials v. PublicResource.org*, 896 F.3d 437 (D.C. Cir. 2018) (overturning holding that industry standards are copyrightable and remanding for fair use determination). On remand, the district court held that ASTM’s standards did not fall within Copyright Act’s prohibition on copyright protection for works of the federal government nor the government-edicts doctrine. See *American Society for Testing and Materials v. PublicResource.org*, 597 F.Supp.3d 213 (D.D.C. 2022). The court ruled that PublicResource.org’s copying and distribution of standards incorporated into regulations constitute fair use, but that its copying and distribution of standard that differed in substantive ways from versions of those standards that had been incorporated by reference into federal law was not fair use.

3. Should the government edicts doctrine apply to “RESTATEMENTS OF LAW”? The RESTATEMENTS OF LAW are produced by a private organization, the American Law Institute (ALI), and attempt to synthesize case law and connected principles into concise “blackletter” rules for courts, lawyers and students to use and cite. In many common law areas, the RESTATEMENTS have proven to be highly influential and authoritative, with courts routinely citing, quoting, and adopting entire blackletter provisions into their opinions. Does this render the “blackletter” of the RESTATEMENTS similar to model codes? And are the Reporters’ Notes and other accompanying material akin to the annotations at issue in *Georgia v. Public.Resource.Org., Inc.*?

4. Over the course of several decades, the American Medical Association developed the Physician’s Current Procedural Terminology (“CPT”), a comprehensive classification system for identifying more than 6,000 medical procedures comprising a five-digit code and brief description for each procedure. The AMA revises the CPT each year to reflect new developments in medical procedures. In 1977, Congress instructed the Health Care Financing Administration to establish a uniform code for identifying physicians’ services for use in completing Medicare and Medicaid claim forms. Rather

than creating a new code, HCFA contracted with the AMA. The AMA gave HCFA a “non-exclusive, royalty free, and irrevocable license to use, copy, publish and distribute” the CPT on the conditions that the HCFA not “use any other system of procedure nomenclature . . . for reporting physicians’ services” and require use of the CPT in programs administered by HCFA, by its agents, and by other agencies whenever possible. HCFA published notices in the Federal Register incorporating the CPT in HCFA’s Common Procedure Coding System and adopted regulations requiring applicants for Medicaid reimbursement to use the CPT. A publisher and distributor of medical books challenged the copyrightability of the CPT. Should this code be protectable? *See Practice Mgmt. Info. Corp. v. American Med. Ass’n*, 121 F.3d 516 (9th Cir. 1997) (upholding the AMA’s copyright but finding that the AMA had misused its copyright rights), *amended by* 133 F.3d 1140 (1998).

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Problem IV-19. To celebrate the bicentennial of the federal court system, the Administrative Office of the United States Courts commissioned KPBS, a public broadcasting station, to create a television series dramatizing famous early federal cases. The production contract assigned all copyright interests in the works to the federal government. The History Channel seeks to air these programs. Must it obtain a license from the federal government? Would your analysis differ if there were no assignment clause? What if a historian employed by the Administrative Office of the United States Courts served as a consultant to the television series? What if federal public officials—including Supreme Court Justices and the Solicitor General—provided commentaries about the famous cases?

Problem IV-20. You work in the intellectual property department of the law firm of Armatrading, Hendrix, and Clapton (AH&C), a 600-person firm with offices throughout the United States. The head of the litigation department just read a legal brief filed by opposing counsel that copied, almost verbatim, several paragraphs from a brief written by one of our firm’s attorneys last year. Notwithstanding the adage that imitation is the sincerest form of flattery and that the purloined passages arise in the context of another litigation from the one in which our firm’s attorney drafted the text in question, it infuriated the lawyers involved in the currently pending matter that legal work that our firm did (and for which a client of our firm paid dearly) is now being fobbed off on a court in the current matter as the work product of a cut-rate law firm (Dewey, Cheatem, and Howe (DC&H)).

After digging a bit more deeply into the matter, one of our paralegals determined that DC&H likely obtained the material from a new Eastlaw database: BRIEFS-ALL. It also found an advertisement in *In-House Counsel*, a journal targeting general counsels and other in-house lawyers, placed by DC&H which states: “Why pay exorbitant hourly rates for legal work—Our legal team charges on a per-project basis with costs tied to up-front estimates. Thanks to Eastlaw® Briefs-All® database, our attorneys have full access to the legal arguments being made by the highest priced firms.”

hire.” Courts took an expansive view of what constituted a work made for hire, presuming that any works created within the scope of employment or commissioned by independent contractors (at the “instance and expense” of the employer) vested in the employer. See *Marvel Characters, Inc. v. Kirby*, 726 F.3d 119 (2d Cir. 2013); *Brattleboro Publ’g Co. v. Winnill Publ’g Corp.*, 369 F.2d 565 (2d Cir. 1966); *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir. 1965) (“when one person engages another, whether as employee or as an independent contractor, to produce a work of an artistic nature, [] in the absence of an express contractual reservation of the copyright in the artist, the presumption arises that the mutual intent of the parties is that the title to the copyright shall be in the person at whose instance and expense the work is done.”). Nearly all circuits have adopted this test. See Meredith Annan House, *Marvel v. Kirby: A Clash of Comic Book Titans in the Work Made For Hire Arena*, 30 BERKELEY TECH. L.J. 933, 940–44 (2015).

The presumption can be overcome by an express agreement to the contrary or other evidence suggesting an alternative intention of the parties, such as industry custom or lack of supervision or creative control by the employer. Works created prior to January 1, 1978 remain subject to this test.

In the legislative process leading up to the 1976 Act, authors’ representatives expressed concern that freelance authors lacked the bargaining power to reject contractual clauses designating their works as “works made for hire.” The motion picture industry and other producers and publishers of works involving many creative contributors were concerned about holdout problems complicating commercial exploitation if they did not own copyrights in works they commissioned outright and for the entire duration of copyright protection. The ultimate compromise defines “work made for hire” to include: (1) a work prepared by an employee within the scope of his or her employment; or (2) a work falling within one of nine enumerated categories—a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, an instructional text, a test, answer material for a test, or an atlas—and evidenced by a written agreement signed by both parties expressly stating that the work is intended to be a “work made for hire.” §101. Disputes quickly arose as to what Congress intended by the term “employee.”



Community for Creative Non-Violence et al. v. Reid
Supreme Court of the United States
490 U.S. 730 (1989)

JUSTICE MARSHALL delivered the opinion of the Court.

In this case, an artist and the organization that hired him to produce a sculpture contest the ownership of the copyright in that work. To resolve this dispute, we must construe the “work made for hire” provisions of the Copyright Act of 1976 (Act or 1976 Act), 17 U.S.C. §§101 and 201(b), and in particular, the provision in §101, which defines as a “work made for hire” a “work prepared by an employee within the scope of his or her employment” (hereinafter §101(1)).

Petitioners are the Community for Creative Non-Violence (CCNV), a nonprofit unincorporated association dedicated to eliminating homelessness in America, and Mitch Snyder, a member and trustee of CCNV. In the fall of 1985, CCNV decided to participate in the annual Christmastime Pageant of Peace in Washington, D.C., by sponsoring a display to dramatize the plight of the homeless. As the District Court recounted:

Snyder and fellow CCNV members conceived the idea for the nature of the display: a sculpture of a modern Nativity scene in which, in lieu of the traditional Holy Family, the two adult figures and the infant would appear as contemporary homeless people huddled on a streetside steam grate. The family was to be black (most of the homeless in Washington being black); the figures were to be life-sized, and the steam grate would be positioned atop a platform “pedestal,” or base, within which special-effects equipment would be enclosed to emit simulated “steam” through the grid to swirl about the figures. They also settled upon a title for the work—“Third World America”—and a legend for the pedestal: “and still there is no room at the inn.” 652 F. Supp. 1453, 1454 (DC 1987).

Snyder made inquiries to locate an artist to produce the sculpture. He was referred to respondent James Earl Reid, a Baltimore, Maryland, sculptor. In the course of two telephone calls, Reid agreed to sculpt the three human figures. CCNV agreed to make the steam grate and pedestal for the statue. Reid proposed that the work be cast in bronze, at a total cost of approximately \$100,000 and taking six to eight months to complete. Snyder rejected that proposal because CCNV did not have sufficient funds, and because the statue had to be completed by December 12 to be included in the pageant. Reid then suggested, and Snyder agreed, that the sculpture would be made of a material known as “Design Cast 62,” a synthetic substance that could meet CCNV’s monetary and time constraints, could be tinted to resemble bronze, and could withstand the elements. The parties agreed that the project would cost no more than \$15,000, not including Reid’s services, which he offered to donate. The parties did not sign a written agreement. Neither party mentioned copyright.

After Reid received an advance of \$3,000, he made several sketches of figures in various poses. At Snyder’s request, Reid sent CCNV a sketch of a proposed sculpture showing the family in a crechellike setting: the mother seated, cradling a baby in her lap; the father standing behind her, bending over her shoulder to touch the baby’s foot. Reid testified that Snyder asked for the sketch to use in raising funds for the sculpture. Snyder testified that it was also for his approval. Reid sought a black family to serve as a model for the sculpture. Upon Snyder’s suggestion, Reid visited a family living at CCNV’s Washington shelter but decided that only their newly born child was a suitable model. While Reid was in Washington, Snyder took him to see homeless people living on the streets. Snyder pointed out that they tended to recline on steam grates, rather than sit or stand, in order to warm their bodies. From that time on, Reid’s sketches contained only reclining figures.

Throughout November and the first two weeks of December 1985, Reid worked exclusively on the statue, assisted at various times by a dozen different people who were paid with funds provided in installments by CCNV. On a number of occasions, CCNV members visited Reid to check on his progress and to coordinate CCNV's construction of the base. CCNV rejected Reid's proposal to use suitcases or shopping bags to hold the family's personal belongings, insisting instead on a shopping cart. Reid and CCNV members did not discuss copyright ownership on any of these visits.

On December 24, 1985, 12 days after the agreed-upon date, Reid delivered the completed statue to Washington. There it was joined to the steam grate and pedestal prepared by CCNV and placed on display near the site of the pageant. Snyder paid Reid the final installment of the \$15,000. The statue remained on display for a month. In late January 1986, CCNV members returned it to Reid's studio in Baltimore for minor repairs. Several weeks later, Snyder began making plans to take the statue on a tour of several cities to raise money for the homeless. Reid objected, contending that the Design Cast 62 material was not strong enough to withstand the ambitious itinerary. He urged CCNV to cast the statue in bronze at a cost of \$35,000, or to create a master mold at a cost of \$5,000. Snyder declined to spend more of CCNV's money on the project.



“Third World America,” by James Earl Reid

In March 1986, Snyder asked Reid to return the sculpture. Reid refused. He then filed a certificate of copyright registration for “Third World America” in his name and announced plans to take the sculpture on a more modest tour than the one CCNV had proposed. Snyder, acting in his capacity as CCNV's trustee, immediately filed a competing certificate of copyright registration.

Snyder and CCNV then commenced this action against Reid and his photographer, Ronald Purtee, seeking return of the sculpture and a determination of copyright ownership. The District Court granted a preliminary injunction, ordering the sculpture's return. After a 2-day bench trial, the District Court declared that "Third World America" was a "work made for hire" under §101 of the Copyright Act and that Snyder, as trustee for CCNV, was the exclusive owner of the copyright in the sculpture. The court reasoned that Reid had been an "employee" of CCNV within the meaning of §101(1) because CCNV was the motivating force in the statue's production. Snyder and other CCNV members, the court explained, "conceived the idea of a contemporary Nativity scene to contrast with the national celebration of the season," and "directed enough of [Reid's] effort to assure that, in the end, he had produced what they, not he, wanted."

The Court of Appeals for the District of Columbia Circuit reversed and remanded. . . .

II

A

The Copyright Act of 1976 provides that copyright ownership "vests initially in the author or authors of the work." 17 U.S.C. §201(a). As a general rule, the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection. §102. The Act carves out an important exception, however, for "works made for hire." If the work is for hire, "the employer or other person for whom the work was prepared is considered the author" and owns the copyright, unless there is a written agreement to the contrary. §201(b). Classifying a work as "made for hire" determines not only the initial ownership of its copyright, but also the copyright's duration, §302(c), and the owners' renewal rights, §304(a), termination rights, §203(a), and right to import certain goods bearing the copyright, §601(b)(1). *See* 1 M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHT §5.03 [A], pp. 5–10 (1988). The contours of the work for hire doctrine therefore carry profound significance for freelance creators—including artists, writers, photographers, designers, composers, and computer programmers—and for the publishing, advertising, music, and other industries which commission their works.

Section 101 of the 1976 Act provides that a work is "for hire" under two sets of circumstances:

- (1) a work prepared by an employee within the scope of his or her employment;
or
- (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

Petitioners do not claim that the statue satisfies the terms of §101(2). Quite clearly, it does not. Sculpture does not fit within any of the nine categories of “specially ordered or commissioned” works enumerated in that subsection, and no written agreement between the parties establishes “Third World America” as a work for hire.

The dispositive inquiry in this case therefore is whether “Third World America” is “a work prepared by an employee within the scope of his or her employment” under §101(1). The Act does not define these terms. In the absence of such guidance, four interpretations have emerged. The first holds that a work is prepared by an employee whenever the hiring party retains the right to control the product. Petitioners take this view. A second, and closely related, view is that a work is prepared by an employee under §101(1) when the hiring party has actually wielded control with respect to the creation of a particular work. This approach was formulated by the Court of Appeals for the Second Circuit, *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir. 1984), and adopted by the Fourth Circuit, *Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410 (1987), the Seventh Circuit, *Evans Newton, Inc. v. Chicago Systems Software*, 793 F.2d 889 (1986), and, at times, by petitioners. A third view is that the term “employee” within §101(1) carries its common-law agency law meaning. This view was endorsed by the Fifth Circuit in *Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises*, 815 F.2d 323 (1987), and by the Court of Appeals below. Finally, respondent and numerous amici curiae contend that the term “employee” only refers to “formal, salaried” employees. The Court of Appeals for the Ninth Circuit recently adopted this view. *See Dumas v. Gommerman*, 865 F.2d 1093 (1989).

The starting point for our interpretation of a statute is always its language. *Consumer Product Safety Comm’n v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980). The Act nowhere defines the terms “employee” or “scope of employment.” It is, however, well established that “where Congress uses terms that have accumulated settled meaning under . . . the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms.” *NLRB v. Amax Coal Co.*, 453 U.S. 322, 329 (1981). In the past, when Congress has used the term “employee” without defining it, we have concluded that Congress intended to describe the conventional master-servant relationship as understood by common-law agency doctrine. *See, e.g., Kelley v. Southern Pacific Co.*, 419 U.S. 318, 322–323 (1974). Nothing in the text of the work for hire provisions indicates that Congress used the words “employee” and “employment” to describe anything other than “the conventional relation of employer and employee.” *Kelley, supra*, at 323, quoting *Robinson*; compare *NLRB v. Hearst Publications, Inc.*, 322 U.S. 111, 124–132 (1944) (rejecting agency law conception of employee for purposes of the National Labor Relations Act where structure and context of statute indicated broader definition). On the contrary, Congress’ intent to incorporate the agency law definition is suggested by §101(1)’s use of the term, “scope of employment,” a widely used term of art in agency law. *See* RESTATEMENT (SECOND) OF AGENCY §228 (1958) (hereinafter RESTATEMENT).

. . . We thus agree with the Court of Appeals that the term “employee” should be understood in light of the general common law of agency.

In contrast, neither test proposed by petitioners is consistent with the text of the Act. The exclusive focus of the right to control the product test on the relationship between the hiring party and the product clashes with the language of §101(1), which focuses on the relationship between the hired and hiring parties. The right to control the product test also would distort the meaning of the ensuing subsection, §101(2). Section 101 plainly creates two distinct ways in which a work can be deemed for hire: one for works prepared by employees, the other for those specially ordered or commissioned works which fall within one of the nine enumerated categories and are the subject of a written agreement. The right to control the product test ignores this dichotomy by transforming into a work for hire under §101(1) any “specially ordered or commissioned” work that is subject to the supervision and control of the hiring party. Because a party who hires a “specially ordered or commissioned” work by definition has a right to specify the characteristics of the product desired, at the time the commission is accepted, and frequently until it is completed, the right to control the product test would mean that many works that could satisfy §101(2) would already have been deemed works for hire under §101(1). Petitioners’ interpretation is particularly hard to square with §101(2)’s enumeration of the nine specific categories of specially ordered or commissioned works eligible to be works for hire, e.g., “a contribution to a collective work,” “a part of a motion picture,” and “answer material for a test.” The unifying feature of these works is that they are usually prepared at the instance, direction, and risk of a publisher or producer. By their very nature, therefore, these types of works would be works by an employee under petitioners’ right to control the product test. . . .

We therefore conclude that the language and structure of §101 of the Act do not support either the right to control the product or the actual control approaches.⁸ The structure of §101 indicates that a work for hire can arise through one of two mutually exclusive means, one for employees and one for independent contractors, and ordinary canons of statutory interpretation indicate that the classification of a particular hired party should be made with reference to agency law.

This reading of the undefined statutory terms finds considerable support in the Act’s legislative history. . . .

We turn, finally, to an application of §101 to Reid’s production of “Third World America.” In determining whether a hired party is an employee under the general common law of agency, we consider the hiring party’s right to control the manner and means by which the product is accomplished. Among the other factors relevant to this inquiry are the skill required; the source of the instrumentalities and tools; the location of the work; the duration of the relationship between the parties; whether the hiring

⁸ We also reject the suggestion of respondent and *amici* that the §101(1) term “employee” refers only to formal, salaried employees. While there is some support for such a definition in the legislative history, see *VARMER, WORKS MADE FOR HIRE* 130, the language of §101(1) cannot support it. The Act does not say “formal” or “salaried” employee, but simply “employee.” . . .

COMMENTS AND QUESTIONS

1. What policies underlie the work made for hire doctrine? From which philosophical perspectives do these policies flow? Does the court's analysis and holding in *CCNV* comport with these policies?

We learned earlier that copyright law, while originally aimed at shielding publishers from the threat of piracy, has since the early days of English law been focused on protecting authors. Does the "work made for hire" provision in the 1976 Act defeat this purpose? In the case of works made for hire, §101 automatically vests copyright in employers, not the particular employees who author the work. This result is somewhat surprising, especially in light of patent law's approach of considering the individual inventor to be the patentee (at least nominally). Why is this so? Why are inventors always people, whereas authors can be companies? In view of assignability rules in patent law, does the distinction make a difference? Unlike copyright law, patent law has no termination of transfer rule or other provision safeguarding inventors against unremunerative transfers.

A principal justification for the work made for hire doctrine is the reduction of transaction costs. A work made for hire is deemed to be a corporate creation, so it need not be assigned. The doctrine essentially "preassigns" a work to the employer. This has the important effect of eliminating the costs of negotiating and executing assignment agreements. In addition, as we will see in Section D(1)(i), the work made for hire doctrine avoids the inalienability of the termination of transfer right. The work belongs to the employer *ab initio*, i.e., from the moment of creation, rather than by assignment. Such treatment solves a potentially large "holdout" problem in compilations, multimedia, motion pictures, and other works involving numerous contributors. Are the works listed in the second part of §101's definition of work made for hire the types of works for which holdout problems are most likely? Are there any other works that ought to be included? In 1999, the recording industry persuaded Congress to add sound recordings to this list by modifying the statute without fanfare in a "technical amendments" bill. When the change was discovered, artists objected, and Congress undid the change in 2000. See David Nimmer & Peter S. Menell, *Sound Recordings, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. COPYRIGHT SOC'Y 387 (2001).

2. *The Restatement of Agency (Second) Factors*. Based on the RESTATEMENT (SECOND) OF AGENCY, the *Reid* Court identifies the following factors to be considered in determining whether an employment relationship exists:

- the skill required
- the source of the instrumentalities and tools
- the location of the work
- the duration of the relationship between the parties
- whether the hiring party has the right to assign additional projects to the hired party
- the extent of the hired party's discretion over when and how long to work

- the method of payment
- the hired party’s role in hiring and paying assistants
- whether the work is part of the regular business of the hiring party
- whether the hiring party is in business
- the provision of employee benefits
- the tax treatment of the hired party

Note that these factors are not identical to the RESTATEMENT (SECOND) OF AGENCY factors. Some courts have augmented this list, considering the label (employee or contractor) that the parties apply to the relationship as well as the right to control the manner and means of the work, which is the RESTATEMENT’s overarching test for employee status.

The Second Circuit in *Aymes v. Bonelli*, 980 F.2d 857 (2d Cir. 1992), cautioned that the “factors should not merely be tallied but should be weighed according to their significance in the case.” The court emphasized the following factors as deserving of more weight: (1) the hiring party’s right to control the manner and means of creation; (2) the skill required; (3) the provision of employee benefits; (4) the tax treatment of the hired party; and (5) whether the hiring party has the right to assign additional projects to the hired party. The court placed special emphasis on (3) and (4). The Second Circuit has also emphasized that the analysis should disregard those factors that are irrelevant or indeterminate (in the sense of favoring neither party). See *Horror, Inc. v. Miller*, 15 F.4th 232, 248 (2d Cir. 2021).

Professor Ryan Vacca provides a systematic empirical analysis of the application of the *Reid* factors. See Ryan Vacca, *Works Made for Hire—Analyzing the Multifactor Balancing Test*, 42 FLA. ST. U. L. REV. 197 (2014). The following graphic illustrates his findings as to factor importance:

Least Important		Most Important		
• Right to Control Manner & Means	• Work Location	• When & How Long to Work	• Additional Projects	• Tax Treatment
• Label	• Hiring & Paying Assistants	• Part of Regular Business of Hiring Party	• Skill Required	• Employee Benefits
• Hiring Party in Business		• Relationship Duration	• Source of Instrumentalities & Tools	• Payment Method

In practice, the test has tilted toward the formal, salaried employee benchmark, which the Supreme Court declined to adopt. See *id.* at 234–35; I.T. Hardy, Copyright

Law's Concept of Employment—What Congress Really Intended, 35 J. Copyright Soc'y U.S.A. 210 (1988).

3. *Within the Scope of Employment.* Even if a work is created by an employee, it must also be “within the scope of his or her employment” in order to be deemed a work made for hire. From the Supreme Court's instruction to apply the common law of agency, most courts reaching this issue have adopted the test set forth in RESTATEMENT (SECOND) OF AGENCY. An employee's work is deemed within the scope of his employment if:

- a) it is within the kind he is employed to perform;
- b) it occurs substantially within the authorized time and space limits; [and]
- c) it is actuated, at least in part, by a purpose to serve the master.

RESTATEMENT (SECOND) OF AGENCY §228 (1958). See *Quinn v. City of Detroit*, 988 F. Supp. 1044, 1049 (E.D. Mich. 1997).

4. *Copyright Shop Rights?* In the areas of trade secrets and patented inventions, courts have recognized a common law “shop right” which allows an employer to use an employee's invention to the extent necessary for its regular business where the employer contributed to the development of the invention, for example, by providing wages, tools, or a workplace. See *McElmurry v. Ark. Power & Light Co.*, 995 F.2d 1576, 1580 (Fed. Cir. 1993). In the negotiations leading up to the 1976 Act, screenwriters and film music composers advocated a comparable “shop right,” whereby the employee would retain all other rights, subject to a covenant not to authorize competing uses. Congress rejected this proposal in favor of providing employers full copyright for works prepared within the scope of the worker's employment. H.R. REP. NO. 94-1476, at 121. What about works that the employee completes on the employer's time and using the employer's resources but fall outside of the employee's scope of employment? Should the employer be able to assert a shop right in this circumstance?

5. *Works of the U.S. Government.* As we saw earlier, works of the U.S. government are not copyrightable. Section 101 defines U.S. government works as works “prepared by an officer or employee of the United States government as part of that person's official duties.” The legislative history makes clear that Congress intended this provision to parallel the scope of the work made for hire doctrine.

6. *Teacher Exception.* There is a significant exception to the work made for hire doctrine that prevents universities from claiming to own professors' works under the work made for hire doctrine. This exception is venerable, but lacks textual support in the 1976 Act. Some courts and commentators have concluded that the Act did in fact abolish the “teacher exception,” but most work hard to find a way to keep the doctrine alive. See *Hays v. Sony Corp. of Am.*, 847 F.2d 412, 416 (7th Cir. 1988) (Posner, J.) (justifying the judge-made exception on the “havoc that [a contrary] conclusion would wreak in the settled practices of academic institutions, the lack of fit between the policy of the work-for-hire doctrine and the conditions of academic production, and the absence of any indication that Congress meant to abolish” the exception.); Rochelle Cooper Dreyfuss, *The Creative Employee and the Copyright Act of 1976*, 54 U. CHI. L.

REV. 590, 597–98 (1987). Can you think of a way for the exception to survive the passage of the 1976 Act? Should it?

7. *The Role of Contract Law.* Regardless of whether a work is created within the confines of the Copyright Act’s “work made for hire” provisions, parties are free to assign copyright interests through contract. Use of such instruments is quite common in the production of many commercial copyrighted works. There is, however, at least one important respect in which contract cannot substitute for “work made for hire” status. As we will discuss further below, the 1976 Act creates an inalienable right in authors to terminate transfers of copyright in a 5-year window beginning 35 years after a transfer. *See* §203(a). The only way that assignees can avoid this termination is by establishing that the copyright vested in their name *ab initio*. A non-author can satisfy this requirement only if the work falls within the definition of a “work made for hire.” Assigned rights also differ from works made for hire in certain other respects, such as the duration of copyright protection.

8. *Guild Membership and Employment.* When Victor Miller, screenwriter of the landmark 1980 horror film *Friday the 13th*, sought to terminate assignment of his copyright under §203, the producer Horror Inc. asserted that Miller was an employee working within the scope of his employment and therefore the work was a work made for hire. Horror Inc. pointed to Miller’s membership in the Writer’s Guild of America (WGA) and the company’s participation in the collective bargaining agreement governing WGA members and their employers as a basis for contending that Miller was an employee rather than an independent contractor. The Second Circuit rejected this argument, concluding that even if such membership and participation made Miller an employee for *labor law* purposes, it was not relevant to copyright’s work made for hire determination under the common law of agency. *Horror, Inc. v. Miller*, 15 F.4th 232 (2d Cir. 2021).

The court explained that the Copyright Act and the National Labor Relations Act serve different purposes. *See id.* at 244-47. The Copyright Act uses a more restrictive definition of employment aimed at limiting the contours of the work-for-hire determination in order to protect authors whereas labor and employment law use a broader concept of employment so as to support workers and their collective bargaining interests, safety rights, and pay rights. An individual can thus qualify as an employee for labor law purposes but remain an independent contractor under the *Reid* framework for copyright law. The court declined to consider the WGA collective bargaining agreement as an additional and separate *Reid* factor. *See id.* at 247-48.

In applying the *Reid* factors, the court determined that although Horror Inc.’s predecessor-in-interest filed a copyright registration for the screenplay that identified the screenplay as a work for hire, a fact that entitles the Companies to a rebuttable statutory presumption that the work was a work for hire, Miller had rebutted the presumption. Although the right to control slightly favored Horror, Inc. through its predecessor-in-interest’s control over the drafting process, the skill factor—which weighs heavily in creative arts cases—strongly favored Miller. Most of the other factors

Once a work is found to be a joint work—and its authors therefore joint authors—copyright law treats them as “coowners” of the work. §102(a). On this question, the legislative history accompanying the Act notes that Congress intended to let the existing common law rules of coownership apply without any modification, which included treating the joint authors as “tenants in common” and affording each coowner the independent right to use or license the use of the work, subject to a duty to account to the other coowner(s). H.R. REP. No. 94-1476, at 121.

The Second Circuit was the first to interpret and apply the statute’s understanding of joint works in the case below.



Childress v. Taylor
United States Court of Appeals for the Second Circuit
945 F.2d 500 (2d Cir. 1991)

JON O. NEWMAN, CIRCUIT JUDGE:

This appeal requires consideration of the standards for determining when a contributor to a copyrighted work is entitled to be regarded as a joint author. . . .

Facts

Defendant Clarice Taylor has been an actress for over forty years, performing on stage, radio, television, and in film. After portraying “Moms” Mabley in a skit in an off-off-Broadway production ten years ago, Taylor became interested in developing a play based on Mabley’s life. Taylor began to assemble material about “Moms” Mabley, interviewing her friends and family, collecting her jokes, and reviewing library resources.

In 1985, Taylor contacted the plaintiff, playwright Alice Childress, about writing a play based on “Moms” Mabley. Childress had written many plays, for one of which she won an “Obie” award. Taylor had known Childress since the 1940s when they were both associated with the American Negro Theatre in Harlem and had previously acted in a number of Childress's plays.

When Taylor first mentioned the “Moms” Mabley project to Childress in 1985, Childress stated she was not interested in writing the script because she was too occupied with other works. However, when Taylor approached Childress again in 1986, Childress agreed, though she was reluctant due to the time constraints involved. Taylor had interested the Green Plays Theatre in producing the as yet unwritten play, but the theatre had only one slot left on its summer 1986 schedule, and in order to use that slot, the play had to be written in six weeks.

Taylor turned over all of her research material to Childress, and later did further research at Childress’s request. It is undisputed that Childress wrote the play, entitled “Moms: A Praise Play for a Black Comedienne.” However, Taylor, in addition to providing the research material, which according to her involved a process of sifting through facts and selecting pivotal and key elements to include in a play on “Moms” Mabley's life, also discussed with Childress the inclusion of certain general scenes and

characters in the play. Additionally, Childress and Taylor spoke on a regular basis about the progress of the play.

Taylor identifies the following as her major contributions to the play: (1) she learned through interviews that “Moms” Mabley called all of her piano players “Luther,” so Taylor suggested that the play include such a character; (2) Taylor and Childress together interviewed Carey Jordan, “Moms” Mabley’s housekeeper, and upon leaving the interview they came to the conclusion that she would be a good character for the play, but Taylor could not recall whether she or Childress suggested it; (3) Taylor informed Childress that “Moms” Mabley made a weekly trip to Harlem to do ethnic food shopping; (4) Taylor suggested a street scene in Harlem with speakers because she recalled having seen or listened to such a scene many times; (5) the idea of using a minstrel scene came out of Taylor’s research; (6) the idea of a card game scene also came out of Taylor’s research, although Taylor could not recall who specifically suggested the scene; (7) some of the jokes used in the play came from Taylor’s research; and (8) the characteristics of “Moms” Mabley’s personality portrayed in the play emerged from Taylor’s research. Essentially, Taylor contributed facts and details about “Moms” Mabley’s life and discussed some of them with Childress. However, Childress was responsible for the actual structure of the play and the dialogue.

Childress completed the script within the six-week time frame. Childress filed for and received a copyright for the play in her name. Taylor produced the play at the Green Plays Theatre in Lexington, New York, during the 1986 summer season and played the title role. After the play’s run at the Green Plays Theatre, Taylor planned a second production of the play at the Hudson Guild Theatre in New York City.

At the time Childress agreed to the project, she did not have any firm arrangements with Taylor, although Taylor had paid her \$2,500 before the play was produced. On May 9, 1986, Taylor’s agent, Scott Yoselow, wrote to Childress’s agent, Flora Roberts, stating:

Per our telephone conversation, this letter will bring us up-to-date on the current status of our negotiation for the above mentioned project:

1. CLARICE TAYLOR will pay ALICE CHILDRESS for her playwriting services on the MOMS MABLEY PROJECT the sum of \$5,000.00, which will also serve as an advance against any future royalties.
2. The finished play shall be equally owned and be the property of both CLARICE TAYLOR and ALICE CHILDRESS.

It is my understanding that Alice has commenced writing the project. I am awaiting a response from you regarding any additional points we have yet to discuss.

Flora Roberts responded to Yoselow in a letter dated June 16, 1986:

As per our recent telephone conversation, I have told Alice Childress that we are using your letter to me of May 9, 1986 as a partial memo preparatory to

our future good faith negotiations for a contract. There are two points which I include herewith to complete your two points in the May 9th letter, i.e.:

- 1) The \$5,000 advance against any future royalties being paid by Clarice Taylor to Alice Childress shall be paid as follows. Since \$1,000 has already been paid, \$1,500 upon your receipt of this letter and the final \$2,500 to be paid upon submission of the First Draft, but in no event later than July 7, 1986.
- 2) It is to be understood that pending the proper warranty clauses to be included in the contract, Miss Childress is claiming originality for her words only in said script.

After the Green Plays Theatre production, Taylor and Childress attempted to formalize their relationship. Draft contracts were exchanged between Taylor's attorney, Jay Kramer, and Childress's agent, Roberts. During this period, early 1987, the play was produced at the Hudson Guild Theatre with the consent of both Taylor and Childress. Childress filed for and received a copyright for the new material added to the play produced at the Hudson Guild Theatre.

In March 1987, Childress rejected the draft agreement proposed by Taylor, and the parties' relationship deteriorated. Taylor decided to mount another production of the play without Childress.

...

Childress sued Taylor and other defendants alleging violations of the Copyright Act. . . . Taylor contended that she was a joint author with Childress, and therefore shared the rights to the play.

Discussion

In common with many issues arising in the domain of copyrights, the determination of whether to recognize joint authorship in a particular case requires a sensitive accommodation of competing demands advanced by at least two persons, both of whom have normally contributed in some way to the creation of a work of value. Care must be taken to ensure that true collaborators in the creative process are accorded the perquisites of co-authorship and to guard against the risk that a sole author is denied exclusive authorship status simply because another person rendered some form of assistance. Copyright law best serves the interests of creativity when it carefully draws the bounds of "joint authorship" so as to protect the legitimate claims of both sole authors and coauthors.

...

The definition [of a joint work, see above] concerns the *creation* of the work by the joint authors, not the circumstances, in addition to joint authorship, under which a work may be *jointly owned*, for example, by assignment of an undivided interest. The distinction affects the rights that are acquired. Joint authors hold undivided interests in a work, like all joint owners of a work, but joint authors, unlike other joint owners, also enjoy all the rights of authorship, including the renewal rights applicable to works in which a statutory copyright subsisted prior to January 1, 1978. *See* 17 U.S.C. §304.

...

The legislative history also clarifies other aspects of the statutory definition, but leaves some matters in doubt. Endeavoring to flesh out the definition, the committee reports state:

[A] work is “joint” if the authors collaborated with each other, or if each of the authors prepared his or her contribution with the knowledge and intention that it would be merged with the contributions of other authors as “inseparable or interdependent parts of a unitary whole.” The touchstone here is the *intention, at the time the writing is done*, that the parts be absorbed or combined into an integrated unit. . . .

House Report at 120 (emphasis added). This passage appears to state two alternative criteria—one focusing on the act of collaboration and the other on the parties’ intent. However, it is hard to imagine activity that would constitute meaningful “collaboration” unaccompanied by the requisite intent on the part of both participants that their contributions be merged into a unitary whole, and the case law has read the statutory language literally so that the intent requirement applies to all works of joint authorship.

....

A more substantial issue arising under the statutory definition of “joint work” is whether the contribution of each joint author must be copyrightable or only the combined result of their joint efforts must be copyrightable. The NIMMER treatise argues against a requirement of copyrightability of each author’s contribution . . . Professor Goldstein takes the contrary view . . . with the apparent agreement of the LATMAN treatise. . . . The case law supports a requirement of copyrightability of each contribution. . . . The Register of Copyrights strongly supports this view, arguing that it is required by the statutory standard of “authorship” and perhaps by the Constitution. .

..

The issue, apparently open in this Circuit, is troublesome. If the focus is solely on the objective of copyright law to encourage the production of creative works, it is difficult to see why the contributions of all joint authors need be copyrightable. An individual creates a copyrightable work by combining a non-copyrightable idea with a copyrightable form of expression; the resulting work is no less a valuable result of the creative process simply because the idea and the expression came from two different individuals. Indeed, it is not unimaginable that there exists a skilled writer who might never have produced a significant work until some other person supplied the idea. The textual argument from the statute is not convincing. The Act surely does not say that each contribution to a joint work must be copyrightable, and the specification that there be “authors” does not necessarily require a copyrightable contribution. “Author” is not defined in the Act and appears to be used only in its ordinary sense of an originator. The “author” of an uncopyrightable idea is nonetheless its author even though, for entirely valid reasons, the law properly denies him a copyright on the result of his creativity. And the Register’s tentative constitutional argument seems questionable. It has not been supposed that the statutory grant of “authorship” status to the employer of a work made

for hire exceeds the Constitution, though the employer has shown skill only in selecting employees, not in creating protectable expression.

Nevertheless, we are persuaded to side with the position taken by the case law and endorsed by the agency administering the Copyright Act. The insistence on copyrightable contributions by all putative joint authors might serve to prevent some spurious claims by those who might otherwise try to share the fruits of the efforts of a sole author of a copyrightable work, even though a claim of having contributed copyrightable material could be asserted by those so inclined. . . .

There remains for consideration the crucial aspect of joint authorship—the nature of the intent that must be entertained by each putative joint author at the time the contribution of each was created. The wording of the statutory definition appears to make relevant only the state of mind regarding the unitary nature of the finished work—an intention “that their contributions be merged into inseparable or interdependent parts of a unitary whole.” However, an inquiry so limited would extend joint author status to many persons who are not likely to have been within the contemplation of Congress. . . . Focusing on whether the putative joint authors regarded themselves as joint authors is especially important in circumstances, such as the instant case, where one person (Childress) is indisputably the dominant author of the work and the only issue is whether that person is the sole author or she and another (Taylor) are joint authors. . . .

Though joint authorship does not require an understanding by the co-authors of the legal consequences of their relationship, obviously some distinguishing characteristic of the relationship must be understood in order for it to be the subject of their intent. In many instances, a useful test will be whether, in the absence of contractual agreements concerning listed authorship, each participant intended that all would be identified as co-authors. Though “billing” or “credit” is not decisive in all cases and joint authorship can exist without any explicit discussion of this topic by the parties, consideration of the topic helpfully serves to focus the fact-finder’s attention on how the parties implicitly regarded their undertaking.

. . .

Examination of whether the putative co-authors ever shared an intent to be co-authors serves the valuable purpose of appropriately confining the bounds of joint authorship arising by operation of copyright law, while leaving those not in a true joint authorship relationship with an author free to bargain for an arrangement that will be recognized as a matter of both copyright and contract law. Joint authorship entitles the co-authors to equal undivided interests in the work. . . . That equal sharing of rights should be reserved for relationships in which all participants fully intend to be joint authors. The sharing of benefits in other relationships involving assistance in the creation of a copyrightable work can be more precisely calibrated by the participants in their contract negotiations regarding division of royalties or assignment of shares of ownership of the copyright, *see* 17 U.S.C. §201(d).

. . .

Dennis Hevesi, *Clarice Taylor Dies at 93; TV's Cosby Called her Mom*, N.Y. TIMES (Jun. 2, 2011).

2. *Objective Indicia.* *Childress* is credited with having developed a two-pronged test for joint works: (i) a copyrightable contribution by each joint author; and (ii) a mutual intent in each of them to be joint authors. *See, e.g., Erickson v. Trinity Theatre, Inc.*, 13 F. 3d 1061, 1068-69 (7th Cir. 1994). To establish the mutual intent requirement, courts have since come to develop what are known as “objective indicia,” where they look to how the parties carried themselves before, during, and after the collaboration—both vis-à-vis each other and towards third parties—to discern the existence of the intention. Such indicia have included decision-making authoring, billing, and crediting, and agreements with third parties, among others. *See Thomson v. Larson*, 147 F. 3d 195, 203-05 (2d Cir. 1998).

3. *Originality and Joint Authorship.* As we saw in *Feist*, copyright law applies a low threshold for meeting the requirement of originality. Courts generally do not judge the “quality” of a contribution for purposes of determining whether the originality hurdle has been cleared. In the words of Justice Holmes, “It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the work of pictorial illustrations, outside the narrowest and most obvious limits.” *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903). By contrast, the courts have developed a much higher threshold and more searching inquiry (subjective intent of the putative authors) for determining joint authorship. Does this make sense? *See Mary K. LaFrance, Authorship, Dominance, and the Captive Collaborator: Preserving the Rights of Joint Authors*, 50 EMORY L.J. 193 (2001). Can the complex collaborative projects made possible in today’s increasingly interconnected world be realistically sorted out in this manner? *See generally Rochelle Cooper Dreyfuss, Collaborative Research: Conflicts on Authorship, Ownership, and Accountability*, 53 VAND. L. REV. 1161 (2000).

4. *Requirement of Independently Copyrightable Expression.* Several courts have interpreted the joint works doctrine to require that each putative joint author make an “independently copyrightable contribution” to a joint work. This implies that each joint author must have (a) contributed copyrightable expression to the work and (b) that such expression was independently protectable. Is the requirement of “independently copyrightable expression” compatible with the text of the statute and its legislative history?

Writing for the Seventh Circuit, Judge Posner takes a less rigid approach, which would dispense with the requirement of a copyrightable contribution altogether:

[W]here two or more people set out to create a character jointly in such mixed media as comic books and motion pictures and succeed in creating a copyrightable character, it would be paradoxical if though the result of their joint labors had more than enough originality and creativity to be copyrightable, no one could claim copyright. That would be peeling the onion until it disappeared. The decisions that say, rightly in the generality of cases, that each

contributor to a joint work must make a contribution that if it stood alone would be copyrightable weren't thinking of the case in which it couldn't stand alone because of the nature of the particular creative process that had produced it.

Here is a typical case from academe. One professor has brilliant ideas but can't write; another is an excellent writer, but his ideas are commonplace. So they collaborate on an academic article, one contributing the ideas, which are not copyrightable, and the other the prose envelope, and . . . they sign as coauthors. Their intent to be the joint owners of the copyright in the article would be plain, and that should be enough to constitute them joint authors within the meaning of 17 U.S.C. §201(a). This is the valid core of the Nimmers' heretical suggestion that "if authors A and B work in collaboration, but A's contribution is limited to plot ideas that standing alone would not be copyrightable, and B weaves the ideas into a completed literary expression, it would seem that A and B are joint authors of the resulting work." 1 NIMMER & NIMMER §6.07.

Gaiman v. McFarlane, 360 F.3d 644, 658–59 (7th Cir. 2004). Should an individual who contributes no more than ideas to the final work be designated as a joint *author*? Is that compatible with copyright's understanding of authorship?

5. *Superintendence or Mastermind*. In *Childress*, the Second Circuit expressly recognized that situations of joint authorship might involve the presence of one contributor who is the "dominant author" and another, who plays a less dominant role. See *Childress*, 945 F.2d at 508. A few years later, the Ninth Circuit adopted an approach to joint works that calls this understanding into question.

Aalmuhammed v. Lee, 202 F.3d 1227 (9th Cir. 2000), involved a joint authorship claim to the movie *Malcolm X*, produced by Spike Lee and starring the actor Denzel Washington. During the production of the movie, Washington invited the plaintiff, Jeffri Aalmuhammed, onto the set to assist with the script because of his expertise on Islam and the life of the Malcolm X. Aalmuhammed consulted on a few new scenes and offered several important corrections and modifications to the script. Although he did not have a written contract with Lee or the production company, he was compensated for his work by both Washington and Lee. After he was credited only as an "Islamic Technical Consultant" for the movie, Aalmuhammed sued Lee and the production company, claiming joint authorship in the movie.

The Ninth Circuit rejected Aalmuhammed's claim. Reasoning that an "author" was always someone exerting control over the work, Judge Kleinfeld concluded that copyright law's joint authorship doctrine required each author to superintend the production of the entire work or be its "inventive or master mind," in addition to making an independently copyrightable contribution. The court followed the Second Circuit to conclude that the parties needed to make "objective manifestations" of their "mutual intent" to be joint authors. Based on the facts surrounding the production of *Malcolm X*, the Ninth Circuit concluded that Aalmuhammed had failed to satisfy both the superintendence and objective manifestation requirements, and thus was not a joint

author. Central to the court's conclusion was its concern with "overreaching contributors," who make minor contributions to the final work but assert a proportional (i.e., equal) ownership claim.

Does the court's mastermind theory unduly narrow the set of potential joint authorial relationships? By requiring each joint author to superintend the creation of the final work, does it effectively demand that the process of collaboration be near equal? Can you think of joint authorship situations where one (or more, but not all) authors retain final control over the work, even though the other authors make sufficient contributions, and the parties all intend for the work to be a joint work?

6. *Contracting Authorship?* The Ninth Circuit has observed that "[s]everal factors suggest themselves as among the criteria for joint authorship, *in the absence of contract.*" See *Aalmuhammed v. Lee*, 202 F.3d 1227, 1232 (9th Cir. 2000) (emphasis added.) This framing mistakenly suggests that joint authorship can be determined contractually. While copyright *ownership* can usually be contracted—but not always: note that the termination of transfer is inalienable—joint authorship is always a matter of copyright law, since a court is obligated to ascertain the parties' relevant intent at the time of creating the work before it can find them to be joint authors. See Shyamkrishna Balganes, *Unplanned Coauthorship*, 100 VA. L. REV. 1683, 1748-49 (2014).¹⁷

6. *Actors.* Cindy Lee Garcia landed a minor role in a low-budget film entitled *Desert Warrior* which she was led to believe by Mark Basseley Youseff, the film's producer and writer, was going to be an action-adventure thriller set in ancient Arabia. Garcia spent three and a half days on set and was paid \$500. *Desert Warrior* was never released, but her scene was included in *Innocence of Muslims*, a film depicting the Prophet Mohammed as "a murderer, pedophile, and homosexual." Youseff dubbed Garcia's voice with the lines: "Is your Mohammed a child molester? Our daughter is but a child."

A trailer for *Innocence of Muslim*, including Garcia's scene, was released on YouTube, generating protest, condemnation, and death threats against Garcia. Fearing for her life, Garcia filed a request pursuant to the Digital Millennium Copyright Act for YouTube to takedown the trailer. We explore this feature of digital copyright law in Chapter IV(F)(2). As we will see, only copyright owners have authority to force an Online Service Provider, such as YouTube, to takedown content.

Although Garcia did not assert joint authorship of *Innocence of Muslims*, she alleged that her performance included in the film was independently copyrightable and that she retained an interest in that copyright. YouTube denied the takedown request on the ground that Garcia did not have a copyright interest. Garcia filed a motion for a temporary restraining order five months later. Applying the heightened scrutiny for a request for affirmative relief, the district court rejected the motion. On appeal, a split Ninth Circuit ordered that the trailer be taken down. The majority found that an individual contribution to an integrated work could be independently copyrightable. Thus, Garcia, as the author of her performance, likely retained a copyright interest in

¹⁷ As we saw above, the existence of a contract will sometimes be relevant in determining whether a work is made for hire.

her performance, “even when the work ha[d] been contributed to a joint work.” *Garcia v. Google*, 743 F.3d 1258, 1265 (9th Cir. 2014).

The Ninth Circuit granted *en banc* review and overturned the panel decision. Its decision severely limits if not eliminates actors’ copyright claim to film footage in which they appear. *Garcia v. Google, Inc.*, 786 F.3d 733 (9th Cir. 2015). Building on *Aalmuhammed v. Lee*, the Ninth Circuit emphasized that authorship in a collaborative project requires more than a “substantial creative contribution.” To allow each and every contributor to films or other complex works a copyright interest would “make Swiss cheese of copyrights.” The court ruled that the only work is the film and unless Garcia qualifies as a joint author, she has no copyright interest.

This decision is unlikely to have a significant effect on filmmaking since motion pictures are among the works eligible for work-made-for-hire status and studios routinely require actors to execute work-made-for-hire agreements. Thus, like *Aalmuhammed v. Lee*, *Garcia v. Google* is an outlier resulting from the producer’s failure to get a work-made-for-hire agreements signed. Nonetheless, the decision negates actors’ claims to copyright in film projects. Is this decision faithful to copyright’s protection scheme? Were there other ways to avoid such an extreme result as the panel decision in *Garcia*? Are work-made-for-hire agreements even necessary after the *Garcia* decision?

7. *Directors*. In 2010, Robert Krakovski purchased the rights to a screenplay entitled *Heads Up* and hired Alex Merkin to direct the film. With input from Merkin, Krakovski assembled the cast and crew. Notwithstanding their failure to reach a work-made-for-hire agreement, Merkin began work directing *Heads Up*. After filming was completed, Krakovski gave Merkin a hard drive of the raw footage of the film. The parties did, however, enter into a Media Agreement under which Merkin would edit but not license, sell, or copy the footage for any purpose without the permission of Casa Duse, Krakovski’s production entity. Unbeknownst to Krakovski, Merkin registered copyright to the raw footage for *Heads Up* in his own name. Merkin subsequently sought to block Krakovski’s screening of the film. Krakovski brought an action to establish that Casa Duse, and not Merkin, owned the copyright in the film footage.

Drawing on the Ninth Circuit’s *en banc* *Garcia* decision, the Second Circuit held that a contributor to a creative work whose contribution is inseparable from, and integrated into, a work does not maintain a copyright interest in his or her contribution alone. See *16 Casa Duse, LLC v. Merkin*, 791 F.3d 247, 254 (2d Cir. 2015). The court concluded that although the Copyright Act protects “motion pictures,” the constituent parts of a motion picture or any other integrated work are not separately copyrightable. The court supported its conclusion by reference to the Act’s treatment of joint works—works prepared by multiple authors “with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” The court doubted that Congress aimed to fill films with “thousands of standalone copyrights.”

Applying this interpretation to the production of *Heads Up*, the court determined that Casa Duse was the dominant author of the film. First, Krakovski had the most

control over the project—from initiating the project to executing all agreements with cast, crew, and third parties. Second, although Merkin had significant control as to the direction and creative elements of the film, Krakovski had the final authority. Moreover, “Casa Duse initiated the project; acquired the rights to the screenplay; selected the cast, crew, and director; controlled the production schedule; and coordinated (or attempted to coordinate) the film’s publicity and release.” *Id.* at 260.

8. *Implied License?* Notwithstanding the “work made for hire” device for working around the joint authorship problem in films and other collaborative works, there is still a risk that a contributor to a project falls outside of the “work made for hire” designation. As in the *Aalmuhammed* case, studio lawyers may fail to get all contributors to a project to sign a “work made for hire” agreement. Although such a disaster was avoided in the *Aalmuhammed* case through the application of a relatively high joint authorship hurdle, what should a court do in a case where a relatively modest contributor to a major production who has not signed “work made for hire” agreement clears the joint authorship hurdle? *Cf.* F. Jay Dougherty, *Not a Spike Lee Joint? Issues in the Authorship of Motion Pictures Under U.S. Copyright Law*, 49 UCLA L. REV. 225, 317–33 (2001) (arguing that courts should find an implied license enabling the film producer to exploit the work without liability for damages absent a showing by the author that the use exceeded that which was reasonably foreseeable). Does *Garcia v. Google* put this concern to rest?

9. *Co-Ownership of Jointly Authored Works: Tenancy-in-Common.* The law treats joint authors as tenants-in-common, which courts have understood to require that in the absence of an agreement to the contrary, each of the co-owners has an equal, undivided ownership interest in the entire work,¹⁸ even where it is clear that their respective contributions to the joint work are not equal. *Community for Creative Non-Violence v. Reid*, 846 F.2d 1485, 1498 (D.C. Cir. 1988), *aff’d*, 490 U.S. 730 (1989). Each owner can use the work and license others to do so,¹⁹ subject to a duty to account to the others for profits. Had *Aalmuhammed* been deemed a joint author of the film *Malcolm X*, he would have been entitled to half of all profits from the film. He also would have had freedom to license the work to another film distribution studio, theaters, television broadcasters, or DVD distributors, so long as he provided Warner Brothers with half of the profits. Might this help explain why the court came out the way it did?

10. *Human-AI Collaboration.* Recall the discussion of *Recent Entrance to Paradise* and *Zarya of the Dawn*, discussed in Section B(3). Both of those works had been created through the use of generative AI systems, which had autonomously generated the images. The Copyright Office refused to register both works; the former as a work of authorship altogether since it was produced by a machine, and the latter as a wholly original work since the images were seen as lacking human authorship. In relation to *Recent Entrance to Paradise* the Office also rejected an argument that the work

¹⁸ Upon the death of each joint owner, the decedent’s respective share of the joint work goes to his heirs. Joint authors can, however, agree to a right of survivorship or some other ownership arrangement.

¹⁹ All joint owners must agree in writing to transfer of the copyright or an exclusive license. § 204(a).

qualified as a work made for hire, concluding that the generative AI machine was incapable of entering into a binding agreement, and for a work made for hire the work needed to qualify as a work of authorship to begin with. *See U.S. Copyright Office Letter on Recent Entrance to Paradise* (Feb. 14, 2022), at 6–7. Neither refusal considered the possibility of the human involved (i.e., Thaler and Kashtanova, respectively) being joint authors with the generative AI machine involved. Do you see any problems with such an argument?

iii. Collective Works

Section 201(c) provides:

Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and a later collective work in the same series.

Section 101 defines a “collective work” as “a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.”

iv. The Rights of Authors and Publishers in Electronic Compilations

Section 201(c) of the Copyright Act provides that when a copyrighted work is contributed to a collective work, the copyright in the collective work (held by its publisher) is separate from the copyright in the component works (held in the first instance by the authors). The statute provides that unless the parties agree otherwise, “the owner of the copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.” §201(c).

What happens when a collective work such as a magazine or law review is made available on the Internet through a searchable database? Older publication contracts did not address this possibility. Nonetheless, publishers have treated the electronic version of their publication as if it were the same as the print version. That is, they have acted as though they had the rights to authorize the online use or reproduction of articles from their magazine. Digital dissemination of previously licensed works has resulted in the principal area of dispute.

In *New York Times Co., Inc. v. Tasini*, 533 U.S. 483 (2001), freelance authors of articles previously published in the *New York Times*, *Newsday*, and *Sports Illustrated* sued to enjoin these publications (and LEXIS/NEXIS) from distributing their articles

PROBLEMS

Problem IV-22. Smith, a graphic artist, is employed full time by ADCO to design and flesh out illustrations for advertising campaigns. In his spare time, at home and using no materials taken from work, Smith designs an ad campaign for another company on a freelance basis. Who owns the copyright in Smith's freelance work?

Problem IV-23. Edwards, a playwright, wrote three short plays to be produced by a community theater company. The plays were written on a tight budget, and Edwards made a number of revisions to the script during rehearsals. Some of the changes, including the reconstruction of two scenes, were made at the suggestion of actors during rehearsals, and the new scenes were worked out largely by consensus. After a creative disagreement, the theater company performs the plays without Edwards' permission. Edwards sues for copyright infringement, and the actors claim that they are joint authors with a right to perform the work. Who should prevail?

Problem IV-24. Bable comes up with an idea for a toy car with an integrated circuit that responds to commands as well as speaking and singing songs. Bable finds a company called Up and Running, Inc. to market her "talking car" concept. Bable finds several people to record some new material for the talking car.

a. The first is Sally Singer, who agrees to record a children's song she has written called "Red Light Go, Green Light Stop—Whoops!" for use on the car. Bable has Sally sign an agreement giving Up and Running "all ownership in the song." The song becomes a hit, and Bable licenses the song to Warner Kids Records for inclusion on an album of children's songs. Sally protests, saying she had planned to release her own album featuring the song.

b. The second is Telly Talker, a multilingual kids' storyteller who enters into a "long-term requirements employment" contract with Up and Running. Telly's job is to record translations of the songs and slogans that the toy car says into as many languages as Bable requires. The Japanese version of the toy car becomes a big hit, and Telly informs Bable that he is planning to license his recorded voice to a third party, Toyco, for use in their Japanese talking bear product.

c. The third is Gary Guitar, a musician who records guitar music for Up and Running. His practice is to record a snippet of music in whatever genre (bluegrass, jazz, etc.) Bable requests. Bable then sends a check with a standard form legend saying "cashing this check confirms your employment relationship with Up and Running, Inc., and the latter's ownership of the copyright in the music paid for hereby."

Who owns what copyrights in the car's songs and slogans?

Problem IV-25. After graduating from law school and passing the bar examination, George Jones joined the law firm of Blaketree, Hickman, and Charles (BH&C). He signed a standard associate employment contract stating that he would provide legal services on behalf of BH&C in exchange for a compensation package (salary plus bonus tied to billable hours, bar dues, health benefits, and contribution to retirement plan).

George rotated among a variety of practice areas during his first two years—IP litigation, trademark prosecution, and corporate transactions. He received solid evaluations. He particularly liked the trademark group and requested to specialize in that department. Glenda Elston, the lead attorney in the department, viewed George favorably and he joined the department full-time early in his third year with the firm.

Six months into his third year, George recognized that many aspects of his work—validity analysis, record keeping, correspondence, etc.—could be usefully automated through the use of computer macros. In addition, he felt that the efficiency of the office could be vastly improved by creating an integrated database that all members of the trademark department (and clients) could access and use. He mentioned this idea at a department lunch and received mixed reactions. A few members of the group liked the idea and wanted to hear more about it. Glenda noted that there was a tremendous work load and that she did not want this type of project to distract George from his prosecution responsibilities. Without discussing the matter further with his colleagues, George decided to pursue the project in his spare time. He had taken some computer classes while in college and had kept up with advances in web-based computing, JAVA, and HTML. He began chipping away at this project at home. Using his own computer and software he purchased with his own funds, George developed a prototype of the program over the next year. He worked around the clock, putting in regular hours at the office and then spending evenings and weekends in his home office on his software project. George occasionally accessed the law firm’s website and files in developing the program and eventually ported a version of the program onto his office machine. He also tested the program with his office files. As the program components reached the operational stage, George began using (and refining) the program at the office. His productivity increased, as did his enjoyment of work. The challenge of automating his practice brought tremendous satisfaction. After more than a year of effort, George completed a prototype for what he called “TM Prosecution Toolkit.” The program stores general information on clients and their applications, provides a checklist/expert system for assessing the applicability of §2 bars to registration, identifies necessary actions for trademark prosecution, records information on actions taken, generates draft forms and correspondence for use in prosecution, calculates prosecution deadline dates, and alerts responsible individuals to impending deadlines.

George demonstrated the program to the trademark group on February 12, 2000, at a department-wide planning retreat. By that point in time, the department had grown to almost 10 attorneys. Everyone was duly impressed. Glenda recommended that the system be implemented throughout the department immediately. BH&C touted the use of the program on its website and promotional materials. The materials referred to the program as “BH&C’s innovative TM Prosecution Toolkit™.” Steven Roland, the firm’s Information Technology specialist, adapted aspects of George’s program so that clients and attorneys could access the TM Prosecution Toolkit™ database through a password protected portal. The firm touted this new service as its TM FileshareSM. George received a particularly large bonus the following December. He was initially pleased by the firm’s and colleagues’ reaction, but was dismayed when the firm

registered the copyright and trademark in the program under the firm's name and began marketing the technology to other law firms and trademark consulting firms. Glenda invited George to serve on a committee that she was forming to guide Steve Roland and the firm's computer staff on improving the products and services.

George has come to you for advice. (You work at another IP law firm in town.) A prominent trademark search firm, TMs r Us, has approached George about acquiring the software. In addition, Shiply and Elrod, another law firm in town specializing in IP is interested in bringing George on board in a lucrative "Of Counsel" capacity, which would allow George to develop a business around the TM Prosecution Toolkit. (Although George still enjoys practicing law, the past two years have surfaced a latent entrepreneurial streak. The Shiply and Elrod opportunity provides what he considers to be an ideal mix of legal practice and entrepreneurship. In addition, his income would go up significantly.) Shiply and Elrod would, however, want George to license the program (on an exclusive basis) to the firm.

- a. Who owns copyright in "TM Prosecution Toolkit"? "TM Fileshare"?
- b. Could George prevent BH&C from further use of the programs?

2. Duration and Renewal

The duration of copyright protection has evolved significantly over the past century, generally moving in the direction of a longer term of protection.

i. 1909 Act

The 1909 Act employed a dual term of protection, granting a first term of 28 years from the date of first publication (with proper notice) that could be renewed in the final year for a second term of 28 years. Failure to renew registration of copyright in that last year resulted in the work falling into the public domain.

ii. 1976 Act

The 1976 Act moved to a unitary term of protection lasting for the life of the author plus 50 years²¹ (or, in the case of corporate, anonymous, or pseudonymous entities, or works made for hire, 75 years from publication or 100 years from creation, whichever occurred first). The 1976 Act also extended the renewal term for 1909 Act works to 47 years. For purposes of administrative convenience, the 1976 Act provided that copyright terms shall run until the end of the calendar year in which they would otherwise expire, thereby adding an additional period of up to one year. 1992 legislation made renewal registration optional on a prospective basis. As a result, works not yet in their renewal term (i.e., those published after 1964 (1992 minus 28 years)) no longer risked falling into the public domain prematurely. Section 106A(d) governs the duration of certain moral rights of visual artists.

²¹ In the case of joint works, the term of copyright protection is measured from the death of the last surviving author. 17 U.S.C. § 302(b).

iii. Sonny Bono Copyright Term Extension Act of 1998

With copyrights from the 1920s and 1930s set to expire, heirs of music composers (such as George and Ira Gershwin) as well as major content companies (such as the Walt Disney Corporation, which feared the loss of protection for Mickey Mouse) lobbied Congress to extend copyright protection for an additional 20 years. The fact that the European Union had added 20 years just a few years earlier worked in their favor. The legislation was passed without organized opposition. It was named in memory of Representative Sonny Bono, a successful songwriter and recording artist from the 1960s who had died earlier that year in a skiing accident and who reportedly said that copyright should last forever.

Sections 302–05 of the Act govern copyright duration. Table 4-1 summarizes the principal features.

TABLE IV-1
Duration of Copyright Protection²²

<i>Works First Published in U.S.</i>	<i>Term of Protection</i> (all terms of copyright run through the end of the calendar year in which they would otherwise expire)
Before 1928	In public domain
1928–1977	If published without proper notice, in public domain
1978–Mar. 1, 1989	If published without notice, and without subsequent registration within 5 years, in public domain If published without notice, but subsequently registered within 5 years, 70 years after death of author (or, if work of corporate authorship, 95 years from publication or 120 years from creation, whichever expires first) If created after 1977 and published with notice, 70 years after death of author (or, if work of corporate authorship, 95 years from publication or 120 years from creation, whichever expires first)
1928-1963	If published with notice but copyright not renewed, then in public domain

²² This table is based on Copyright Term and the Public Domain of the United States, <http://copyright.cornell.edu/resources/publicdomain.cfm>. That chart includes further details, including copyright duration for works first published abroad and unpublished sound recordings.

After Mar. 1, 1989 Life of the author + 70 years (if anonymous works, pseudonymous works, or works made for hire, 95 years from publication, or 120 years from creation, whichever is less; 2049 at the earliest)

Architectural Works
(architectural plans may also be protected as pictorial or graphic works)

Prior to Dec. 1, 1990	<p>If not constructed by Dec. 31, 2002, protected only as drawings</p> <p>If constructed by Dec. 1, 1990, protected only as drawings</p> <p>If constructed between Nov. 30, 1990 and Dec. 31, 2002, structure is protected for for 70 years after death of author, or if work of corporate authorship, the shorter of 95 years from publication, or 120 years from creation</p>
After Dec. 1, 1990	<p>Structure is protected for for 70 years after death of author, or if work of corporate authorship, the shorter of 95 years from publication, or 120 years</p>

Unpublished, Never Registered Works

Unpublished works	<p>Life of the author + 70 years; works from authors who died before 1951 are in the public domain</p>
Unpublished anonymous and pseudonymous works, and works made for hire (corporate authorship)	<p>120 years from date of creation; works created before 1900 are in the public domain</p>
Unpublished works when the death date of the author is not known	<p>120 years from date of creation; works created before 1900 are in the public domain</p>

COMMENTS AND QUESTIONS

1. *Determining the Optimal Duration of Copyright Protection.* In Art. 1, §8, cl. 8 of the U.S. CONSTITUTION, Congress is authorized to provide limited terms of protection in order to promote progress in science and the useful arts. Does the duration of copyright protection effectuate the appropriate balance between reward to authors and

enrichment of the public domain so as to best promote progress in the arts? Why is the term so much longer than for patents? Determining the appropriate balance requires consideration of a broad range of variables, each of which is difficult to assess and measure.

The optimal duration of copyright protection from a utilitarian perspective requires a balancing of the costs and benefits of lengthening protection. Benefits presumably come in the form of an enhanced incentive for authors and artists to create, while the costs imposed are the limitations on the rights of subsequent creators to make use of copyrighted works in their creative efforts and the social cost from monopoly pricing. Unfortunately, there is no good empirical data on this trade-off. Using cost and other data from publishing companies, Professor (now Justice) Stephen Breyer questioned the need for copyright protection of books in view of the lead time advantages and the threat of retaliation in the form of competitive pricing against later market entrants. See Stephen Breyer, *The Uneasy Case for Copyright: A Study in Copyright of Books, Photocopies and Computer Programs*, 84 HARV. L. REV. 281 (1970). Although Professor Breyer's conclusion that any copyright protection for books may be too long arguably overstates what his data can support, see Barry W. Tyerman, *The Economic Rationale for Copyright Protection for Published Books: A Reply to Professor Breyer*, 18 UCLA L. REV. 1100 (1971); Stephen Breyer, *Copyright: A Rejoinder*, 20 UCLA L. REV. 75 (1972), he certainly raises serious qualms about lengthening the duration of copyright protection. Copyright Office records show that copyright renewal rates gradually rose from 3.5% in 1883 to 15% in 1959, with musical compositions constituting nearly half of renewals and books only 7%. See Barbara Ringer, *Renewal of Copyright*, Copyright Office Study No. 31, App. C (1960), reprinted in 1 OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY: COPYRIGHT LAW REVISION STUDIES 20–34 (George S. Grossman ed., 2001).

2. Consider the following argument for significantly limiting copyright protection:

At a qualitative level, there would seem little basis for protecting most copyrightable works longer than 10 to 15 years. This observation is supported by the renewal data discussed above. Casebooks, for example, are rarely marketable after 5 years unless they are revised. Similarly, the public's interest in many works of literature and art tends to follow popular waves of a decade or less. Moreover, one can argue that after 25 years, the main interest in most literary works is historical. The public would be served by allowing historians the ability to draw upon such works in creating new works of history and social commentary. With regard to those relatively few works that have enduring commercial value beyond a decade or two, there is little question that such works generate substantial revenue for their authors. Therefore, the public would be best served by limiting copyright protection for literary works to 25 years.

Are you persuaded by this argument? What counterarguments would you offer? What philosophical basis or bases underlie your arguments? See William M. Landes & Richard A. Posner, *Indefinitely Renewable Copyright*, 70 U. CHI. L. REV. 471 (2003); Peter S. Menell, *Tailoring Legal Protection for Computer Software*, 39 STAN. L. REV.

1329, 1354–67, 1371–72 (1987) (recommending a short duration for computer software (as well as other adjustments to deal with functionality and network effects); Brief of George A. Akerlof et al. as Amici Curiae in Support of Petitioners, *Eldred v. Ashcroft*, 537 U.S. 186 (2003) (No. 01-618).

3. *Happy Birthday to You*. For decades, Warner/Chappell Music has asserted copyright ownership of the iconic song “Happy Birthday to You.” Since the 1990s, the music publisher earned has over \$1 million per year licensing the song. Moreover, many film producers and restaurants steered clear of the song so as to avoid liability. When rumors circulated that copyright in this composition may well have expired, Professor Robert Brauneis set out to trace the song’s copyright provenance. See Robert Brauneis, *Copyright and the World’s Most Popular Song*, 56 J. COPYRIGHT SOC’Y U.S.A. 335 (2009). He discovered that the music was originally composed by Mildred Jane Hill and Patty Smith Hill in the early 1890s as a children’s song and was first published in 1893 as “Good Morning to All.” The “Happy Birthday to You” lyrics were developed some time later (and likely by someone other than the Hills). The song’s appearance in a scene in Irving Berlin’s show “As Thousands Cheer” in 1933 led to a lawsuit, and in 1935 the copyright for “Happy Birthday to You” was registered by the Clayton F. Summy Co., the Hill sisters’ publisher. Warner/Chappell acquired the rights as part of a 1988 publishing deal.

Jennifer Nelson set out to make a documentary about the song in 2013 and ran into a problem. Warner/Chappell charged her \$1,500 to use the composition. She and others brought a declaratory relief class action to establish that “Happy Birthday to You” was in the public domain. The litigation produced a trove of evidence casting doubt on copyright subsistence in the song. At a minimum, the documents established that Warner/Chappell did not own copyright in the “Happy Birthday to You” lyrics. See *Rupa Marya v. Warner/Chappell Music*, 131 F. Supp. 3d 975 (C.D. Cal. 2015). And since the melody was in the public domain, Warner/Chappell had no leg to stand on in court. Warner/Chappell ultimately agreed to pay \$14 million to settle the class action lawsuit. See Matt Hamilton, “*Happy Birthday*” *Lawsuit: Tentative Settlement Puts Song in Public Domain*, L.A. TIMES, Feb. 9, 2016.

4. *The Political Economy of Copyright Term Extension*. Who benefits most from the extension of the copyright term? Does extension of the copyright term pose a significant threat to the public? What reasons might explain the lack of public concern about this type of legislation? See William Patry, *The Failure of the American Copyright System: Protecting the Idle Rich*, 72 NOTRE DAME L. REV. 907 (1997).

5. *Constitutionality of Copyright Term Extensions*. Shortly after the passage of the Sonny Bono Copyright Term Extension Act of 1998 (CTEA), various entities seeking to republish and distribute works that would otherwise have fallen into the public domain challenged the CTEA on three constitutional grounds: (1) that it violates the First Amendment by unduly restraining speech; (2) that it violates the originality requirement of the Intellectual Property Clause, Art. I, §8, cl. 8, by conferring additional protection to works that already exist; and (3) that it exceeds the “limited Times” constraint upon Congress’s authority to enact copyright legislation. In a 7-2 decision,

the Supreme Court upheld the CTEA as within Congress's broad discretion to prescribe "limited Times" and not at odds with the First Amendment. *See Eldred v. Ashcroft*, 537 U.S. 186 (2003). Emphasizing nearly two centuries of evolution of intellectual property law, the Court determined that Congress could extend protection for extant works consistent with the Intellectual Property Clause: "Congress could rationally seek to 'promote . . . Progress' by including in every copyright statute an express guarantee that authors would receive the benefit of any later legislative extension of the copyright term." Not surprisingly, Justice Breyer dissented, reiterating the themes of his 1970 article. Given the Court's deferential standard, are there any constitutional limitations on the duration of copyright protection or is this a matter solely for the legislative branch?

6. *Political Reform?* The CTEA and the *Eldred* case have served to rally various entities opposed to the ever-expanding nature of intellectual property protection. Various proposals have surfaced, including the reintroduction of a copyright maintenance fee, aimed at accelerating growth of the public domain. *See, e.g.*, Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485 (2004); William M. Landes & Richard A. Posner, *Indefinitely Renewable Copyright*, 70 U. CHI. L. REV. 471 (2003). The Public Domain Enhancement Act, H.R. 2601, 108th Cong. (2003), would have required U.S. authors to renew their copyrights for the modest fee of \$1 after 50 years and again at 10-year intervals until the copyright expired. Since relatively few works were renewed under the 1909 Act regime, this statute would mean that most older works would likely become available after 50 years and the registration system would make it easier to trace ownership for those works that remain protected. Should the United States adopt this reform? What reforms would you recommend?

7. *Copyright Expiration.* The Sonny Bono Copyright Extension Act of 1998 postponed works entering the public domain for 20 years. Beginning on January 1, 2019, works once again began entering the public domain. Among the notable works entering the public domain since 2019:

- A. A. MILNE, WINNIE-THE-POOH
- F. SCOTT FITZGERALD, THE GREAT GATSBY
- ERNEST HEMINGWAY, IN OUR TIME
- Short films by Chaplin, Keaton, Laurel and Hardy, and Our Gang (later Little Rascals)
- Cartoons including Felix the Cat (the character first appeared in a 1919 cartoon)
- Robert Frost's poem *Nothing Gold Can Stay*
- Igor Stravinsky, *Octet for Wind Instruments*
- JEAN TOOMER, CANE
- KAHLIL GIBRAN, THE PROPHET
- SIGMUND FREUD, THE EGO AND THE ID
- LE CORBUSIER, TOWARDS A NEW ARCHITECTURE
- Constantin Brâncuși's sculpture *Bird in Space*

- Artistic works by M. C. Escher, Pablo Picasso, Wassily Kandinsky, Max Ernst, and Man Ray
- *Irving Berlin, Always*
- Ben Bernie, Maceo Pinkard & Kenneth Casey, *Sweet Georgia Brown*

PROBLEMS

Problem IV-26. Determine the duration of copyright in the following cases (viewing each fact pattern in isolation):

a. Arnold Author completes his novel *YOU'LL BE MINE 'TIL THE END OF TIME* on February 28, 1996. The next day, February 29th, Arnold is hit by a bus and dies instantly. On what day does his copyright expire?

b. While working for *THE NEW ENGLANDER MAGAZINE*, Arnold Author writes a story entitled “You’ll Always Be Mine.” The story is finally published by *THE NEW ENGLANDER* in 2010. When does the copyright expire?

c. Arnold Author began work on his greatest novel, *TIME IS ON MY SIDE*, in 1990. In 1991, he completes the first three chapters. In 1992, he writes the middle three chapters. In 1993, he completes the final three chapters. In 1995, he signs an agreement with Time/Life Books to publish the novel. The contract assigns all copyright interests to Time/Life Books in exchange for 20 percent royalties based on the wholesale price. The book is finally published on January 1, 1996. Arnold dies on February 29, 1996. On what day does the copyright expire? Does your answer change if you assume that Arnold entered into a contract with Time/Life Books before writing the novel?

d. At the time of his death on February 29, 1996, Arnold Author has completed three fourths of his novel *TIME LIVES ON*. His will leaves all his property to his spouse, Angela Author, who is also a writer. She plans to complete the novel by 1999. Time/Life Books has agreed to publish the completed manuscript in the year 2000. Assuming that all went according to plan, when will copyright in *TIME LIVES ON* expire?

Problem IV-27. What is the duration of copyright in the following cases?

a. Loretta Wrighter composed and sent a letter to her friend, Emily Johnson, in 1961. Emily has saved the letter in her correspondence file since that time. Loretta died in 1970. What is the term of protection for this work?

b. Stephen Morris published his first novel, *CHILD’S PLAY*, at the age of 6 in 1924. Remarkably, he is still alive today. What is the term of protection for this work?

c. Anita Author published (with proper notice) her novel entitled *THE WINDS OF CHANGE* in 1970. She died three years later. What is the term of protection for this work?

d. Penelope Painter painted her masterpiece entitled “Garden of Wildflowers” in 1953. She distributed copies with notice of copyright in 1955. She renewed the copyright in 1982. She died the next year. When does the copyright expire?

3. Division, Transfer, and Reclaiming of Copyrights

The preceding section has explored one important difference between copyright interests and the traditional fee simple absolute in real property law: the limited duration of protection. Copyrights, therefore, can be analogized to a hybrid of a term of years and life estate in that the owner has control of the rights of copyright for a defined and limited period of time (life plus 70 years), after which such rights fall to the public at large.

Another important aspect of copyright ownership is the distinction between ownership of the material object on which the work of authorship is fixed—the book manuscript or oil canvas—and ownership of the copyright interests themselves. Section 202 states:

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

Thus, the author of a letter retains her copyright interests in the writing even though she sends the letter to the addressee. The addressee thereby obtains ownership of the material object but may not infringe the copyright interests of the author. The addressee may view the material object and he may show it to others, but he may not make copies, prepare derivative works, distribute the work, or perform or display the work publicly.

Two other elements of real property interests are the rights of property owners and the alienability of such rights. This section discusses the division, transfer, and termination of transfer rights of copyright holders. In the real property domain, the owner of a fee interest may freely divide and alienate the various rights of property ownership. For example, a property owner can divide her lot and sell a portion to another person. Alternatively, she may sell one particular right within the bundle of rights, such as the right to use a path running across the property (an easement). Moreover, such transfers are generally not terminable unless so specified in the transfer agreement. Thus, a property owner who creates an easement across her land cannot unilaterally terminate that right at a later time unless she reserved that power.

By contrast, copyright law restricts the alienability of the rights of copyright owners in certain ways. As you study these materials, scrutinize the reasons for restricting the alienability of copyright interests.

i. Division and Transfer of Copyright Interests Under the 1909 Act

Courts interpreted the 1909 Act to preclude the formal divisibility of the rights comprising a copyright. A copyright owner could assign the entire copyright to another, but a transfer of any lesser interest was considered a license. This doctrine of indivisibility simplified the notice requirement. As noted earlier, failure to provide proper notice could result in forfeiture of copyright protection. The “owner” of the

protection for such works added by the 1976 Act. A comparable right was bestowed upon authors in the Sonny Bono Copyright Term Extension Act of 1998, ensuring that they may reclaim the 20 years added to their copyrights. Termination of transfer rights may not be assigned in advance. Congress enacted these provisions to better ensure that authors and their families are able to reap a fair portion of the benefits of the author's creative efforts. Congress was concerned that authors had "unequal bargaining power" in negotiating rights with publishers and marketers "resulting in part from the impossibility of determining a work's value until it has been exploited." H.R. REP. NO. 1476, 94th Cong., 2d Sess. 124 (1976).

As noted in the discussion of the "works made for hire" doctrine, the only way for a transferee to prevent a termination of transfer is by establishing that the work was "made for hire" and therefore owned by the employer or commissioning party *ab initio* (from the outset). With regard to commissioned works (works prepared by independent contractors as opposed to "employees"), Congress limited this exception to the termination of transfer provision in two ways: by allowing only certain enumerated categories of works to be treated as works made for hire and by requiring that the parties specifically agree in writing that the work shall be treated as a "work made for hire." The film, magazine, newspaper, and textbook industries foresaw that the termination of transfer provision could seriously disrupt their operations and persuaded Congress to include "motion picture[s]" and "contribution[s] to collective works" among the enumerated categories.

COMMENTS AND QUESTIONS

1. *Renewal and Derivative Works: Abend Rights.* Cornell Woolrich's story, "It Had to Be Murder," was published by DIME DETECTIVE MAGAZINE in 1942. Woolrich retained all other rights in the story and in 1945 assigned the motion picture rights—for both the initial term of copyright and the contingent renewal term—to DeSylva Productions. In 1953, DeSylva assigned the story rights to Jimmy Stewart and Alfred Hitchcock, who together produced the film *Rear Window*, in 1954. Just prior to the renewal period for the story, Woolrich died, leaving the property in trust. The trustee renewed the copyright and assigned the renewal term to Sheldon Abend, an enterprising author's representative, in exchange for \$650 plus 10 percent of any proceeds from exploitation of the story. Abend then sued Stewart, Hitchcock, and the distributor of *Rear Window*, alleging that further exploitation of the film without his consent infringed his copyright in the underlying story. The Supreme Court agreed, resting its decision on two critical interpretations of the 1909 Act: (1) when an author dies before the renewal period vests, the renewal right passes to the author's statutory successors and any advance assignments of rights in the renewal term go "unfulfilled"; and (2) that during the renewal term, continued exploitation of derivative works made with permission of the owners of underlying works during the original term of copyright nonetheless requires continued authorization to utilize such underlying copyrighted elements during the renewal term. See *Stewart v. Abend*, 495 U.S. 207 (1990). Shortly thereafter, the parties settled the dispute, enabling *Rear Window* to be exploited and Abend to license

a remake for worldwide distribution. What drove the settlement was that Abend would not have been able to exploit a remake outside the United States without consent of the owners of the copyright in Hitchcock's version of the film. In this sense, the Supreme Court's decision created a blocking right structure.

When Congress amended the Copyright Act in 1992 to provide for automatic renewal, it held out the carrot of so-called *Abend* rights as an incentive for renewal registration. Failure to file a renewal registration forfeited any claim to *Abend* rights.

2. *Termination of Transfers and Derivative Works.* When Congress added 19 years to the term of pre-1978 works in the 1976 Act and an additional 20 years in the CTEA in 1998, it expressly authorized continued exploitation of derivative works. See §§203(b)(1); 304(c)(6)(A).

3. *Circumventing Inalienability—Rescission and Regrant.* In 1930, A.A. Milne, author of the iconic children's book series featuring Winnie-the-Pooh, entered into an agreement granting Stephen Slesinger exclusive merchandising based on the Pooh works in the United States and Canada "for and during the respective periods of copyright and of any renewal thereof to be had under the Copyright Act." In 1956, the author passed away, bequeathed all beneficial interests in the Pooh works to a trust for the benefit of his widow during her lifetime ("Milne Trust"), and, after her death, to other beneficiaries ("Pooh Properties Trust"), which included his son, Christopher Robin, and his daughter, Clare. In 1971, the author's widow passed away and, in 1972, her beneficial interests under the Milne Trust were assigned to the Pooh Properties Trust. In 1983, faced with the possibility that Christopher might seek to terminate rights, the licensees and Christopher rescinded the earlier agreement and regranted the rights in exchange for a more lucrative deal for the Trust. Christopher passed away in 1996. In 2002, Clare Milne set out to recapture the 20 years added by the Copyright Term Extension Act. Notwithstanding the clear language in the 1976 Act stating that "[t]ermination of the grant may be effected notwithstanding *any* agreement to the contrary," §304(c)(5) (emphasis added), the Ninth Circuit upheld the contract rescinding and regranted the copyright license on the ground that Christopher had—and knew that he had—the right to vest copyright in himself at the very time he revoked the prior grants and leveraged his termination rights to secure the benefits of the copyrighted works. See *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1046 (9th Cir. 2005). Christopher could not, however, have anticipated that Congress would add an additional 20 years in 1998 (and intended such extensions to benefit the original authors and their statutory successors).

In 2008, the Second Circuit followed a similar logic in upholding a 1994 agreement executed by Elaine Steinbeck, John Steinbeck's widow, canceling and superseding the author's 1938 license to the publisher. This "new agreement for continued publication" effectively eliminated the termination right of Steinbeck's children from a prior marriage. See *Penguin Grp. (USA) Inc. v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008). Taking a cramped view of what constitutes an "agreement to the contrary" under §304(c)(5), the Second Circuit viewed the result in this case as furthering Congress' intent by affording Steinbeck's widow leverage to renegotiate the contract. These

decisions, however, overlook the broader legislative framework (which affords termination rights to a class of statutory successors) and raise serious concerns about the fidelity to the express language and meaning of the statute. See Peter S. Menell & David Nimmer, *Pooh-Poohing Copyright Law's "Inalienable" Termination Rights*, 57 J. COPYRIGHT SOC'Y 799 (2010).

4. *Sound Recordings and Works Made for Hire*. When the "work made for hire" provision of the 1976 Act was being hammered out in the early to mid-1960s, sound recordings were not yet a part of the Copyright Act. Record industry representatives were understandably focused on getting federal protection for their works. Furthermore, at that time many record labels considered recording artists to be employees. Therefore, there was not much attention focused on getting sound recordings included within the "work made for hire" exception to termination of transfer rule. Over the next two decades, the record industry underwent substantial changes. Recording artists became more independent, making the "employee" classification dubious.

Fearing that some of its prize assets might be vulnerable to notice of termination beginning in 2003 (Congress allowed for a ten-year window for notifying transferees) and actual termination in 2013 of works transferred in 1978, the sound recording industry surreptitiously persuaded Congress to insert "sound recordings" into the Act through a "technical amendment" buried within the Satellite Home Viewer Improvement Act of 1999. After this legislation was signed into law and word of the change became widely known, recording artists protested the backroom deal. Soon thereafter, Congress held hearings at which the Register of Copyrights acknowledged that the change was more than a "technical amendment." The industry defended its actions on the ground that record albums constitute "collective works" and hence sound recordings contained therein are owned by record companies as "contributions to collective works," one of the enumerated categories. Do you agree with this reading of the Copyright Act?

In an effort to clean the slate, the recording industry and recording artist representatives drafted a compromise bill repealing the 1999 provision and restoring the *status quo ante*. See Work Made for Hire and Copyright Corrections Act of 2000, Pub. L. No. 106-379, §1, 114 Stat. 1444 (2000); David Nimmer & Peter S. Menell, *Sound Recordings, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. COPYRIGHT SOC'Y 387 (2001). Whether sound recordings should be deemed "works made for hire" awaits judicial resolution²³ or further legislation. How should sound

²³ Scattered district court rulings have reached the unremarkable conclusion that a work cannot qualify as commissioned if the basis is that it is a sound recording. See *Bucciarelli-Tieger v. Victory Records, Inc.*, 488 F. Supp. 2d 702 (N.D. Ill. 2007) (observing that "[s]ound recordings are notably exempt for the the list of works that can be specially commission as works-for-hire"); *Ballas v. Tedesco*, 41 F. Supp. 2d 531, 541 (D.N.J. 1999); *Staggers v. Real Authentic Sound*, 77 F. Supp. 2d 57 (D.D.C. 1999). In another context (determining the size of a statutory damages award), the Second Circuit held that particular record albums fit within the Copyright Act's definition of "compilation." See *Bryant v. Media Right Prods., Inc.*, 603 F.3d 135 (2d Cir. 2010). It is not clear whether that classification would govern the determination of whether sound recordings could be works made for hire.

recordings be handled? Will the exploitation of sound recordings become a legal morass due to a multiplicity of claimants? Who is eligible to terminate in the case of a typical popular record—record producer, arranger, featured artists, band members, background musicians, recording engineer, remixing engineer? Are they all joint authors?

4. *Policy Analysis of the Termination of Transfers*. Will the termination of transfers provision alleviate the problem of “unremunerative transfers” that Congress sought to address through the creation of an inalienable termination right? Do you agree with Congress’s premise that authors are at a serious bargaining disadvantage in negotiating the rights to their works? Is making the power of reverter inalienable necessary to address this concern?

What problems might arise as a result of the power to terminate copyright transfers? What alternative means might Congress have used to protect the interests of authors and their families short of an inalienable power of reverter?

E. RIGHTS AND INFRINGEMENT

Copyright law grants a complex array of rights to enable owners to exploit their works, protect non-economic interests, and limit unauthorized activities. Copyright law also limits these rights in numerous and complex ways that can vary by types of works, users of works, and a range of other factors. As a result, it is necessary to study each of the rights separately. Note that we postpone consideration of fair use of copyrighted works until Chapter IV(F)(1).

Copyright infringement may occur by two distinct sets of actors: (1) those who directly infringe the rights of copyright holders; and (2) those who encourage or assist a third party to infringe. We explore direct infringement of the various copyright rights before turning to the indirect infringement doctrines.

1. Direct Infringement

As noted in the introduction to this chapter, copyright law has for much of its history focused upon the protection of expressive works fixed in analog media—books, vinyl, tapes, film, and over-the-air broadcasting. This section begins with the bundle of rights that has grown up around these technology platforms. We then explore the protection of moral rights (rights of attribution and integrity) and limited pockets of state and common law protection of expressive works. The final subsection addresses the extensions of new rights relating to digital technology, most notably the anti-circumvention protections and limitations.

i. Traditional Copyright Rights

§106. Exclusive Rights in Copyrighted Works

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based on the copyrighted work;

Wide departures or variations from the copyrighted works would still be an infringement as long as the author's "expression" rather [than] merely the author's "ideas" are taken.

H.R. REP. NO. 94-1476, 94th Cong., 2d Sess. 61 (1976) (emphasis added). As suggested by this passage, the inquiry into whether the defendant has violated a plaintiff's copyright is often complicated by the fact that many copyrightable works intermingle original expression with public domain materials, ideas, facts, stock literary elements, *scenes à faire*, and other nonprotectable elements. Thus, even when a defendant acknowledges having developed his or her work with knowledge of the plaintiff's work, she can defend on the grounds that her work is not *substantially similar* to the copyright owner's *protected expression*. Hence courts have had to develop an infringement filter that adequately protects the interests of copyright owners but at the same time does not interfere with the public's right to use unprotected elements.

Some courts confusingly use the term "substantial similarity" in discussing both actual copying and improper appropriation. See Alan Latman, "*Probative Similarity*" as Proof of Copying: Toward Dispelling Some Myths in Copyright Infringement, 90 COLUM. L. REV. 1187 (1990). The Ninth Circuit explained the confusion in *Skidmore v. Led Zeppelin*, 952 F.3d 1051, 1064 (9th Cir. 2020) (en banc):

[The] infringement analysis contains two separate components: "copying" and "unlawful appropriation." . . . Although these requirements are too often referred to in shorthand lingo as the need to prove "substantial similarity," they are distinct concepts.

Because independent creation is a complete defense to copyright infringement, a plaintiff must prove that a defendant copied the work. In the absence of direct evidence of copying, which is the case here, the plaintiff 'can attempt to prove it circumstantially by showing that the defendant had access to the plaintiff's work and that the two works share similarities probative of copying.' This type of probative or striking similarity shows that the similarities between the two works are due to 'copying rather than . . . coincidence, independent creation, or prior common source.'

On the other hand, the hallmark of 'unlawful appropriation' is that the works share *substantial* similarities. . . .

As you study these materials, pay special attention to the context in which the courts are referring to "substantial similarity," and the role that similarity is playing in the analysis.

1. Copying



Arnstein v. Porter

United States Court of Appeals for the Second Circuit

154 F.2d 464 (2d Cir. 1946)

FRANK, Circuit Judge.

[Ira B. Arnstein sued Cole Porter for infringement of copyrights in various of plaintiff's musical compositions. He sought a jury trial. Plaintiff alleged that the defendant's "Begin the Beguine" had been plagiarized from plaintiff's "The Lord Is My Shepherd" and "A Mother's Prayer" and that defendant's "My Heart Belongs to Daddy" had been plagiarized from "A Mother's Prayer." Plaintiff testified in deposition that both works had been published and that about 2,000 copies of "The Lord Is My Shepherd" and over a million copies of "A Mother's Prayer" had been sold. Plaintiff offered no direct proof that defendant saw or heard these compositions. Plaintiff further testified that defendant's "Night and Day" had been plagiarized from plaintiff's "I Love You Madly" and that although the latter composition had not been published, it had been performed publicly over the radio. In addition, plaintiff averred that a copy of the song had been stolen from his room. Plaintiff alleged that some other songs of the defendant had been plagiarized from the plaintiff's unpublished works. He suggested in deposition that the defendant had gained access to these songs either through publishers or a movie producer who were sent copies or through "stooges" who defendant had hired to follow, watch, and live with the plaintiff (and who may have been responsible for the ransacking of his room). When asked how he knew that defendant had anything to do with the "burglaries," plaintiff testified "I don't know that he had to do with it, but I only know that he could have." Defendant testified in depositions that he had never seen nor heard the plaintiff's compositions and that he did not have any connection to the alleged theft of such works.]

The district court granted defendant's motion for summary judgment.]

. . . The principal question on this appeal is whether the lower court, under Rule 56, properly deprived plaintiff of a trial of his copyright infringement action. The answer depends on whether "there is the slightest doubt as to the facts." In applying that standard here, it is important to avoid confusing two separate elements essential to a plaintiff's case in such a suit: (a) that defendant copied from plaintiff's copyrighted work and (b) that the copying (assuming it to be proved) went so far as to constitute improper appropriation.

As to the first—copying—the evidence may consist (a) of defendant's admission that he copied or (b) of circumstantial evidence—usually evidence of access—from which the trier of the facts may reasonably infer copying. Of course, if there are no similarities, no amount of evidence of access will suffice to prove copying. If there is evidence of access and similarities exist, then the trier of the facts must determine whether the similarities are sufficient to prove copying. On this issue, analysis ("dissection") is relevant, and the testimony of experts may be received to aid the trier

of the facts. If evidence of access is absent, the similarities must be so striking as to preclude the possibility that plaintiff and defendant independently arrived at the same result.

If copying is established, then only does there arise the second issue, that of illicit copying (unlawful appropriation). On that issue (as noted more in detail below) the test is the response of the ordinary lay hearer; accordingly, on that issue, “dissection” and expert testimony are irrelevant.

In some cases, the similarities between the plaintiff’s and defendant’s work are so extensive and striking as, without more, both to justify an inference of copying and to prove improper appropriation. But such double-purpose evidence is not required; that is, if copying is otherwise shown, proof of improper appropriation need not consist of similarities which, standing alone, would support an inference of copying.

Each of these two issues—copying and improper appropriation—is an issue of fact. If there is a trial, the conclusions on those issues of the trier of the facts—of the judge if he sat without a jury, or of the jury if there was a jury trial—bind this court on appeal, provided the evidence supports those findings, regardless of whether we would ourselves have reached the same conclusions. But a case could occur in which the similarities were so striking that we would reverse a finding of no access, despite weak evidence of access (or no evidence thereof other than the similarities); and similarly as to a finding of no illicit appropriation.

We turn first to the issue of copying. After listening to the compositions as played in the phonograph recordings submitted by defendant, we find similarities; but we hold that unquestionably, standing alone, they do not compel the conclusion, or permit the inference, that defendant copied. The similarities, however, are sufficient so that, if there is enough evidence of access to permit the case to go to the jury, the jury may properly infer that the similarities did not result from coincidence.

Summary judgment was, then, proper if indubitably defendant did not have access to plaintiff’s compositions. Plainly that presents an issue of fact. On that issue, the district judge, who heard no oral testimony, had before him the depositions of plaintiff and defendant. The judge characterized plaintiff’s story as “fantastic”; and, in the light of the references in his opinion to defendant’s deposition, the judge obviously accepted defendant’s denial of access and copying. Although part of plaintiff’s testimony on deposition (as to “stooges” and the like) does seem “fantastic,” yet plaintiff’s credibility, even as to those improbabilities, should be left to the jury. If evidence is “of a kind that greatly taxes the credulity of the judge, he can say so, or, if he totally disbelieves it, he may announce that fact, leaving the jury free to believe it or not.” If, said Winslow, J., “evidence is to be always disbelieved because the story told seems remarkable or impossible, then a party whose rights depend on the proof of some facts out of the usual course of events will always be denied justice simply because his story is improbable.” We should not overlook the shrewd proverbial admonition that sometimes truth is stranger than fiction.

But even if we were to disregard the improbable aspects of plaintiff's story, there remain parts by no means "fantastic." On the record now before us, more than a million copies of one of his compositions were sold; copies of others were sold in smaller quantities or distributed to radio stations or band leaders or publishers, or the pieces were publicly performed. If, after hearing both parties testify, the jury disbelieves defendant's denials, it can, from such facts, reasonably infer access. It follows that, as credibility is unavoidably involved, a genuine issue of material fact presents itself. With credibility a vital factor, plaintiff is entitled to a trial where the jury can observe the witnesses while testifying. . . .

Assuming that adequate proof is made of copying, that is not enough; for there can be "permissible copying," copying which is not illicit. Whether (if he copied) defendant unlawfully appropriated presents, too, an issue of fact. The proper criterion on that issue is not an analytic or other comparison of the respective musical compositions as they appear on paper or in the judgment of trained musicians. The plaintiff's legally protected interest is not, as such, his reputation as a musician but his interest in the potential financial returns from his compositions which derive from the lay public's approbation of his efforts. The question, therefore, is whether defendant took from plaintiff's works so much of what is pleasing to the ears of lay listeners, who comprise the audience for whom such popular music is composed, that defendant wrongfully appropriated something which belongs to the plaintiff.

Surely, then, we have an issue of fact which a jury is peculiarly fitted to determine. Indeed, even if there were to be a trial before a judge, it would be desirable (although not necessary) for him to summon an advisory jury on this question.

We should not be taken as saying that a plagiarism case can never arise in which absence of similarities is so patent that a summary judgment for defendant would be correct. Thus suppose that Ravel's *Bolero* or Shostakovitch's *Fifth Symphony* were alleged to infringe "When Irish Eyes Are Smiling." But this is not such a case. For, after listening to the playing of the respective compositions, we are, at this time, unable to conclude that the likenesses are so trifling that, on the issue of misappropriation, a trial judge could legitimately direct a verdict for defendant.

At the trial, plaintiff may play, or cause to be played, the pieces in such manner that they may seem to a jury to be inexcusably alike, in terms of the way in which lay listeners of such music would be likely to react. The plaintiff may call witnesses whose testimony may aid the jury in reaching its conclusion as to the responses of such audiences. Expert testimony of musicians may also be received, but it will in no way be controlling on the issue of illicit copying, and should be utilized only to assist in determining the reactions of lay auditors. The impression made on the refined ears of musical experts or their views as to the musical excellence of plaintiff's or defendant's works are utterly immaterial on the issue of misappropriation; for the views of such persons are caviar to the general—and plaintiff's and defendant's compositions are not caviar. . . .

CLARK, Circuit Judge (dissenting).

& *Marty Krofft Tel. Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1172 (9th Cir. 1977); *Three Boys Music Corp. v. Bolton*, 212 F. 3d 477, 485 (9th Cir. 2000). Responding to this confusion, the Ninth Circuit revisited the rule in *Skidmore*:

Because the inverse ratio rule, which is not part of the copyright statute, defies logic, and creates uncertainty for the courts and the parties, we take this opportunity to abrogate the rule in the Ninth Circuit and overrule our prior cases to the contrary.

The circuits are split over the inverse ratio rule, but the majority of those that have considered the rule declined to adopt it. The Second, Fifth, Seventh, and Eleventh Circuits have rejected the rule. *Peters v. West*, 692 F.3d 629, 634-35 (7th Cir. 2012) (noting that the circuit has never endorsed the idea that “a ‘high degree of access’ justifies a ‘lower standard of proof’ for similarity”); *Positive Black Talk, Inc. v. Cash Money Records, Inc.*, 394 F.3d 357, 371 (5th Cir. 2004) (acknowledging the rule but explicitly not adopting it); *Beal v. Paramount Pictures Corp.*, 20 F.3d 454, 460 (11th Cir. 1994); *Arc Music Corp. v. Lee*, 296 F.2d 186, 187-88 (2d Cir. 1961)^[24]. . . .

But even within our circuit, our embrace and application of the rule have had a ‘checkered application.’ 4 NIMMER §13.03[D]. The very nature of the rule spawned uncertainty in its application. . . .

The lack of clear guidance is likely due in no small part to our use of the term ‘substantial similarity,’ both in the context of copying and unlawful appropriation, muddying the waters as to what part of the infringement analysis the rule applies.

As we struggled with the inverse ratio rule over the years, the Second Circuit rejected it as early as 1961, describing the idea as a ‘superficially attractive apophthegm which upon examination confuses more than it clarifies.’ *Arc Music*, 296 F.2d at 187. The court reasoned that ‘access will not supply [similarity’s] lack, and an undue stress upon that one feature can only confuse and even conceal this basic requirement.’ *Id.* at 187-88. Importantly, the Second Circuit noted that there is ‘no such principle’ in ‘the federal law of copyright.’ *Id.* at 187....

^[24] [Note: Consider whether this supposed *rejection* was accurate in light of the court’s own cited authorities: *Peters v. West*, 692 F.3d 629, 634 (7th Cir. 2012) (“[W]e have occasionally endorsed something that comes close to this inverse approach.”); *Positive Black Talk, Inc. v. Cash Money Records, Inc.*, 394 F.3d 357, 371 (5th Cir. 2004) (“[T]his circuit has not expressly adopted the principle there is an inverse relationship between the requisite proof of access and similarity, and there is no need to here. However, this doctrine finds support in other circuits.”); *Beal v. Paramount Pictures Corp.*, 20 F.3d 454, 460 (11th Cir. 1994) (“[T]he inverse-ratio rule . . . was raised for the first time [on appeal] and therefore should be deemed to be waived . . . [i]n addition, the inverse-ratio rule has never been applied in this Circuit.”); *Arc Music Corp. v. Lee*, 296 F.2d 186, 187-88 (2d Cir. 1961) (“[I]t is not an unnatural step in inference for ease of access to suggest a deduction of copying when similarity is found.”).]

The flaws in the rule can be seen in the inconsistent ways in which we have applied the rule within our circuit, the logic of the circuits that have rejected the rule, and analysis by academics and commentators. . . .

As a practical matter, the concept of “access” is increasingly diluted in our digitally interconnected world. Access is often proved by the wide dissemination of the copyrighted work. *See Loomis v. Cornish*, 836 F.3d 991, 995 (9th Cir. 2016). Given the ubiquity of ways to access media online, from YouTube to subscription services like Netflix and Spotify, access may be established by a trivial showing that the work is available on demand. *See Brooks Barnes, The Streaming Era Has Finally Arrived. Everything Is About to Change.*, N.Y. TIMES, Nov. 18, 2019 (In addition to Netflix, which ‘entertain[s] more than 158 million subscribers worldwide,’ there are currently ‘271 online video services available in the United States’).

To the extent ‘access’ still has meaning, the inverse ratio rule unfairly advantages those whose work is *most* accessible by lowering the standard of proof for similarity. Thus the rule benefits those with highly popular works, like *The Office*, which are also highly accessible. But nothing in copyright law suggests that a work deserves stronger legal protection simply because it is more popular or owned by better-funded rights holders.

Finally, the inverse ratio rule improperly dictates how the jury should reach its decision. The burden of proof in a civil case is preponderance of the evidence. Yet this judge-made rule could fittingly be called the ‘inverse burden rule.’

Although we are cautious in overruling precedent—as we should be—the constellation of problems and inconsistencies in the application of the inverse ratio rule prompts us to abrogate the rule. Access does not obviate the requirement that the plaintiff must demonstrate that the defendant actually copied the work. By rejecting the inverse ratio rule, we are not suggesting that access cannot serve as circumstantial evidence of actual copying in all cases; access, however, in no way can prove substantial similarity. We join the majority of our sister circuits that have considered the inverse ratio rule and have correctly chosen to excise it from copyright analysis. In light of this holding, the district court did not err in failing to instruct the jury on the inverse ratio rule.

Skidmore v. Led Zeppelin, 952 F.3d 1051, 1065-69 (9th Cir. 2020) (en banc).

Professors Shyamkrishna Balganesh and Peter S. Menell argue that the inverse ratio rule is built on the fundamental logic of circumstantial evidence, where courts are asked to combine inferences from multiple facts in order to draw a conclusion as to another. This combinatorial approach to circumstantial evidences allows for the strength of one inference to be offset by another. They argue that that Ninth Circuit and multiple scholars before them missed this basic premise. Shyamkrishna Balganesh & Peter S. Menell, *Proving Copying*, 64 WM. & MARY L. REV. 299 (2022).

The Ninth Circuit in *Skidmore* emphasizes that the Second Circuit “rejected” the rule in 1961. However, this appears to be based on a misreading of the Second Circuit’s decision in *Arc Music*, 296 F.2d at 186. While *Arc Music* used polemical language to criticize invocations of the rule by lawyers, it ultimately concluded that “access shown either directly or indirectly is an element of plaintiff’s case . . . [a]nd it is not an unnatural step in inference of fact for ease of access to suggest a deduction of copying when similarity is found.” *Id.* at 187. Indeed, the Second Circuit has itself continued to apply the rule. *See, e.g., Jorgensen v. Epic/Sony Records*, 351 F.3d 46, 56 (2d Cir. 2003) (“There is an inverse relationship between access and probative similarity.”) *See also* PAUL GOLDSTEIN, *GOLDSTEIN ON COPYRIGHT* §9.2.1 (2022) (“[T]he inverse-ratio rule is entirely sound both in principle and in practice.”); 4 NIMMER ON COPYRIGHT §13D.08[B][4][a] (describing the continued utility of the rule even after *Arc Music*).

3. *Rejection—Real or Nominal?* How would the inverse ratio rule work in a world where people have access to every published song online? Balganesch and Menell argue that while the internet makes access to works easier, it does not eliminate the inferential purpose of proof of access in individual infringement cases. On the other hand, now that access is routine for some categories of works, the added value of that inference may be quite weak in those instances. Was this the court’s concern in *Skidmore*?

Even though the Ninth Circuit in *Skidmore* purported to “reject” the inverse ratio rule, courts nevertheless continue to rely on the foundational logic of circumstantial evidence that the rule is built on. Consider in this vein, a recent case involving the pop musician Dua Lipa. A musical group based in Florida brought a copyright infringement action against Dua Lipa and her sound recording company alleging that her highly successful song “Levitating” was an infringement of their prior musical work. In its pleadings, the plaintiff presented very weak evidence of access and placed principal reliance on the fact that their music was available on the internet, which the district court characterized as “generic” and “insubstantial.” Additionally, the plaintiff failed to allege any similarity between the works beyond broad statements. Given the weak evidence of access, the court required a higher degree of similarity, which it found missing and granted the defendant’s motion to dismiss. *Cope v. Warner Records, Inc.*, Case No. 2:22-cv-01384-SSS-Asx (C.D. Cal, June 5, 2023); *see also* Clark D. Asay, *An Empirical Study of Copyright’s Substantial Similarity Test*, 13 U.C. IRVINE L. REV. 35 (2022) (finding that access plays a more significant role than probative similarity in establishing factual copying).

4. *Subconscious Copying of a Work.* Robert Mack composed the song “He’s So Fine,” which The Chiffons recorded in 1962. It enjoyed popular success, rising to No. 1 on the U.S. billboard charts for five weeks in 1963; it was among the top hits in England for about seven weeks in 1963 as well. In 1970, George Harrison, formerly of The Beatles, wrote the song “My Sweet Lord.” Both songs consisted of four repetitions of a very short basic musical phrase, “sol-me-ri,” followed by four (or three) repetitions of another short basic musical phrase, “sol-la-do-la-do.” In addition, the second use of the “sol-la-do-la-do” in both compositions include a grace note making the phrase go “sol-la-do-la-re-do.” While neither phrase is novel (or uncommon), Harrison’s expert

law, but that may change when it comes to AI. See Mark A. Lemley, *How Generative AI Turns Copyright Law on Its Head* (working paper 2023).

PROBLEM IV-28

Scooter, a ventriloquist, performs a traveling show with a dummy that vocalizes the catchphrase “You Got the Right One, Uh-Huh.” Scooter has performed this show since 1984. His performances have primarily been at elementary schools and Job Corps camps, but he did have a pavilion at the 1984 World’s Fair in which he used the phrase. Scooter also attempted to promote his show by mailing unsolicited information packets to corporate executives. Included in these packets were letters that referred to his catchphrase. He mailed one such packet to a Pepsi executive in Baltimore in 1988, but the executive cannot recall ever receiving it.

In 1991, Pepsi starts a massive advertising campaign using Ray Charles singing “You Got the Right One Baby, Uh-Huh” with similar voice inflections. Scooter sues for copyright infringement. Does he have a case?

2. Improper Appropriation

The second problem that arises in assessing infringement is determining whether the defendant has copied sufficient protected expression to violate the plaintiff’s copyright interests. Judge Learned Hand’s opinion in *Nichols v. Universal Pictures, Corp.*, decided more than 80 years ago, remains the seminal case framing this inquiry. As you study this opinion, pay close attention to how the court distinguishes protected and unprotected expression and how it determines whether the defendant has improperly appropriated the plaintiff’s work.



Nichols v. Universal Pictures Corporation
United States Court of Appeals for the Second Circuit
45 F.2d 119 (2d Cir. 1930)

L. HAND, CIRCUIT JUDGE.

The plaintiff is the author of a play, “Abie’s Irish Rose,” which it may be assumed was properly copyrighted under section five, subdivision (d), of the Copyright Act, 17 USCA §5(d). The defendant produced publicly a motion picture play, “The Cohens and The Kellys,” which the plaintiff alleges was taken from it. As we think the defendant’s play too unlike the plaintiff’s to be an infringement, we may assume, arguendo, that in some details the defendant used the plaintiff’s play, as will subsequently appear, though we do not so decide. It therefore becomes necessary to give an outline of the two plays.

“Abie’s Irish Rose” presents a Jewish family living in prosperous circumstances in New York. The father, a widower, is in business as a merchant, in which his son and only child helps him. The boy has philandered with young women, who to his father’s great disgust have always been Gentiles, for he is obsessed with a passion that his

daughter-in-law shall be an orthodox Jew[*]. When the play opens the son, who has been courting a young Irish Catholic girl, has already married her secretly before a Protestant minister, and is concerned to soften the blow for his father, by securing a favorable impression of his bride, while concealing her faith and race. To accomplish this he introduces her to his father at his home as a Jew[*], and lets it appear that he is interested in her, though he conceals the marriage. The girl somewhat reluctantly falls in with the plan; the father takes the bait, becomes infatuated with the girl, concludes that they must marry, and assumes that of course they will, if he so decides. He calls in a rabbi, and prepares for the wedding according to the Jewish rite.

Meanwhile the girl's father, also a widower, who lives in California, and is as intense in his own religious antagonism as the Jew, has been called to New York, supposing that his daughter is to marry an Irishman and a Catholic. Accompanied by a priest, he arrives at the house at the moment when the marriage is being celebrated, but too late to prevent it and the two fathers, each infuriated by the proposed union of his child to a heretic, fall into unseemly and grotesque antics. The priest and the rabbi become friendly, exchange trite sentiments about religion, and agree that the match is good. Apparently out of abundant caution, the priest celebrates the marriage for a third time, while the girl's father is inveigled away. The second act closes with each father, still outraged, seeking to find some way by which the union, thus trebly insured, may be dissolved.

The last act takes place about a year later, the young couple having meanwhile been abjured by each father, and left to their own resources. They have had twins, a boy and a girl, but their fathers know no more than that a child has been born. At Christmas each, led by his craving to see his grandchild, goes separately to the young folks' home, where they encounter each other, each laden with gifts, one for a boy, the other for a girl. After some slapstick comedy, depending upon the insistence of each that he is right about the sex of the grandchild, they become reconciled when they learn the truth, and that each child is to bear the given name of a grandparent. The curtain falls as the fathers are exchanging amenities, and the Jew giving evidence of an abatement in the strictness of his orthodoxy.

"The Cohens and The Kellys" presents two families, Jewish and Irish, living side by side in the poorer quarters of New York in a state of perpetual enmity. The wives in both cases are still living, and share in the mutual animosity, as do two small sons, and even the respective dogs. The Jews have a daughter, the Irish a son; the Jewish father is in the clothing business; the Irishman is a policeman. The children are in love with each other, and secretly marry, apparently after the play opens. The Jew, being in great financial straits, learns from a lawyer that he has fallen heir to a large fortune from a great-aunt, and moves into a great house, fitted luxuriously. Here he and his family live in vulgar ostentation, and here the Irish boy seeks out his Jewish bride, and is chased away by the angry father. The Jew then abuses the Irishman over the telephone, and

[*] [Authors' Note: The original opinion uses an offensive term. We have accordingly edited the case to omit such terminology.]

We did not in *Dymow v. Bolton*, 11 F.2d 690, hold that a plagiarist was never liable for stealing a plot; that would have been flatly against our ruling in *Dam v. Kirk La Shelle Co.*, 175 F. 902, and *Stodart v. Mutual Film Co.*, 249 F. 513, affirming my decision in (D.C.) 249 F. 507; neither of which we meant to overrule. We found the plot of the second play was too different to infringe, because the most detailed pattern, common to both, eliminated so much from each that its content went into the public domain; and for this reason we said, “this mere subsection of a plot was not susceptible of copyright.” But we do not doubt that two plays may correspond in plot closely enough for infringement. How far that correspondence must go is another matter. Nor need we hold that the same may not be true as to the characters, quite independently of the “plot” proper, though, as far as we know such a case has never arisen. If *Twelfth Night* were copyrighted, it is quite possible that a second comer might so closely imitate Sir Toby Belch or Malvolio as to infringe, but it would not be enough that for one of his characters he cast a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress. These would be no more than Shakespeare’s “ideas” in the play, as little capable of monopoly as Einstein’s Doctrine of Relativity, or Darwin’s theory of the Origin of Species. It follows that the less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly.

In the two plays at bar we think both as to incident and character, the defendant took no more—assuming that it took anything at all—than the law allowed. The stories are quite different. One is of a religious zealot who insists upon his child’s marrying no one outside his faith; opposed by another who is in this respect just like him, and is his foil. Their difference in race is merely an obligato to the main theme, religion. They sink their differences through grandparental pride and affection. In the other, zealotry is wholly absent; religion does not even appear. It is true that the parents are hostile to each other in part because they differ in race; but the marriage of their son to a Jew does no[t] apparently offend the Irish family at all, and it exacerbates the existing animosity of the Jew, principally because he has become rich, when he learns it. They are reconciled through the honesty of the Jew and the generosity of the Irishman; the grandchild has nothing whatever to do with it. The only matter common to the two is a quarrel between a Jewish and an Irish father, the marriage of their children, the birth of grandchildren and a reconciliation.

If the defendant took so much from the plaintiff, it may well have been because her amazing success seemed to prove that this was a subject of enduring popularity. Even so, granting that the plaintiff’s play was wholly original, and assuming that novelty is not essential to a copyright, there is no monopoly in such a background. Though the plaintiff discovered the vein, she could not keep it to herself; so defined, the theme was too generalized an abstraction from what she wrote. It was only a part of her “ideas.”

Nor does she fare better as to her characters. It is indeed scarcely credible that she should not have been aware of those stock figures, the low comedy Jew and Irishman. The defendant has not taken from her more than their prototypes have contained for many decades. If so, obviously so to generalize her copyright, would allow her to cover

what was not original with her. But we need not hold this as matter of fact, much as we might be justified. Even though we take it that she devised her figures out of her brain *de novo*, still the defendant was within its rights.

There are but four characters common to both plays, the lovers and the fathers. The lovers are so faintly indicated as to be no more than stage properties. They are loving and fertile; that is really all that can be said of them, and anyone else is quite within his rights if he puts loving and fertile lovers in a play of his own, wherever he gets the cue. The plaintiff's Jew is quite unlike the defendant's. His obsession is his religion, on which depends such racial animosity as he has. He is affectionate, warm and patriarchal. None of these fit the defendant's Jew, who shows affection for his daughter only once, and who has none but the most superficial interest in his grandchild. He is tricky, ostentatious and vulgar, only by misfortune redeemed into honesty. Both are grotesque, extravagant and quarrelsome; both are fond of display; but these common qualities make up only a small part of their simple pictures, no more than any one might lift if he chose. The Irish fathers are even more unlike; the plaintiff's a mere symbol for religious fanaticism and patriarchal pride, scarcely a character at all. Neither quality appears in the defendant's, for while he goes to get his grandchild, it is rather out of a truculent determination not to be forbidden, than from pride in his progeny. For the rest he is only a grotesque hobbledohoy, used for low comedy of the most conventional sort, which any one might borrow, if he chanced not to know the exemplar.

The defendant argues that the case is controlled by my decision in *Fisher v. Dillingham*, (D.C.) 298 F. 145. Neither my brothers nor I wish to throw doubt upon the doctrine of that case, but it is not applicable here. We assume that the plaintiff's play is altogether original, even to an extent that in fact it is hard to believe. We assume further that, so far as it has been anticipated by earlier plays of which she knew nothing, that fact is immaterial. Still, as we have already said, her copyright did not cover everything that might be drawn from her play; its content went to some extent into the public domain. We have to decide how much, and while we are as aware as any one that the line, wherever it is drawn, will seem arbitrary, that is no excuse for not drawing it; it is a question such as courts must answer in nearly all cases. Whatever may be the difficulties *a priori*, we have no question on which side of the line this case falls. A comedy based upon conflicts between Irish and Jews, into which the marriage of their children enters, is no more susceptible of copyright than the outline of *Romeo and Juliet*.

The plaintiff has prepared an elaborate analysis of the two plays, showing a "quadrangle" of the common characters, in which each is represented by the emotions which he discovers. She presents the resulting parallelism as proof of infringement, but the adjectives employed are so general as to be quite useless. Take for example the attribute of "love" ascribed to both Jews. The plaintiff has depicted her father as deeply attached to his son, who is his hope and joy; not so, the defendant, whose father's conduct is throughout not actuated by any affection for his daughter, and who is merely once overcome for the moment by her distress when he has violently dismissed her lover. "Anger" covers emotions aroused by quite different occasions in each case; so do "anxiety," "despondency" and "disgust." It is unnecessary to go through the catalogue

for emotions are too much colored by their causes to be a test when used so broadly. This is not the proper approach to a solution; it must be more ingenuous, more like that of a spectator, who would rely upon the complex of his impressions of each character. . . .

Decree affirmed.

COMMENTS AND QUESTIONS

1. *Test for Improper Appropriation.* Some decisions in the Ninth Circuit have bifurcated the analysis into an extrinsic test and an intrinsic test. *See, e.g., Shaw v. Lindheim*, 919 F.2d 1353 (9th Cir. 1990). The extrinsic or objective test analytically dissects the objective manifestations of creativity (plots, themes, dialogue, mood, setting, pace, sequence, characters) in the plaintiff's work in order to determine the elements that are protectable under copyright law. In the second stage of analysis the trier of fact, applying a purely subjective perspective, determines whether the defendant's work improperly appropriates the plaintiff's protected expression.

Does this bifurcated approach make sense? How can the trier of fact compare the two works without relying on the objective approach to determine what is protectable? For criticism of this approach, *see* Mark A. Lemley, *Our Bizarre System for Proving Copyright Infringement*, 57 J. COPYRIGHT SOC'Y U.S.A. 719 (2010).

Note that the Ninth Circuit in *Skidmore* now holds that the plaintiff must show both extrinsic and intrinsic similarity. *Skidmore v. Led Zeppelin*, 952 F.3d 1051, 1065-69 (9th Cir. 2020) (en banc).

2. *Framing the Subjective Analysis Comparison.* A key issue in applying the intrinsic or subjective stage of analysis is delineating what the fact-finder compares in deciding whether two works are substantially similar. Does the fact-finder compare the two works as a whole or only those elements that are protectable? Courts have differed in their treatment of this critical issue. Some courts have held that the fact-finder shall compare the entirety of the two works, including the "unprotectable" elements. *See, e.g., Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106 (9th Cir. 1970); *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir. 1936). Other courts have excluded unprotectable elements from the comparison. *See, e.g., Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir. 1980); *Comput. Assocs. Int'l v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992) (addressing the protection of computer code). Which view comports best with copyright principles? Should the answer depend on whether the basis for the copyright infringement claim is particular elements (in which case there would be no need to compare the works as whole) or a compilation of elements (in which case the fact-finder would need a wider lens)?

3. *How Much Must Be Taken to Constitute Improper Appropriation?* A copyright owner need not prove that all or nearly all of his or her work has been appropriated to establish infringement. Although the quantum necessary depends on the nature of the work, recall that the legislative history to §106 provides that "a copyrighted work would be infringed by reproducing it *in whole or in any substantial part*, and by duplicating it exactly or by imitation or simulation. Wide departures or variations from the

copyrighted works would still be an infringement as long as the author's 'expression' rather than merely the author's 'ideas' are taken." H.R. REP. NO. 94-1476, 94th Cong., 2d Sess. 61 (1976) (emphasis added). Thus, courts have held that "[e]ven a small amount of the original, if it is qualitatively significant, may be sufficient to be an infringement. . . ." *Horgan v. Macmillan, Inc.*, 789 F.2d 157, 162 (2d Cir. 1986).

Determining the threshold for infringement is particularly difficult in those cases in which a defendant has copied distinct literal elements of the plaintiff's work and incorporated them into the defendant's larger work. This class of cases has been referred to as *fragmented literal similarity*. See MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.03[A][2]. Nimmer writes:

The question in each case is whether the similarity relates to matter which constitutes a substantial portion of plaintiff's work—not whether such material constitutes a substantial portion of defendant's work. The quantitative relation of the similar material to the total material contained in plaintiff's work is certainly of importance. However, even if the similar material is quantitatively small, if it is qualitatively important the trier of fact may properly find substantial similarity. In such circumstances the defendant may not claim immunity on the grounds the infringement "is such a little one." If, however, the similarity is only as to nonessential matters, then a finding of no substantial similarity should result.

4. *The Sliding Scale and the Virtual Identity Test*. As courts have increasingly recognized, "more similarity is required when less protectable matter is at issue." NIMMER ON COPYRIGHT §13.03(A). Therefore, many courts now require "virtual identity" when dealing with works in which copyright protection is "thin"—i.e., works involving many unprotectable elements and/or where the range of creative expression is limited. See, e.g., *Mattel, Inc. v. MGA Entertainment, Inc.*, 616 F.3d 904, 914–15 (9th Cir. 2010) (doll designs); *Incredible Technologies, Inc. v. Virtual Technologies*, 400 F.3d 1007 (7th Cir. 2005) (screen displays for video golf game); *Data East USA, Inc. v. Epyx, Inc.*, 862 F.2d 204 (9th Cir. 1988) (screen displays for video karate game); *Satava v. Lowry*, 323 F.3d 805, 811 (9th Cir. 2003) (glass sculptures encasing jellyfish); *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197 (9th Cir. 1989) (day planner calendar); cf. *Jacobsen v. Deseret Book Co.*, 287 F.3d 936 (10th Cir. 2002) (noting that "[b]ecause fact-based works differ as to the relative proportion of fact and fancy [ranging from 'sparsely embellished maps and directories' to 'elegantly written biography'], the quantum of similarity required to establish infringement differs in each case").

5. *Substantial Similarity in Music Cases*. Although the Copyright Act does not limit protection in musical works to melody, many music composition infringement cases have focused on melodic elements and downplayed arrangements, bass lines, percussion, and other features. See Joseph Fishman, *Music as a Matter of Law*, 131 HARV. L. REV. 1861 (2018). This might reflect, in part, the use of sheet music for registering musical compositions prior to 1978. (After 1978, the Copyright Office permitted musical composers to use sound recordings to register the underlying musical composition.)

four-and-a-half-minute sound recording—spanning three notes—is *de minimis*, inactionable copying. See *Newton*, 388 F.3d at 1195–96. One of our colleagues also expressed skepticism that three notes used in a song can be copyrightable by observing that of the “only 123 or 1,728 unique combinations of three notes,” not many would be useful in a musical composition. See *Williams*, 895 F.3d at 1144 n.6 (Nguyen, J., dissenting). The Copyright Office is in accord, classifying a “musical phrase consisting of three notes” as *de minimis* and thus not meeting the “quantum of creativity” required under *Feist*. COPYRIGHT OFFICE COMPENDIUM, §313.4(B) (3d ed. 2017). At the same time, we have not foreclosed the possibility that “seven notes” could constitute an original expression. *Swirsky*, 376 F.3d at 852. To the contrary, our sister circuit observed decades ago that “the seven notes available do not admit of so many agreeable permutations that we need be amazed at the re-appearance of old themes.” *Arnstein v. Edward B. Marks Music Corp.*, 82 F.2d 275, 277 (2d Cir. 1936).

Skidmore v. Led Zeppelin, 952 F.3d 1051, 1065-69 (9th Cir. 2020) (en banc); see also *Gray v. Hudson*, 28 F.4th 87 (9th Cir. 2022) (holding that repeated but commonplace musical elements in plaintiff’s song “Joyful Noise” were not protectable and therefore not infringed by Katy Perry’s song “Dark Horse”).

6. *The De Minimis Doctrine—In General.* Copyright recognizes the maxim *de minimis non curat lex*—the law does not concern itself with trifles. The cases applying this principle use it as a shorthand for lack of substantial similarity—where “the copying of the protected material is so trivial ‘as to fall below the quantitative threshold of substantial similarity.’” *Gordon v. Nextel Commc’ns and Mullen Adver., Inc.*, 345 F.3d 922, 924 (6th Cir. 2003) (quoting *Ringgold v. Black Entm’t Television Inc.*, 126 F.3d 70, 74 (2d Cir. 1997)); *Fisher v. Dees*, 794 F.2d 432, 435 (9th Cir. 1986) (noting that *de minimis* copying “is so meager and fragmentary that the average audience would not recognize the appropriation”); *Warner Bros., Inc. v. Am. Broad. Cos.*, 720 F.2d 231, 242 (2d Cir. 1983) (holding that the *de minimis* doctrine allows “literal copying of a small and usually insignificant portion of the plaintiff’s work”). Courts will not apply the doctrine, however, without attention to qualitative considerations. See *CyberMedia, Inc. v. Symantec Corp.*, 19 F. Supp. 2d 1070, 1077 (N.D. Cal. 1998) (holding that “even if a copied portion be relatively small in proportion to the entire work, if qualitatively important, the finder of fact may properly find substantial similarity”).

7. *De Minimis Copying and Digital Sampling.* The rap and hip-hop genres have built new compositions upon digital samples (literal copying) of existing sound recordings. Several early cases held that such copying infringed copyrights in the underlying musical compositions on the basis of fragmented literal similarity. See *Grand Upright Music, Ltd. v. Warner Bros. Records, Inc.*, 780 F. Supp. 182 (S.D.N.Y. 1991); *Jarvis v. A & M Records*, 827 F. Supp. 282 (D.N.J. 1993). The first appellate case to squarely address digital samples of sound recordings ruled that the Copyright Act bars application of the *de minimis* doctrine in this class of works, with the result that even the copying of a single note could constitute copyright infringement. See

Bridgeport Music, Inc. v. Dimension Films, 410 F.3d 792, 800–01 (6th Cir. 2005). That court reasoned that:

Section 114(b) provides that “[t]he exclusive right of the owner of copyright in a sound recording under clause (2) of §106 is limited to the right to prepare a derivative work in which the actual sounds fixed in the sound recording are rearranged, remixed, or otherwise altered in sequence or quality.” Further, the rights of sound recording copyright holders under clauses (1) and (2) of §106 “do not extend to the making or duplication of another sound recording that consists *entirely* of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording.” 17 U.S.C. §114(b) (emphasis added). The significance of this provision is amplified by the fact that the Copyright Act of 1976 added the word “entirely” to this language. Compare Sound Recording Act of 1971, Pub. L. 92-140, 85 Stat. 391 (Oct. 15, 1971) (adding subsection (f) to former 17 U.S.C. §1) (“does not extend to the making or duplication of another sound recording that is an independent fixation of other sounds”). In other words, a sound recording owner has the exclusive right to “sample” his own recording.

Id. at 800–01. The Ninth Circuit rejected the Sixth Circuit’s statutory interpretation and held that the *de minimis* doctrine applies across the classes of copyrightable works. See *VMG Salsoul, LLC v. Ciccone*, 824 F.3d 871, 880–87 (9th Cir. 2016).

The Sixth Circuit bolstered its analysis on policy grounds, asserting that such a bright line rule (“Get a license or do not sample”) would ease enforcement and would not stifle creativity because a well-functioning sampling market currently exists and because artists are free to record a *de minimis* “riff” in the studio. Do you agree? In any case, is it likely to matter much in practice? The *Bridgeport* case does not preclude a finding of fair use. See *id.* at 805. The Second Circuit has held that small samples may be fair use as a matter of law. See *Oyewole v. Ora*, 291 F. Supp. 3d 422 (S.D.N.Y. 2018), *aff’d* (2d Cir. 2019).

A case involving the rap song “Pass the Mic” presents another variation on this theme. The Beastie Boys obtained a sampling license from ECM, the record label controlling rights to noted jazz flutist James Newton’s recording of his composition “Choir,” to use a six-second clip from the song’s opening as a backdrop for their sound recording. Newton sued, alleging that the Beastie Boys also needed a license to the underlying musical composition, for which he held the copyright. The court held that although the sound recording of the six-second sample may well have qualified for copyright protection due to the complexity of the performance, copying of the underlying musical composition—involving a three-note sequence sung above a finger-held C note to be played in a “largo/senza-misura” (slowly/without measure) tempo while overblowing the background C note—was not actionable under the *de minimis* doctrine. *Newton v. Diamond*, 349 F.3d 591 (9th Cir. 2003), *amended* 388 F.3d 1189 (9th Cir. 2004). Note that this case does not contradict the *Bridgeport* ruling because it involves copying of the musical composition and not the sound recording.

8. *The Role of Expert Testimony in Determining Improper Appropriation.* The court in *Arnstein* held that expert opinion is “utterly immaterial” to the determination of improper appropriation. Does this limitation on evidence make sense with regard to all works? The Ninth Circuit rejects *Arnstein*’s approach to expert testimony in *Skidmore*.

Expert testimony would seem essential in assessing appropriation with regard to technically complex material written for specialized audiences. The issue arises frequently in the context of computer software copyright cases. Is it desirable to assess similarities in two database programs from the standpoint of the ordinary person on the street rather than the ordinary user of database programs? Isn’t expert testimony on the extent to which programming elements are common in the trade essential to determining improper appropriation? See Shyamkrishna Balganesch & Peter S. Menell, *The Use of Technical Experts in Software Copyright Cases: Rectifying the Ninth Circuit’s Nutty Rule*, 35 BERKELEY TECH. L.J. 663 (2021).

9. *The Appropriate Perspective for Assessing Substantial Similarity: The Ordinary Observer.* The Second Circuit has defined “substantial similarity” as whether the “ordinary observer, unless he set out to detect the disparities [between two works], would be disposed to overlook them, and regard their aesthetic appeal as the same.” *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960).

A number of cases have narrowed the “ordinary observer” perspective by focusing on the impressions of the target audience for the work in question. For example, in *Original Appalachian Artworks, Inc. v. Blue Box Factory (USA) Ltd.*, 577 F. Supp. 625 (S.D.N.Y. 1983), involving copyright protection for a popular line of dolls called “Cabbage Patch Kids,” the court allowed expert evidence about how the works would be perceived by children. In *Data East USA, Inc. v. Epyx, Inc.*, 862 F.2d 204 (9th Cir. 1988), the court assessed substantial similarity of two karate video games from the perspective of a “discerning 17.5 year-old boy,” based on the district court’s finding that “the average age of individuals purchasing ‘Karate Champ’ is 17.5 years, that the purchasers are predominantly male, and comprise a knowledgeable, critical, and discerning group.”

Should the “ordinary observer” test be tailored to the target audience for the works? Is the “ordinary observer” perspective, even if tailored to reflect the target audience for the work, likely to distinguish between the protectable and nonprotectable elements of a work in assessing infringement?

PROBLEMS

Problem IV-29. Dinopets markets a line of stuffed animal toys for children. The line includes five popular dinosaurs with exaggerated facial features (e.g., large droopy eyes, long teeth, rounded noses), cheerful pastel colors (pink, lemon, lime), distinctive stitching, and a soft cuddly cotton texture. About a year after Dinopets were on the market, Gigatoys, Inc., a leading toy manufacturer, developed a line of stuffed dinosaur toys. Its line, the Dinomites, featured the five dinosaurs in the

Dinopets line as well as three others. Dinomites are about 25 percent larger than comparable Dinopets. Dinomites feature cute facial features (including droopy eyes and long teeth) and come in earth-tone colors (light brown, clay, sand, and stone). They are made of a suede-like material (somewhat coarser than the Dinopets). Dinopets sues Gigatoys, alleging copyright infringement. How would the analysis be conducted? What result?

Problem IV-30. Gregg Gillis, who performs as Girl Talk, “mashes up” popular sound recordings into distinctive mosaic tracks. A typical Girl Talk song combines numerous (20 to 30) short to medium (3 to 40 second) clips into a frenetic, overlapping, winding, and often surprising work cutting across numerous musical styles (rap, hip hop, heavy metal, and pop). Has Gillis infringed the copyright on any of the songs he samples? On all of them? (Focus only on the infringement inquiry. We will return to this problem after we have covered the fair use defense.)

Problem IV-31. In preparing a biography of the reclusive author J.D. Salinger, Ian Hamilton gained access to letters Salinger wrote to a number of notable people that had been donated to university libraries. Through these letters and other sources, Hamilton constructed his biography of Salinger’s life. Out of concern for copyright infringement, Hamilton quotes barely more than 200 words from the letters throughout the entire biography. Nonetheless, the letters are paraphrased or otherwise drawn upon in approximately 40 percent of the 192-page biography. To accurately describe events and emotions, impart some of Salinger’s distinctive style, and avoid “pedestrian” reporting, Hamilton follows some of the passages from the letters closely.

The following examples illustrate Hamilton’s use of the letters to present Salinger’s life. In a 1943 letter to Whit Burnett, Salinger’s friend, teacher, and editor at *Story* magazine, Salinger expressed his disapproval of the marriage of Oona O’Neill, with whom Salinger had been romantically involved, and Charlie Chaplin, the silent screen film star.

Salinger’s Letter

I can see them at home evenings. Chaplin squatting grey and nude, atop his chiffonier, swinging his thyroid around his head by his bamboo cane, like a dead rat. Oona in an aquamarine gown, applauding madly from the bathroom. Agnes (her mother) in a Jantzen bathing suit, passing between them with cocktails. I’m facetious, but

Hamilton’s Biography

At one point in a letter to Whit Burnett, he provides a pen portrait of the Happy Hour Chez Chaplin: the comedian, ancient and unclothed, is brandishing his walking stick—attached to the stick, and horribly resembling a lifeless rodent, is one of Chaplin’s vital organs. Oona claps her hands in appreciation and Agnes, toggled out in a bathing suit, pours drinks. Salinger goes on to say he’s sorry—sorry



Moscow on the Hudson poster

3. The Special Case of Computer Software

Computer software, by its very nature as written work intended to serve utilitarian purposes, defies easy categorization within our intellectual property system. The copyright law has traditionally served as the principal source of legal protection for literary and artistic work, while the patent system and trade secret law have been the primary means for protecting utilitarian works. Faced with the difficult challenge of fitting computer and other new information technologies under the existing umbrella of intellectual property protection, Congress in 1974 established the National Commission on New Technological Uses of Copyrighted Works (CONTU) to study the implications of the new technologies and recommend revisions to federal intellectual property law. After conducting extensive hearings and receiving expert reports, a majority of the blue-ribbon panel of copyright authorities and interest group representatives comprising CONTU concluded in 1978 that the intellectual work embodied in computer software should be protected under copyright law, notwithstanding the fundamental principle that copyright cannot protect “any idea, procedure, process, system, method of operation, concept, principle, or discovery.” §102(b).

CONTU explained that while “one is always free to make a machine perform any conceivable process (in the absence of a patent), [] one is not free to take another’s program,” subject to copyright’s limiting doctrines—originality and the idea/expression dichotomy. CONTU, Final Report 20 (1978). “Section 102(b) is intended, among other things, to make clear that the expression adopted by the programmer is the copyrightable element in a computer program, and that the actual processes or methods embodied in the program are not within the scope of the copyright law.” *Id.* at 19. “The way copyright affects games and game-playing is closely analogous: one may not adopt and republish or redistribute copyrighted game rules, but the copyright owner has no power to prevent others from playing the game.” *Id.* at 20.

Congress adopted CONTU’s recommendations in 1980, passing legislation almost identical to that suggested in the Final Report. In light of the computer software industry’s relative youth and anticipated rapid growth, CONTU’s rough empirical judgment that copyright would best promote the invention, development, and diffusion of new and better software products was, by necessity, speculative. As CONTU recognized, it was impossible in 1978 to establish a precise line between copyrightable expression of computer programs and the uncopyrightable processes that they implement. Yet the location of this line—the idea/expression dichotomy—was critical to the rough cost-benefit analysis that guided CONTU’s recommendation. Drawing the line too liberally in favor of copyright protection would bestow strong monopolies upon those who develop operating systems that become industry standards and upon the first to write programs performing specific applications and would thereby inhibit other creators from developing improved programs and computer systems. Drawing the line too conservatively would allow programmers’ efforts to be copied easily, thus discouraging the creation of all but modest incremental advances. The wisdom of Congress’s decision to bring computer programs within the scope of copyright law thus depends critically upon where courts draw this line.



Computer Associates International v. Altai, Inc.
United States Court of Appeals for the Second Circuit
982 F.2d 693 (2d Cir. 1992)

WALKER, CIRCUIT JUDGE:

. . . This appeal comes to us from the United States District Court for the Eastern District of New York, the Honorable George C. Pratt, Circuit Judge, sitting by designation. By Memorandum and Order entered August 12, 1991, Judge Pratt found that defendant Altai, Inc.'s ("Altai") OSCAR 3.4 computer program had infringed plaintiff Computer Associates' ("CA") copyrighted computer program entitled CA-SCHEDULER. Accordingly, the district court awarded CA \$364,444 in actual damages and apportioned profits. Altai has abandoned its appeal from this award. With respect to CA's second claim for copyright infringement, Judge Pratt found that Altai's OSCAR 3.5 program was not substantially similar to a portion of CA-SCHEDULER called ADAPTER, and thus denied relief. . . .

II. FACTS

. . . The subject of this litigation originates with one of CA's marketed programs entitled CA-SCHEDULER. CA-SCHEDULER is a job scheduling program designed for IBM mainframe computers. Its primary functions are straightforward: to create a schedule specifying when the computer should run various tasks, and then to control the computer as it executes the schedule. CA-SCHEDULER contains a sub-program entitled ADAPTER, also developed by CA. ADAPTER is not an independently marketed product of CA; it is a wholly integrated component of CA-SCHEDULER and has no capacity for independent use.

Nevertheless, ADAPTER plays an extremely important role. It is an "operating system compatibility component," which means, roughly speaking, it serves as a translator. An "operating system" is itself a program that manages the resources of the computer allocating those resources to other programs as needed. The IBM System 370 family of computers, for which CA-SCHEDULER was created, is, depending upon the computer's size, designed to contain one of three operating systems: DOS/VSE, MVS, or CMS. As the district court noted, the general rule is that "a program written for one operating system, e.g., DOS/VSE, will not, without modification, run under another operating system such as MVS." ADAPTER's function is to translate the language of a given program into the particular language that the computer's own operating system can understand. . . .

A program like ADAPTER, which allows a computer user to change or use multiple operating systems while maintaining the same software, is highly desirable. It saves the user the costs, both in time and money, that otherwise would be expended in purchasing new programs, modifying existing systems to run them, and gaining familiarity with their operation. The benefits run both ways. The increased compatibility afforded by an

ADAPTER-like component, and its resulting popularity among consumers, makes whatever software in which it is incorporated significantly more marketable.

Starting in 1982, Altai began marketing its own job scheduling program entitled ZEKE. The original version of ZEKE was designed for use in conjunction with a VSE operating system. By late 1983, in response to customer demand, Altai decided to rewrite ZEKE so that it could be run in conjunction with an MVS operating system.

[At that time, James P. Williams, then an employee of Altai and now its President, recruited Claude F. Arney, III, a long-standing friend and computer programmer who worked for CA, to assist Altai in designing an MVS version of ZEKE. Unknown to Williams, Arney was intimately familiar with CA's ADAPTER program and he took VSE and MVS source code versions of ADAPTER with him when he left CA to join Altai. Without disclosing his knowledge of ADAPTER, Arney persuaded Williams that the best way to modify ZEKE to run on an MVS operating system was to introduce a "common system interface" component, an approach that stemmed from Arney's familiarity with ADAPTER. Arney subsequently developed a component-program named OSCAR using the ADAPTER source code. Approximately 30 percent of the first generation of OSCAR was copied from CA's ADAPTER program. In mid-1988, CA discovered the copying from ADAPTER and brought this copyright infringement and trade secret action. Altai learned of the copying from the complaint.]

Upon advice of counsel, Williams initiated OSCAR's rewrite. The project's goal was to save as much of OSCAR 3.4 as legitimately could be used, and to excise those portions which had been copied from ADAPTER. Arney was entirely excluded from the process, and his copy of the ADAPTER code was locked away. Williams put eight other programmers on the project, none of whom had been involved in any way in the development of OSCAR 3.4. Williams provided the programmers with a description of the ZEKE operating system services so that they could rewrite the appropriate code. The rewrite project took about six months to complete and was finished in mid-November 1989. The resulting program was entitled OSCAR 3.5.

From that point on, Altai shipped only OSCAR 3.5 to its new customers. . . .

DISCUSSION

[The district court concluded that version 3.5 was not substantially similar to CA's ADAPTER.]

I. COPYRIGHT INFRINGEMENT

. . . As a general matter, and to varying degrees, copyright protection extends beyond a literary work's strictly textual form to its non-literal components. As we have said, "[i]t is of course essential to any protection of literary property that the right cannot be limited literally to the text, else a plagiarist would escape by immaterial variations." *Nichols v. Universal Pictures Co.*, 45 F.2d 119, 121 (2d Cir. 1930) (L. Hand, J.). Thus, where "the fundamental essence or structure of one work is duplicated in another," 3 NIMMER, §13.03(A)[1], at 13–24, courts have found copyright infringement. . . . This black letter proposition is the springboard for our discussion.

A. Copyright Protection for the Non-literal Elements of Computer Programs

It is now well settled that the literal elements of computer programs, i.e., their source and object codes, are the subject of copyright protection. . . . Here, as noted earlier, Altai admits having copied approximately 30% of the OSCAR 3.4 program from CA's ADAPTER source code, and does not challenge the district court's related finding of infringement.

In this case, the hotly contested issues surround OSCAR 3.5. As recounted above, OSCAR 3.5 is the product of Altai's carefully orchestrated rewrite of OSCAR 3.4. After the purge, none of the ADAPTER source code remained in the 3.5 version; thus, Altai made sure that the literal elements of its revamped OSCAR program were no longer substantially similar to the literal elements of CA's ADAPTER.

According to CA, the district court erroneously concluded that Altai's OSCAR 3.5 was not substantially similar to its own ADAPTER program. CA argues that this occurred because the district court "committed legal error in analyzing [its] claims of copyright infringement by failing to find that copyright protects expression contained in the non-literal elements of computer software." We disagree.

CA argues that, despite Altai's rewrite of the OSCAR code, the resulting program remained substantially similar to the structure of its ADAPTER program. As discussed above, a program's structure includes its non-literal components such as general flow charts as well as the more specific organization of inter-modular relationships, parameter lists, and macros. In addition to these aspects, CA contends that OSCAR 3.5 is also substantially similar to ADAPTER with respect to the list of services that both ADAPTER and OSCAR obtain from their respective operating systems. We must decide whether and to what extent these elements of computer programs are protected by copyright law.

[The court determined that the nonliteral elements of computer programs are entitled to copyright protection as literary works.]

1) Idea vs. Expression Dichotomy

It is a fundamental principle of copyright law that a copyright does not protect an idea, but only the expression of the idea. . . .

Drawing the line between idea and expression is a tricky business. Judge Learned Hand noted that "[n]obody has ever been able to fix that boundary, and nobody ever can," *Nichols*, 45 F.2d at 121. Thirty years later his convictions remained firm. "Obviously, no principle can be stated as to when an imitator has gone beyond copying the 'idea,' and has borrowed its 'expression,'" Judge Hand concluded. "Decisions must therefore inevitably be ad hoc." *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960).

The essentially utilitarian nature of a computer program further complicates the task of distilling its idea from its expression. See *SAS Inst.*, 605 F. Supp. at 829; cf. *Englund*, at 893. In order to describe both computational processes and abstract ideas, its content "combines creative and technical expression." See [Peter G.] Spivack, [Comment, *Does*

Step One: Abstraction

As the district court appreciated, *see Computer Assocs.*, 775 F. Supp. at 560, the theoretic framework for analyzing substantial similarity expounded by Learned Hand in the *Nichols* case is helpful in the present context. In *Nichols*, we enunciated what has now become known as the “abstractions” test for separating idea from expression:

Upon any work . . . a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the [work] is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the [author] could prevent the use of his “ideas,” to which, apart from their expression, his property is never extended.

Nichols, 45 F.2d at 121.

While the abstractions test was originally applied in relation to literary works such as novels and plays, it is adaptable to computer programs. In contrast to the *Whelan* approach, the abstractions test “implicitly recognizes that any given work may consist of a mixture of numerous ideas and expressions.” 3 NIMMER §13.03[F] at 13-62.34-63.

As applied to computer programs, the abstractions test will comprise the first step in the examination for substantial similarity. Initially, in a manner that resembles reverse engineering on a theoretical plane, a court should dissect the allegedly copied program’s structure and isolate each level of abstraction contained within it. This process begins with the code and ends with an articulation of the program’s ultimate function. Along the way, it is necessary essentially to retrace and map each of the designer’s steps—in the opposite order in which they were taken during the program’s creation.

As an anatomical guide to this procedure, the following description is helpful:

At the lowest level of abstraction, a computer program may be thought of in its entirety as a set of individual instructions organized into a hierarchy of modules. At a higher level of abstraction, the instructions in the lowest-level modules may be replaced conceptually by the functions of those modules. At progressively higher levels of abstraction, the functions of higher-level modules conceptually replace the implementations of those modules in terms of lower-level modules and instructions, until finally, one is left with nothing but the ultimate function of the program. . . . A program has structure at every level of abstraction at which it is viewed. At low levels of abstraction, a program’s structure may be quite complex; at the highest level it is trivial.

Englund, at 897–98.

Step Two: Filtration

Once the program’s abstraction levels have been discovered, the substantial similarity inquiry moves from the conceptual to the concrete. Professor Nimmer suggests, and we endorse, a “successive filtering method” for separating protectable

expression from non-protectable material. *See generally* 3 NIMMER §13.03[F]. This process entails examining the structural components at each level of abstraction to determine whether their particular inclusion at that level was “idea” or was dictated by considerations of efficiency, so as to be necessarily incidental to that idea; required by factors external to the program itself; or taken from the public domain and hence is non-protectable expression. *See also* [Mark T.] Kretschmer[, Note, *Copyright Protection For Software Architecture: Just Say No!*, 1988 COLUM. BUS. L. REV. 823,] 844–45 [(1988)] (arguing that program features dictated by market externalities or efficiency concerns are unprotectable). The structure of any given program may reflect some, all, or none of these considerations. Each case requires its own fact specific investigation.

Strictly speaking, this filtration serves “the purpose of defining the scope of plaintiff’s copyright.” *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1475 (9th Cir.) (endorsing “analytic dissection” of computer programs in order to isolate protectable expression). By applying well developed doctrines of copyright law, it may ultimately leave behind a “core of protectable material.” 3 NIMMER §13.03[F](5), at 13-72. Further explication of this second step may be helpful.

(a) Elements Dictated by Efficiency

The portion of *Baker v. Selden*, discussed earlier, which denies copyright protection to expression necessarily incidental to the idea being expressed, appears to be the cornerstone for what has developed into the doctrine of merger. *See Morrissey v. Procter & Gamble Co.*, 379 F.2d 675, 678–79 (1st Cir. 1967) (relying on *Baker* for the proposition that expression embodying the rules of a sweepstakes contest was inseparable from the idea of the contest itself, and therefore were not protectable by copyright); *see also Digital Communications*, 659 F. Supp. at 457. The doctrine’s underlying principle is that “[w]hen there is essentially only one way to express an idea, the idea and its expression are inseparable and copyright is no bar to copying that expression.” *Concrete Machinery Co. v. Classic Lawn Ornaments, Inc.*, 843 F.2d 600, 606 (1st Cir. 1988). Under these circumstances, the expression is said to have “merged” with the idea itself. In order not to confer a monopoly of the idea upon the copyright owner, such expression should not be protected. *See Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738, 742 (9th Cir. 1971).

CONTU recognized the applicability of the merger doctrine to computer programs. In its report to Congress it stated that:

[C]opyrighted language may be copied without infringing when there is but a limited number of ways to express a given idea. . . . In the computer context, this means that when specific instructions, even though previously copyrighted, are the only and essential means of accomplishing a given task, their later use by another will not amount to infringement.

CONTU Report at 20. While this statement directly concerns only the application of merger to program code, that is, the textual aspect of the program, it reasonably suggests that the doctrine fits comfortably within the general context of computer programs.

Furthermore, when one considers the fact that programmers generally strive to create programs “that meet the user’s needs in the most efficient manner,” [Peter S.] Menell[, *An Analysis of the Scope of Copyright Protection for Application Programs*, 41 STAN. L. REV. 1045,] 1052 [(1989)]. the applicability of the merger doctrine to computer programs becomes compelling. In the context of computer program design, the concept of efficiency is akin to deriving the most concise logical proof or formulating the most succinct mathematical computation. Thus, the more efficient a set of modules are, the more closely they approximate the idea or process embodied in that particular aspect of the program’s structure.

While, hypothetically, there might be a myriad of ways in which a programmer may effectuate certain functions within a program—i.e., express the idea embodied in a given subroutine—efficiency concerns may so narrow the practical range of choice as to make only one or two forms of expression workable options. See 3 NIMMER §13.03[F](2), at 13-63; see also *Whelan*, 797 F.2d at 1243 n.43 (“It is true that for certain tasks there are only a very limited number of file structures available, and in such cases the structures might not be copyrightable.” . . .) Of course, not all program structure is informed by efficiency concerns. See Menell, at 1052 (besides efficiency, simplicity related to user accommodation has become a programming priority). It follows that, in order to determine whether the merger doctrine precludes copyright protection to an aspect of a program’s structure that is so oriented, a court must inquire “whether the use of *this particular set of modules* is necessary efficiently to implement that part of the program’s process” being implemented. Englund, at 902. If the answer is yes, then the expression represented by the programmer’s choice of a specific module or group of modules has merged with their underlying idea and is unprotected. *Id.* at 902–03.

Another justification for linking structural economy with the application of the merger doctrine stems from a program’s essentially utilitarian nature and the competitive forces that exist in the software marketplace. See Kretschmer, at 842. Working in tandem, these factors give rise to a problem of proof which merger helps to eliminate. Efficiency is an industry-wide goal. Since, as we have already noted, there may be only a limited number of efficient implementations for any given program task, it is quite possible that multiple programmers, working independently, will design the identical method employed in the allegedly infringed work. Of course, if this is the case, there is no copyright infringement. See *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106, 1110 (9th Cir. 1970); *Sheldon*, 81 F.2d at 54.

Under these circumstances, the fact that two programs contain the same efficient structure may as likely lead to an inference of independent creation as it does to one of copying. See 3 NIMMER §13.03[F][2], at 13-65; cf. *Herbert Rosenthal Jewelry Corp.*, 446 F.2d at 741 (evidence of independent creation may stem from defendant’s standing as a designer of previous similar works). Thus, since evidence of similarly efficient structure is not particularly probative of copying, it should be disregarded in the overall substantial similarity analysis. See 3 NIMMER §13.03[F][2], at 13-65. . . .

(b) Elements Dictated by External Factors

We have stated that where “it is virtually impossible to write about a particular historical era or fictional theme without employing certain ‘stock’ or standard literary devices,” such expression is not copyrightable. *Hoehling v. Universal Studios, Inc.*, 618 F.2d 972, 979 (2d Cir. 1980). . . .

Professor Nimmer points out that “in many instances it is virtually impossible to write a program to perform particular functions in a specific computing environment without employing standard techniques.” 3 NIMMER §13.03[F][3], at 13-65. This is a result of the fact that a programmer’s freedom of design choice is often circumscribed by extrinsic considerations such as (1) the mechanical specifications of the computer on which a particular program is intended to run; (2) compatibility requirements of other programs with which a program is designed to operate in conjunction; (3) computer manufacturers’ design standards; (4) demands of the industry being serviced; and (5) widely accepted programming practices within the computer industry. *Id.* at 13-65-71. . . .

(c) Elements Taken from the Public Domain

Closely related to the non-protectability of *scenes à faire*, is material found in the public domain. Such material is free for the taking and cannot be appropriated by a single author even though it is included in a copyrighted work. We see no reason to make an exception to this rule for elements of a computer program that have entered the public domain by virtue of freely accessible program exchanges and the like. *See* 3 NIMMER §13.03[F][14]; *see also Brown Bag Software*, 960 F.2d at 1473 (affirming the district court’s finding that “[p]laintiffs may not claim copyright protection of an . . . expression that is, if not standard, then commonplace in the computer software industry.”). Thus, a court must also filter out this material from the allegedly infringed program before it makes the final inquiry in its substantial similarity analysis.

Step Three: Comparison

The third and final step of the test for substantial similarity that we believe appropriate for non-literal program components entails a comparison. Once a court has sifted out all elements of the allegedly infringed program which are “ideas” or are dictated by efficiency or external factors, or taken from the public domain, there may remain a core of protectable expression. In terms of a work’s copyright value, this is the golden nugget. *See Brown Bag Software*, 960 F.2d at 1475. At this point, the court’s substantial similarity inquiry focuses on whether the defendant copied any aspect of this protected expression, as well as an assessment of the copied portion’s relative importance with respect to the plaintiff’s overall program. *See* 3 NIMMER §13.03[F][5]; *Data East USA*, 862 F.2d at 208 (“To determine whether similarities result from unprotectable expression, analytic dissection of similarities may be performed. If . . . all similarities in expression arise from use of common ideas, then no substantial similarity can be found.”).

3) Policy Considerations

protection. With respect to the few remaining parameter lists and macros, the district court could reasonably conclude that they did not warrant a finding of infringement given their relative contribution to the overall program. See *Warner Bros., Inc. v. American Broadcasting Cos., Inc.*, 720 F.2d 231, 242 (2d Cir. 1983) (discussing *de minimis* exception which allows for literal copying of a small and usually insignificant portion of the plaintiff's work); 3 NIMMER §13.03[F][5], at 13-74. In any event, the district court reasonably found that, for lack of persuasive evidence, CA failed to meet its burden of proof on whether the macros and parameter lists at issue were substantially similar. See *Computer Assocs.*, 775 F. Supp. at 562.

The district court also found that the overlap exhibited between the list of services required for both ADAPTER and OSCAR 3.5 was “determined by the demands of the operating system and of the applications program to which it [was] to be linked through ADAPTER or OSCAR. . . .” *Id.* In other words, this aspect of the program's structure was dictated by the nature of other programs with which it was designed to interact and, thus, is not protected by copyright.

Finally, in his infringement analysis, Judge Pratt accorded no weight to the similarities between the two programs' organizational charts, “because [the charts were] so simple and obvious to anyone exposed to the operation of the program[s].” *Id.* CA argues that the district court's action in this regard “is not consistent with copyright law”—that “obvious” expression is protected, and that the district court erroneously failed to realize this. However, to say that elements of a work are “obvious,” in the manner in which the district court used the word, is to say that they “follow naturally from the work's theme rather than from the author's creativity.” 3 NIMMER §13.03[F][3], at 1365. This is but one formulation of the *scenes à faire* doctrine, which we have already endorsed as a means of weeding out unprotectable expression. . . .

Since we accept Judge Pratt's factual conclusions and the results of his legal analysis, we affirm his dismissal of CA's copyright infringement claim based upon OSCAR 3.5. We emphasize that, like all copyright infringement cases, those that involve computer programs are highly fact specific. The amount of protection due structural elements, in any given case, will vary according to the protectable expression found to exist within the program at issue. . . .

COMMENTS AND QUESTIONS

1. How does the *Altai* court distinguish idea from expression? How would *Baker v. Selden* be decided under the *Altai* approach?

2. *Altai* asks courts to analytically dissect a computer program to determine what is protectable and copied and compare this to the entire program, rather than to the protectable uncopied elements, to determine substantial similarity. Does this suggest that programs with relatively little protectable material can be freely copied?

3. The *Altai* test was rapidly adopted by most courts. Judicial convergence on the abstraction-filtration-comparison test has been so complete that every court to confront the issue since 1992 has chosen the *Altai* approach. In addition, courts in Canada, the United Kingdom, and France have endorsed the *Altai* filtration analysis.

Not all of these courts have approached the abstraction-filtration-comparison analysis in precisely the same way. The Tenth Circuit decision in *Gates Rubber Co. v. Bando Chemical Industry*, 9 F.3d 823 (10th Cir. 1993) is particularly notable for its elaboration of the test beyond the parameters of *Altai*. In that case, the court acknowledged that “[a]pplication of the abstractions test will necessarily vary from case-to-case and program-to-program. Given the complexity and ever-changing nature of computer technology, we decline to set forth any strict methodology for the abstraction of computer programs.” Nonetheless, the court identified six levels of “generally declining abstraction”: (1) the main purpose of the computer program, (2) the structure or architecture of a program, generally as represented in a flowchart, (3) “modules” that comprise particular program operations or types of stored data, (4) individual algorithms or data structures employed in each of the modules, (5) the source code that instructs the computer to carry out each necessary operation on each data structure, and (6) the object code that is actually read by the computer. The court used these levels of abstraction to facilitate its analysis of the program at issue.

The *Gates Rubber* court also gave further content to the filtration part of the *Altai* analysis. The court filtered out six unprotectable elements: ideas, the processes or methods of the computer program, facts, material in the public domain, expression that has “merged” with an idea or process, and expression that is so standard or common as to be a “necessary incident” to an idea or process (i.e., the *scenes à faire* doctrine). Finally, the court indicated that comparison of the protected elements of a program should be done on a case-by-case basis, with an eye toward determining whether a substantial portion of the protectable expression of the original work has been copied.

Is this analysis consistent with *Altai*? Is a court applying *Gates Rubber* likely to give more or less protection to a computer program than would the *Altai* court?

4. Limitations on the Exclusive Right to Copy

In general, the standard for copyright infringement does not turn on the intent of the copyist. The copyright laws do not apply only to copying for a commercial purpose or to large-scale copying, but to any copying. There are, however, several statutory exceptions to this general rule:

Archival Copies for Public Libraries. Section 108 exempts from copyright liability a public “library or archives” which makes only one copy of a work at a time, assuming the copy is made for specified purposes. Copies may be made for the preservation and replacement of existing works, but only if the work cannot be replaced by purchase at a “fair price.” Libraries can also make single copies for noncommercial users, as long as the library does not engage in the “systematic reproduction or distribution” of such copies. Finally, libraries are not liable for copyright violations by their patrons (even those using on-site photocopiers), as long as the library posts conspicuous warnings notifying users of the copyright laws.

Ephemeral Copies by Broadcasters. Sections 112 and 118(d) permit broadcasters to make “ephemeral” or “ancillary” copies of certain performances and displays during the course of broadcasting. For example, broadcasters are permitted to make a copy

during the course of retransmitting a program. We discuss these exceptions in more detail when we consider performance and display rights.

Reproduction for People with Disabilities. Section 121 provides that “it is not an infringement of copyright for an authorized entity to reproduce or to distribute copies or phonorecords of a previously published, nondramatic literary work if such copies or phonorecords are reproduced or distributed in specialized formats exclusively for use by blind or other persons with disabilities.”

Noncommercial Copies of Musical Compositions and Sound Recordings. Section 1008, added by the Audio Home Recording Act of 1992 (AHRA), authorizes “consumers” to make copies of sound recordings for “non-commercial use.” The immunity for home taping is part of a broader compromise that resolved issues surrounding the use of “digital audio tape” (DAT) technology, which was thought in 1992 to be the wave of the future. In return for this immunity from suit, manufacturers of DAT decks and tapes must pay a royalty to the Copyright Office for distribution to copyright owners. Furthermore, the Act outlaws the sale of DAT decks that can copy copies. We discuss the AHRA in Chapter IV(E)(1)(d)(i).

Running Computer Software. Section 117(a) provides that:

it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

- (1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or
- (2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

Maintaining Computer Software. Section 117(c) provides that an owner or lessee of a computer may make or authorize “the making of a copy of a computer program if such copy is made solely by virtue of the activation of a machine that lawfully contains an authorized copy of the computer program, for purposes only of maintenance or repair of that machine.”

Fair Use. The fair use doctrine provides a defense in many instances of copying. We consider fair use in detail in Section F.

5. Compulsory Licensing of Musical Compositions

As discussed in Section C(1)(iv), copyright protection for music comes in two forms: (1) musical compositions; and (2) sound recordings. Congress extended copyright protection to musical compositions in 1831. Federal copyright protection for sound recordings—derivative works based on musical compositions—dates to 1972. The rights surrounding music are especially complex. In 2018, Congress substantially reformed copyright protection for music in response to the enormous changes in music creation, reproduction, distribution, and public performance wrought by digital

countered that the cover license promoted competition and a broader variety of sound recordings.

Congress ultimately retained the mechanical compulsory license in the 1976 Act, with reforms to adjust royalty rates over time. Section 115 of the Act permits anyone to record a musical composition that has previously been distributed to the public under the authority of the copyright owner upon the payment of a compulsory license determined by a formula specified in the statute. The compulsory license rate has risen since that time to the greater of 9.1¢ (or 1.75¢ per minute of playing time) per recording. Furthermore, §115 does not permit cover artists to change the “basic melody or fundamental character of the work.” The copyright law does not prohibit close imitations of an artist’s sound recording, so-called “sound-alike” versions. *See* §114(b).

In a revealing exploration of the interplay of race and intellectual property law, Professor Robert Brauneis traces the development of the sound-alike provision to the disenfranchisement of African American recording artists in the mid 20th century. *See* Robert Brauneis, *Copyright Music and Race: The Case of Mirror Cover Recordings* (2020). By the 1920s, record companies began marketing along racial and social lines: “race” records by and for African Americans; “hillbilly” or “old-time” records by and for white, rural Southerners; and “popular” records, the largest category, by and for whites. As black rhythm and blues (R&B) releases on small, independent, and sometimes black-owned record companies showed promise on the “race” chart, large, white-owned major record company with national distribution used the cover license to market these compositions to the large “popular” music marketplace. “The white version was not so much a cover as a *copy*, an attempted *duplication* of not only the melody of the song but the musical voicings and rhythmic quality of the arrangement, plus the singer’s distinctive vocal style as well in many cases.” *See* JAMES M. SALEM, *THE LATE GREAT JOHNNY ACE AND THE TRANSITION FROM R&B TO ROCK N’ ROLL* 168 (1999). Much of the rock n’ roll music genre traces its roots to “race” music pioneers.

In 1948, African American-owned Supreme Records sued Decca Records and Capitol Records over cover versions of “A Little Bird Told Me,” composed by Harvey Oliver Brooks, sang and performed on piano by Paula Watson, arranged by bandleader Leroy Whyte, and performed by instrumentalists and vocalists Albert Patrick, Leroy Whyte, Tiny Webb, Jesse Sailes, Chuck Hamilton, Maxwell Davis, and Pete Peterson, all African Americans. At that time, copyright law did not yet protect sound recordings. It only protected musical compositions, for which Decca and Capitol could license rights for 2¢ per record sold pursuant to the mechanical license provision of the 1909 Act. Lacking a clear copyright cause of action, Supreme Records asserted that the cover versions constituted unfair competition by appropriating “an introduction, overlaps and handclapping, choral responses, a certain verbal deviation from the wording of the song, and the introduction of [several] bars of music at about the middle of the song.” *Supreme Records v. Decca Records*, 90 F. Supp. 904, 911 (S.D. Cal. 1950). The Supreme recording sold well in the “race” category, reaching 250,000 copies. However, this paled

into comparison to Decca sales of two million copies of the sound-alike recording in the “popular” marketplace.

BILLBOARD reported that Decca “put its big legal guns” to work on the case “because of its importance as a precedent-setting suit.” BILLBOARD, May 13, 1950, at 12. The court rejected Decca’s claim, opining that “a mere recording of an arrangement of a musical composition by one who is not the author of the composition is [not] a property right which should be given recognition in equity.” 90 F. Supp. at 908. The effect of the decision was to decision to “ope[n] the floodgates for cover versions during the 50s.” LARRY STARR & CHRISTOPHER WATERMAN, *AMERICAN POPULAR MUSIC FROM MINSTRELS TO MTV 196-197* (2003). Congress ultimately codified the freedom to produce sound-alikes as part of the 1976 Act. See §114(b); *Newton v. Diamond*, 388 F.3d 1189 (9th Cir. 2003). As we explore in Chapter VI(D), such recordings can run afoul of the right of publicity and the Federal Trade Commission’s unfair trade practice guidelines under limited circumstances in modern jurisprudence. See *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir. 1988).

ii. Mechanical Compulsory License II: Digital Phonorecord Delivery (DPD)

As part of the legislation to facilitate digital music distribution in 1995 (Digital Performance Rights in Sound Recording Act (DPRSRA)), Congress expanded the §115 compulsory license to include “digital phonorecord deliveries” or DPDs. See §115(d). This provision authorized the Copyright Royalty Board (CRB) to establish compulsory license rates for delivery of DPDs. The Act distinguished between incidental DPDs (“where the reproduction is incidental to the transmission which constitutes the [DPD]”—i.e., the transmission recipient does not retain the phonorecord for subsequent playback) and general DPDs (where the recipient possesses a permanent copy of the phonorecord). The legislative history indicated that the royalty rate for incidental DPDs could be less than for general DPDs, but Congress left the details and the scope of what constituted a DPD unresolved. The online music industry, which was rapidly developing with a variety of download, limited download, webcasting, noninteractive streaming, and interactive streaming services, devolved into chaos.

In 2006, the Copyright Office construed the DPRSRA to encompass ringtones with compulsory license provisions. The legislation left the royalty rates for DPDs to be resolved through industry negotiations or arbitration by Copyright Royalty Judges. Although real-time transmissions—where no reproduction of a sound recording is made for the purposes of the transmission—did not constitute a DPD, composers, publishers, record labels and high-tech companies nonetheless reached an agreement in May 2008 establishing royalty rates and terms covering limited downloads, interactive streaming, and “all known incidental DPDs.” See Copyright Royalty Board, Library of Congress, *Mechanical and Digital Phonorecord Delivery Rate Determination Proceeding*, 73 FED. REG. 57,033 (Oct. 1, 2008) (providing for a mechanical royalty of 10.5% of revenue, minus any amounts owed for performance royalties). When the musical composition copyright owners and record labels failed to reach agreement on royalty

rates, the Copyright Royalty Judges stepped in and set rates of 24¢ per ringtone and the greater of 9.1¢ (or 1.75¢ per minute of playing time) for permanent digital downloads (e.g., iTunes). See *Recording Industry Ass’n of America, Inc. v. Librarian of Congress*, 608 F.3d 861 (D.C. Cir. 2010).

Over the ensuing decade, online streaming services such as Spotify and Pandora came to dominate the music distribution marketplace. Music composers complained bitterly about low royalty rates. Performing artists complained about the lack of federal copyright protection for pre-1972 sound recordings. Streaming services complained about the difficulties of tracking down songwriters to get permission. And class action lawsuits alleging failure to file NOIs against streaming services threatened massive exposure for copyright infringement.²⁵

These pressures culminated in Congress’s passage of the Music Modernization Act (MMA) in 2018, which revamped the §115 DPD compulsory license, brought pre-1972 recordings within federal copyright protection, and sought to afford music producers a share of §114 performance right royalties. We summarize the major adjustments to the §115 DPD compulsory license here. Section IV(E)(1)(i)(d)(2) addresses performance rights in musical compositions and sound recordings. Section IV(E)(iii) discusses the treatment of pre-1972 sound recordings.

The MMA provides for an expansive DPD blanket license (§115(a), (b), (d)) for online music streaming, the formation of a mechanical licensing collective to administer the blanket license (§115(d)), the establishment of a musical works database (§115(d)(3)), and a royalty rate setting mechanism (§115(c)). The new regime uses a willing buyer/willing seller standard for rate setting rather than setting a “reasonable rate” based on maximizing public availability of creative works, affording copyright owners a fair return and licensees fair income, and minimizing industry disruption. The MMA also limits infringement liability for online services that make good faith efforts to comply with the compulsory licensing provisions (§115(d)(10)(A) (barring statutory damages)) and exempts copyright owners and online services from antitrust liability for negotiating compulsory licenses (§115(d)(11)(B)). Online services also retain freedom to negotiate licenses directly with musical composition owners.

Advocates of the MMA hope that it will reduce transaction costs, encourage registration of musical compositions and sound recordings, eliminate statutory damages windfalls, tilt royalty distribution toward parity between composers and performing artists, and promote licensing rather than litigation. The MMA includes detailed transition provisions. Many of the details of this regime will be worked out through rulemaking by the Copyright Office over the coming years. The blanket license goes into effect on January 1, 2021.

b. The Right to Prepare Derivative Works

²⁵ The lawsuits sought \$150,000 in statutory damages per work for willful copyright infringement of thousands of musical compositions based on alleged failure to file NOIs with the Copyright Office. The streaming services countered that the licenses were secured through the Harry Fox Agency.

In its early form, copyright law protected only against the production of substantially similar copies in the same medium. It did not protect against translations or dramatic renditions of a novel. Over time, copyright law has expanded to afford the copyright protection in a wide range of derivative media. George Lucas pioneered exploitation of the derivative work right by selling merchandise and licenses to turn a popular motion picture series (*Star Wars*) into a commercial juggernaut. Just as sports icons like Steph Curry or Jordan Speith can earn more money off the playing field through endorsements than through actual salary or tournament winnings, many authors today—such as John Grisham (*The Firm*, *The Pelican Brief*), Michael Crichton (*Jurassic Park*, *Disclosure*), and J.K. Rowling (*Harry Potter* series)—can earn far greater returns from movie and commercial tie-ins than from the novels on which these works are based. Disney and Universal Studios have been particularly effective in leveraging their copyrights in characters and films to television series, toys, commercial tie-ins, and theme parks.

Building upon the foundation laid by the 1909 Act and subsequent court decisions expanding the uses and media protected by copyright law, the 1976 Act provides the copyright owner the exclusive right “to prepare derivative works based upon the copyrighted work.” §106(2). The Act defines a “derivative work” as “a work based on one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation, or any other form in which a work may be recast, transformed, or adapted.” It also includes “a work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship.” As the following case reflects, this right structure can operate like a “prospect,” *cf.* Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J.L. & ECON. 265 (1977); Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989 (1997), affording the original author a broad opportunity to exploit new markets and incremental improvements in his or her work.

Given that the Act’s definition of a derivative work covers situations where an underlying work is “transformed,” in recent years courts have struggled to balance the scope of the derivative works right against the “transformative use” variant of fair use. The Supreme Court’s most recent decision in *AWF* addresses the interplay between the two, and is discussed in Section F(1)(iii)(a).



Anderson v. Stallone
United States District Court for the Central District of California
11 U.S.P.Q.2d 1161 (C.D. Cal. 1989)

KELLER, DISTRICT JUDGE:

...

Factual Background

The movies *Rocky I, II, and III* were extremely successful motion pictures. Sylvester Stallone wrote each script and played the role of Rocky Balboa, the dominant character in each of the movies. In May of 1982, while on a promotional tour for the movie *Rocky III*, Stallone informed members of the press of his ideas for *Rocky IV*. Although Stallone's description of his ideas would vary slightly in each of the press conferences, he would generally describe his ideas as follows:

I'd do it [*Rocky IV*] if Rocky himself could step out a bit. Maybe tackle world problems. . . . So what would happen, say, if Russia allowed her boxers to enter the professional ranks? Say Rocky is the United States' representative and the White House wants him to fight with the Russians before the Olympics. It's in Russia with everything against him. It's a giant stadium in Moscow and everything is Russian Red. It's a fight of astounding proportions with 50 monitors sent to 50 countries. It's the World Cup—a war between 2 countries.

WACO TRIBUNE-HERALD, May 28, 1982; Section D, pg. 1. In June of 1982, after viewing the movie *Rocky III*, Timothy Anderson wrote a thirty-one page treatment entitled "*Rocky IV*" that he hoped would be used by Stallone and MGM-UA Communications Co. (hereinafter "MGM") as a sequel to *Rocky III*. The treatment incorporated the characters created by Stallone in his prior movies and cited Stallone as a co-author.

In October of 1982, Mr. Anderson met with Art Linkletter, who was a member of MGM's board of directors. Mr. Linkletter set up a meeting on October 11, 1982, between Mr. Anderson and Mr. Fields, who was president of MGM at the time. Mr. Linkletter was also present at this October 11, 1982 meeting. During the meeting, the parties discussed the possibility that plaintiff's treatment would be used by defendants as the script for *Rocky IV*. At the suggestion of Mr. Fields, the plaintiff, who is a lawyer and was accompanied by a lawyer at the meeting, signed a release that purported to relieve MGM from liability stemming from use of the treatment. Plaintiff alleges that Mr. Fields told him and his attorney that "if they [MGM and Stallone] use his stuff [Anderson's treatment] it will be big money, big bucks for Tim."

On April 22, 1984, Anderson's attorney wrote MGM requesting compensation for the alleged use of his treatment in the forthcoming *Rocky IV* movie. On July 12, 1984, Stallone described his plans for the *Rocky IV* script on the Today Show before a national television audience. Anderson, in his deposition, states that his parents and friends called him to tell him that Stallone was telling "his story" on television. . . .

Stallone completed his *Rocky IV* script in October of 1984. *Rocky IV* was released in November of 1985. The complaint in this action was filed on January 29, 1987.

Conclusions of Law

...

IV. Defendants Are Entitled to Summary Judgment on Anderson's Copyright Infringement Claims

...

A. Defendants Are Entitled to Summary Judgment Because Anderson's Treatment Is an Infringing Work That Is Not Entitled to Copyright Protection

The Court finds that Anderson's treatment is not entitled to copyright protection. This finding is based upon the following determinations that will be delineated further below: (a) the Rocky characters developed in *Rocky I, II* and *III* constitute expression protected by copyright independent from the story in which they are contained; (b) Anderson's treatment appropriated these characters and created a derivative work based upon these characters without Stallone's permission in violation of §106(2); (c) no part of Anderson's treatment is entitled to copyright protection as his work is pervaded by the characters of the first three *Rocky* movies that are afforded copyright protection.

1. Visually Depicted Characters Can Be Granted Copyright Protection

The precise legal standard this Court should apply in determining when a character may be afforded copyright protection is fraught with uncertainty. The Second Circuit has followed Judge Learned Hand's opinion in *Nichols v. Universal Pictures*, 45 F.2d 119 (2d Cir. 1930). Judge Hand set forth a test, simple in theory but elusive in application, to determine when a character should be granted copyright protection. Essentially, under this test, copyright protection is granted to a character if it is developed with enough specificity so as to constitute protectable expression. *Id.* at 121.

This circuit originally created a more rigorous test for granting copyright protection to characters. In *Warner Bros. Pictures, Inc. v. Columbia Broadcasting System, Inc.* (hereinafter the "Sam Spade" opinion), this circuit held that the literary character Sam Spade was not copyrightable, opining that a character could not be granted copyright protection unless it "constituted the story being told." 216 F.2d 945, 950 (9th Cir. 1954). The Sam Spade case has not been explicitly overruled by this circuit and its requirement that a character "constitute the story being told" appears to greatly circumscribe the protection of characters in this circuit.

Subsequent decisions in the Ninth Circuit cast doubt on the reasoning and implicitly limit the holding of the Sam Spade case. In *Walt Disney Productions v. Air Pirates*, this circuit held that several Disney comic characters were protected by copyright. 581 F.2d 751, 755 (9th Cir. 1978). In doing so the Court of Appeals reasoned that because "comic book characters . . . are distinguishable from literary characters, the *Warner Bros.* language does not preclude protection of Disney's characters." *Id.* *Air Pirates* can be

interpreted as either attempting to harmonize granting copyright protection to graphic characters with the “story being told” test enunciated in the Sam Spade case or narrowing the “story being told” test to characters in literary works. . . .

2. The Rocky Characters Are Entitled to Copyright Protection as a Matter of Law

. . . The Rocky characters are one of the most highly delineated group of characters in modern American cinema. The physical and emotional characteristics of Rocky Balboa and the other characters were set forth in tremendous detail in three Rocky movies before Anderson appropriated the characters for his treatment. The interrelationships and development of Rocky, Adrian, Apollo Creed, Clubber Lang, and Paulie are central to all three movies. Rocky Balboa is such a highly delineated character that his name is the title of all four of the Rocky movies and his character has become identified with specific character traits ranging from his speaking mannerisms to his physical characteristics. This Court has no difficulty ruling as a matter of law that the Rocky characters are delineated so extensively that they are protected from bodily appropriation when taken as a group and transposed into a sequel by another author. Plaintiff has not and cannot put before this Court any evidence to rebut the defendants’ showing that Rocky characters are so highly delineated that they warrant copyright protection.

Plaintiff’s unsupported assertions that Rocky is merely a stock character, made in the face of voluminous evidence that the Rocky characters are copyrightable, do not bar this Court from granting summary judgment on this issue. If any group of movie characters is protected by copyright, surely the Rocky characters are protected from bodily appropriation into a sequel which merely builds on the relationships and characteristics which these characters developed in the first three Rocky movies. No reasonable jury could find otherwise.

This Court need not and does not reach the issue of whether any single character alone, apart from Rocky, is delineated with enough specificity so as to garner copyright protection. . . .

This Court also finds that the Rocky characters were so highly developed and central to the three movies made before Anderson’s treatment that they “constituted the story being told.” All three Rocky movies focused on the development and relationships of the various characters. The movies did not revolve around intricate plots or story lines. Instead, the focus of these movies was the development of the Rocky characters. The same evidence which supports the finding of delineation above is so extensive that it also warrants a finding that the Rocky characters—Rocky, Adrian, Apollo Creed, Clubber Lang, and Paulie—“constituted the story being told” in the first three Rocky movies.

3. Anderson’s Work Is an Unauthorized Derivative Work

Under 17 U.S.C. §106(2), the holder of a copyright has the exclusive right to prepare derivative works based upon his copyrighted work. In this circuit a work is derivative

is entitled to sue a third party for infringing the original portions of his work. Nor can he provide a single case that stands for the extraordinary proposition he proposes here, namely, allowing a plaintiff to sue the party whose work he has infringed upon for infringement of his infringing derivative work.

Instead, Anderson alleges that the House Report on section 103(a) indicates that Congress intended protection for the non-infringing portions of derivative works such as his treatment. The House Report for section 103(a) first delineates the differences between compilations and derivative works. H.R. No. 1476, 94th Cong., 2d Sess. at 57–58 (1976). The House Report then reads as follows:

The second part of the sentence that makes up section 103(a) deals with the status of a compilation or derivative work unlawfully employing preexisting copyrighted material. In providing that protection does not extend to “any part of the work in which such material has been used unlawfully,” the bill prevents an infringer from benefiting, through copyright protection, from committing an unlawful act, but preserves protection for those parts of the work that do not employ the preexisting work. Thus, an unauthorized translation of a novel could not be copyrighted at all, but the owner of copyright in an anthology of poetry could sue someone who infringed the whole anthology, even though the infringer proves that publication of one of the poems was unauthorized.

...

Plaintiff has written a treatment which is an unauthorized derivative work. This treatment infringes upon Stallone’s copyrights and his exclusive right to prepare derivative works which are based upon these movies. 17 U.S.C. §106(2). Section 103(a) was not intended to arm an infringer and limit the applicability of section 106(2) on unified derivative works. . . . Section 103(a) allows an author whose authorship essentially is the arrangement or ordering of several independent works to keep the copyright for his arrangement even if one of the underlying works he arranged is found to be used unlawfully. The infringing portion would be easily severable and the scope of the compilation author’s own work would be easily ascertainable. Even if this Court were to interpret section 103(a) as allowing an author of an infringing derivative work to sue third parties based on the non-infringing portions of his work, section 106(2) most certainly precludes the author of an unauthorized infringing derivative work from suing the author of the work which he has already infringed. Thus, the Court HOLDS that the defendants are entitled to summary judgment on plaintiff’s copyright claims as the plaintiff cannot gain copyright protection for any portion of his work under section 103(a). In addition, Anderson is precluded by section 106(2) from bringing an action for copyright infringement against Stallone and the other defendants. . . .

COMMENTS AND QUESTIONS

1. Why protect derivative works under §106(2) at all? The Nimmer treatise refers to §106(2)’s right to prepare derivative works as “completely superfluous.” 2 NIMMER ON COPYRIGHT §8.09[A], at 8–114. It reasons that infringement of the right to prepare derivative works necessarily also infringes either the right to make copies or the right

to perform works, so there is no reason to have both. If derivative works must be “substantially similar” to the underlying work to infringe the §106(2) right, does it add anything to the protections granted elsewhere in the Copyright Act?

Professor Paul Goldstein suggests that protecting derivative works is necessary in some instances to ensure that adequate incentives are given to copyright holders to develop new works. He argues that the author of a book should own the rights to a movie made out of that book, for example. See Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPYRIGHT SOC’Y 209 (1982). But why are derivative rights necessary to accomplish this? In most such situations, the movie (or sequel) will of necessity copy places and characters exactly from the original. This seems to be a clear case of direct infringement of protected expression. If, on the other hand, expression from the original is *not* copied, but only general ideas or themes, is copyright protection desirable?

2. Were Stallone to lose this case, what would prevent prospective authors from generating numerous potential plot permutations for future James Bond films, publicizing them on the Internet, and then waiting to sue when MGM eventually selects one of these story lines? What counterarguments could you offer to this scenario? Is this risk really significant? What could MGM do to protect itself against such potential plaintiffs? On the other hand, does it seem fair that Stallone is free to take original work written by others without compensation?

3. *Substantial Similarity Test for Infringement by Derivative Works*. As the court in *Anderson* notes, an infringement of the derivative works right in §106(2) ordinarily requires a showing of substantial similarity between the defendant’s work and the underlying protected work that it is based on. In *Litchfield v. Spielberg*, 736 F.2d 1352 (9th Cir. 1984), the plaintiff argued that Steven Spielberg and Universal Pictures had infringed the copyright in her one-act play titled *Lokey from Moldemar* when they produced the famous movie *E.T.—The Extra Terrestrial*. *Lokey* was a musical play about two aliens who come to be stranded on earth, and meet a family who they befriend before eventually finding a way to return to their home planet. The plaintiff claimed that the defendant’s movie was based on her play, but argued that a showing of substantial similarity was unnecessary since §106(2) merely required the derivative work to be based on the preexisting work. In rejecting this argument, the Ninth Circuit noted that while §106(2) was intended to expand the scope of the right, it nevertheless required a showing of substantial similarity in order to avoid radically altering the scope of copyright protection. Do you agree with this reasoning? If substantial similarity is required for showing a violation of *both* §106(1) and §106(2), does that not render §106(2) claims redundant in most cases? On the other hand, would *Litchfield*’s reading render the substantial similarity test irrelevant, since plaintiffs could avoid it by simply claiming the defendant had created a derivative work instead?

4. *Tolerated Use*. Given the breadth of copyright and the derivative works right, innumerable uses of a protected work would qualify as acts of infringement. In practice, however, a large number of uses that would technically qualify as infringing uses (and not fair use) are tolerated by copyright owners for a variety of reasons. The Court in

Sony recognized the important of this category of uses to the analysis of contributory infringement. *Sony*, 464 U.S. at 445-47. Professor Tim Wu has used the term “tolerated use” to describe such uses. See Tim Wu, *Tolerated Use*, 31 COLUM. J.L. & ARTS 617 (2008). But users cannot rely on a norm of toleration; a plaintiff may sue even if others wouldn’t, and if so, the fact that such suits are uncommon is not a defense.

The norm of tolerating certain uses (such as copying an image from the internet in a social media post) may explain why at times copyright owners’ fastidious enforcement of infringement claims in a systematic manner is pejoratively described as “copyright trolling.” See Shyamkrishna Balganesh, *The Uneasy Case Against Copyright Trolls*, 86 S. CAL. L. REV. 723 (2013). But many copyright trolling efforts seem more deliberate efforts to entrap defendants. See Joshua Brustein, *Don’t Sue Me Like That: Anatomy of a Copyright Troll*, BLOOMBERG (Jun. 28, 2021) (discussing the case of notorious repeat plaintiff Larry Philpot, who posts his works under a Creative Commons license but sues anyone who makes even minor modifications to the attribution text).

5. *Character Protection*. Although characters are not an enumerated copyrightable subject matter under the Copyright Act, there is a long history of extending copyright protection to graphically-depicted characters. As the Ninth Circuit recognized in *DC Comics v. Towle*, 802 F.3d 1012 (9th Cir. 2015), although “[n]ot every comic book, television, or motion picture character is entitled to copyright protection,” a character is entitled to copyright protection if (1) it has “physical as well as conceptual qualities,” (2) it is “sufficiently delineated to be recognizable as the same character whenever it appears” and “display[s] consistent, identifiable character traits and attributes,” and (3) it is “especially distinctive” and “contain[s] some unique elements of expression.” *Id.* at 1021. In that case, the court ruled that the Batmobile, as it appeared graphically in comic books and as a three-dimensional car in television and movies, satisfied this test.



The court held that defendant’s production of Batmobile replicas infringed the copyright.

The Ninth Circuit applied this test in *Daniels v. Walt Disney Company*, 958 F.3d 767 (9th Cir. 2020), a case alleging that Pixar’s hit animated film *Inside Out* about five anthropomorphized emotions that live inside the mind of an 11-year-old girl.



infringed The Moodsters, five characters reflecting color-coded anthropomorphic emotions.



Daniels had developed several projects around The Moodsters: a 30-minute pilot episode for a television series and a line of toys and books. Nonetheless, the court ruled against Daniels on the ground that The Moodsters, although having both physical and conceptual qualities, did not “display consistent, identifiable character traits and attributes,” were not “especially distinctive,” and lacked “unique elements of expression.”

6. *Economic Incentives*. Does a broad right to control derivative works comport with the economic incentive approach to intellectual property protection? Proponents of an incentive-based view of copyright might well challenge the assumption that authors should receive royalties from derivative works. Do authors really create under the assumption that their works will be translated into different forms? (Some do, certainly; Disney markets its animated films with an eye toward selling T-shirts and

stuffed animals as well as movie tickets.) From a strict incentive perspective, should we reward authors in markets they did not originally enter? To what extent does your answer depend on assumptions about the capacity of authors and artists to develop other applications of their work? To what extent does your answer depend on assumptions about the transaction costs of licensing?

The economic rationale for derivative works may break down where the derivative right is used to preclude defendants from developing their own creative works in a market the plaintiff has not herself exploited, but which depends somehow on the plaintiff's work. Something of this sort may have happened in *Castle Rock Entertainment v. Carol Publishing Group*, 150 F.3d 132 (2d Cir. 1998). There the court enjoined the publication of a *Seinfeld* trivia book called the *Seinfeld Aptitude Test*. The court reasoned that the book infringed the copyright in the *Seinfeld* television series because it took numerous "facts" from the episodes created by the copyright owner. Because *Seinfeld* was fictional, the court concluded that these "facts" constituted copyrightable expression, and the defendants could not prevail on a fair use defense.

Do you find the result in the *Seinfeld* case convincing? What if the book in question had been an unauthorized biography of Jerry Seinfeld? A news report about a particularly controversial episode? What light, if any, does the case shed on the appropriate limits of the derivative work right?

7. *Comparison to Patent Scope*. Copyright law appears to afford the copyright proprietor broad control of all extensions of their original expression. Section 103(b) extends protection only to new expression, and not to preexisting material included in the derivative work. Only the original author or a licensee is entitled to a copyright in the derivative work. This means that if a filmmaker makes a movie out of a copyrighted book without authorization, adding substantial expression of her own in the process, she is not entitled to a copyright in any portion of the movie in which infringing material appears. See *Pickett v. Prince*, 207 F.3d 402 (7th Cir. 2000) (artisan who made a guitar in the shape of recording artist Prince's original love symbol infringed the copyright in Prince's symbol and therefore lacked originality for the guitar shape); *Sobhani v. @Radical.Media Inc.*, 257 F. Supp. 2d 1234 (C.D. Cal. 2003).

Compare this result with the "blocking patents" situation in patent law. As Professor Merges explains, this doctrine permits a second inventor to obtain a patent on his improvement even though that improvement also infringes another patent. Robert P. Merges, *Intellectual Property Rights and Bargaining Breakdown: The Case of Blocking Patents*, 62 TENN. L. REV. 74 (1994). Historically, this circumstance has led to enhanced bargaining, but the social costs of occasional bargaining breakdown justify a sort of "patent fair use" principle (the "reverse doctrine of equivalents"). Fortunately, although such situations are serious given that they often involve significant new technologies, they are relatively rare. In the great run of cases, the ingenious institution of blocking patents balances the rights of original creators and subsequent improvers rather nicely.

No such institution exists in the law of copyrights. See Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989 (1997).

derivative work, such as a ballet, pantomime, or improvised performance, may be an infringement even though nothing is ever fixed in tangible form.” See H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 62 (1976). A series of cases involving video games has addressed whether add-on devices and software designed to enhance the playing experience constitute derivative works. In *Midway Mfg. Co. v. Arctic Int’l, Inc.*, 704 F.2d 1009 (7th Cir. 1983), the defendant sold printed circuit boards that sped up the play of plaintiff’s Galaxian and Pac-Man video games. Interpreting the definition of “derivative work” in §101 of the Act, the court explained that

[i]t is not obvious from this language whether a speeded-up video game is a derivative work. A speeded-up phonograph record probably is not. *Cf. Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 73 F. Supp. 165, 167 (S.D.N.Y. 1947) (“The change in time of the added chorus, and the slight variation in the base of the accompaniment, there being no change in the tune or lyrics, would not be ‘new work’”); 1 NIMMER ON COPYRIGHT §3.03 (1982). But that is because the additional value to the copyright owner of having the right to market separately the speeded-up version of the recorded performance is too trivial to warrant legal protection for that right. A speeded-up video game is a substantially different product from the original game. As noted, it is more exciting to play and it requires some creative effort to produce. For that reason, the owner of the copyright on the game should be entitled to monopolize it on the same theory that he is entitled to monopolize the derivative works specifically listed in Section 101. The current rage for video games was not anticipated in 1976, and like any new technology the video game does not fit with complete ease the definition of derivative work in Section 101 of the 1976 Act. But the amount by which the language of Section 101 must be stretched to accommodate speeded-up video games is, we believe, within the limits within which Congress wanted the new Act to operate.

Midway Mfg. Co., 704 F.2d at 1014. Do you agree? Note that the defendant is not creating a new copy of the video game, since the sped-up version is not fixed in a tangible medium of expression. Should that matter in deciding whether the new version is a derivative work? See *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965 (9th Cir. 1992) (requiring some instantiation short of fixation); *Micro Star v. Formgen, Inc.*, 154 F.3d 1107 (9th Cir. 1998) (same).

9. *Content Filtering.* In 2002, ClearPlay introduced a technology that allows consumers to activate film-specific filters to black out violent and sexual scenes and to mute profanity for DVDs. In order to accomplish this functionality, ClearPlay wrote software masks that run in parallel with DVDs that instruct the player to skip over particular scenes and mute specific segments. Motion picture studios brought suit, alleging that such filters constituted unauthorized derivative works. Do they? Surely a consumer can fast-forward through scenes and press the mute button without violating the rights of the copyright owner. Should the owner of the copyright in the work have the exclusive right to provide add-on technologies to assist the consumer in these efforts?

After several years of litigation, Congress settled this dispute by passing the Family Entertainment and Copyright Act of 2005 (FECA), which immunizes:

the making imperceptible, by or at the direction of a member of a private household, of limited portions of audio or video content of a motion picture, during a performance in or transmitted to that household for private home viewing, from an authorized copy of the motion picture, or the creation or provision of a computer program or other technology that enables such making imperceptible and that is designed and marketed to be used, at the direction of a member of a private household, for such making imperceptible, if no fixed copy of the altered version of the motion picture is created by such computer program or other technology.

17 U.S.C. §110(11).

In 2014, VidAngel sought refuge under this provision for its platform that allowed customers with streaming accounts (Netflix, HBO, Amazon Prime) to select filters to remove scenes containing nudity, profanity, and graphic violence. After being denied licenses from motion picture studios, VidAngel developed a library of edited motion pictures by circumventing the copy-protection features of DVDs and Blu-ray discs. When major studios sued for copyright infringement, VidAngel defended on the ground that because it “begins its filtering process with an authorized copy”—a lawfully purchased disc—“any subsequent filtered stream” is also “from” that authorized copy, and therefore its service fell within FECA. The Ninth Circuit rejected this argument based on the statutory text, holding that the stream was from the altered copy and therefore not “from an authorized copy of a motion picture.” *See Disney Enterprises, Inc. v. VidAngel, Inc.*, 869 F.3d 848, 857-60 (9th Cir. 2017). VidAngel was ultimately held liable for \$62 million in damages. Should Congress expand FECA to authorize such activity?

10. *Software Guides “for Dummies.”* Are *Windows for Dummies*, *Excel for Dummies*, and *Word for Dummies* derivative works? Whereas Hollywood seems to go after derivative uses vigorously, the software industry has been much more welcoming of guides for software products. How would you explain this difference?

PROBLEMS

Problem IV-33. Garamon, a French author, wrote a successful novel in French. The novel is copyrighted in France in 1954. Garamon authorized an English translation of his novel but failed to comply with the formalities then required under U.S. law to obtain a U.S. copyright in the translation. Thus, the translation fell into the public domain. Subsequently, Oaktree Press photocopied and distributed the English translation of the novel in the United States. Garamon sues for infringement, not of the translation, but of the copyright on the underlying French novel. Who should prevail?

Problem IV-34. A graphic artist for WORLD ENQUIRER magazine is asked to produce a seamless integration of two photographs so that it appears that two figures

from separate photographs were in the same picture. He scans the photographs and merges into an integrated graphic work using Adobe Photoshop. Assume one picture was copyrighted and the other was in the public domain. What rights do the owner of the copyrighted photograph and World Enquirer have in the resulting image?

Problem IV-35. In 1989, NBC introduced *Seinfeld*, a television sitcom featuring a standup comic and revolving around his quirky group of friends living in New York City. After a slow start, the show went on to enormous success, dominating television ratings throughout the 1990s and ending its run in 1998 at the top. In 1994, NBC launched *Friends*, another sitcom that revolved around a quirky group of friends living in New York City. It also went on to tremendous popular success.

In 2003, Jerry Seinfeld playfully accused *Friends* of being a *Seinfeld* rip-off. In a 2016 interview, the interviewer raised the issue: “It’s been suggested that *Friends* is *Seinfeld* with the hugging and learning.” Jerry responded: “No it’s [our show] with better looking people.”

How would you evaluate a hypothetical copyright infringement action by the producers of *Seinfeld* against the producers of *Friends*?

Problem IV-36. In 1951, J.D. Salinger’s novel *CATCHER IN THE RYE* was published to critical acclaim. The first-person narrative of Holden Caulfield, a rebellious, awkward, and conflicted teenager following his expulsion from a college preparatory school, became required reading in many high school and college literature curricula. Millions of teenagers and young adults experienced coming of age through the eyes of Salinger’s antihero, who became a symbol of teenage liberation and defiance. More than 65 million copies have been sold cumulatively, with sales still reaching a quarter of million per year, making it one of the bestselling books of all time. J.D. Salinger himself rebelled from the publicity generated by his success, becoming a recluse and withdrawing from publishing literary works.

In 2009, Fredrik Colting, writing under the pseudonym John David California (“J.D. California”), published the novel, *60 YEARS LATER: COMING THROUGH THE RYE*. Referring to the protagonist only as C, the author weaves a story that is unmistakably modeled after Salinger’s protagonist. Beyond the obvious effort to revive Caulfield, there is little else directly copied from *Catcher in the Rye*. Salinger brought suit, alleging that *60 YEARS LATER* is an unauthorized sequel to his 1951 work. What arguments would you make for Salinger? Colting? How should a court rule on the copyright infringement claim? (Note: We will revisit this scenario when get to the fair use doctrine, so reserve those arguments for later.)

c. The Distribution Right

Section 106(3) grants copyright owners the “exclusive right to do and to authorize” the following: “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.” This right grows out of the historic rights “to publish” and “to vend” recognized by earlier copyright statutes. This distribution right is closely allied with the right to copy, since reproduction has been the principal means of exploiting works of authorship for most of copyright’s history. Thus, copying and selling a copyright owner’s work without authorization violates both the right to copy and the right to distribute. As a corollary, both the copier who never does anything with his or her copies and the unknowing distributor of unauthorized copies are liable for copyright infringement.

Section 602 of the Copyright Act augments the distribution right by affording copyright owners the right to block importation or exportation of copies, subject to limited exceptions. *See* §602(a)(3) (exceptions for government use (but not including schools), personal copies for private use, and scholarly, education, or religious purposes (but not more than five copies)). Section 602(b) prohibits any importation of infringing copies.

1. The Scope of the Distribution Right: Does It Encompass Making a Work Available?

Prior to the emergence of file-sharing technology, the Copyright Act’s distribution right was largely dormant. Most enforcement actions were premised upon violations of the reproduction right and the relatively rare cases invoking the distribution right but not the reproduction right involved arcane scenarios. With the proliferation of filesharing over the Internet, direct enforcement of the Copyright Act against filesharers brought the scope of the distribution right to center stage, because many individual defendants were charged with allowing access to their computer drives containing copyrighted files, but others actually download those files.

Whereas the 1909 Act expressly protected the rights to “publish” and “vend,” the 1976 Act speaks of a right to “distribute.” Interpreting “distribute” narrowly, some courts have held that copyright owners must prove that a sound recording placed in a share folder was actually downloaded to establish violation of the distribution right. Other courts held that merely making a sound recording available violates the distribution right.

The ramifications for copyright enforcement in the Internet age are substantial. Under the narrow interpretation, the relative anonymity of Internet transmissions in combination with privacy concerns make enforcement costly and difficult. A broad interpretation exposes millions of filesharers to potentially crushing statutory damages.

In exploring the 1976 Act’s voluminous legislative history, Professor Menell argues that Congress did not intend to narrow the 1909 Act’s publish and vend rights. *See* Peter S. Menell, *In Search of Copyright’s Lost Ark: Interpreting the Right to Distribute in the Internet Age*, 59 J. COPYRIGHT SOC’Y U.S.A. 1 (2011). Rather, the drafters expressly intended to broaden the reach of those rights. The reason for the change in terminology

Five, *Sophie's Choice*, and *Promised Land*) in eBook form. Their works became available for downloading on Rosetta Books' website shortly thereafter. Random House, the exclusive U.S. publisher of the print versions of these books, promptly sued, claiming that its book publishing agreements with these authors to "print, publish, and sell the work in book form" dating back to the 1960s, extended to this new medium. This litigation is reminiscent of prior waves of cases following the development of other new distribution media. See *Bartsch v. Metro-Goldwyn-Mayer*, 391 F.2d 150 (2d Cir. 1950) (whether license to exhibit motion pictures extends to television broadcasts); *Boosey & Hawkes Music Publishers v. Walt Disney*, 145 F.3d 481 (2d Cir. 1998) (whether license to record musical composition for use in a motion picture extends to video cassettes); *Bourne v. Walt Disney*, 68 F.3d 621 (2d Cir. 1995) (same). Applying a narrow interpretation of the contractual language, the district court denied Random House's motion for a preliminary injunction, and the Second Circuit affirmed. See *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001), *aff'd*, 283 F.3d 490 (2d Cir. 2002). Should a court interpret the terms of such contracts narrowly (limiting the contract to the literal media described in the agreement) or more expansively, seeking to gauge the larger intent and bargaining positions of the parties and consider knowledge available at the time of interpretation?

Publishers that have had to deal with these cases have responded by drafting extremely broad language, such as that conferring "all rights in any medium now known or later conceived anywhere in the known universe."

2. Limitations on the Distribution Right: The First Sale Doctrine

Congress carved out an important limitation on the exclusive right to distribute: the "first sale doctrine."

Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

17 U.S.C. §109(a). This doctrine parallels the Patent Act's "exhaustion principle." The purchaser/recipient of an authorized copy may resell, lease, donate, or dispose of that copy without restriction, but may not make a new copy. In response to the availability of home copying technologies (cassette tape recorders and microcomputers), Congress limited the first sale doctrine by prohibiting the rental of phonorecords and computer programs for profit, fearing that the primary effect of such rentals was to encourage piracy. See §109(b). By contrast, renting movies and loaning out books is legal and commonplace.

Courts have struggled with the interplay of the first sale doctrine with the §602 import right. Manufacturers often sell goods in multiple national markets, sometimes pricing goods differently depending upon supply (e.g., cost of manufacturing locally, advertising expense, provision of repair or other services) and demand conditions (e.g., income, tastes, availability of substitutes). Copyright owners believed that §602

afforded them the ability to preserve this ability to maintain price differentials across national borders by prohibiting the importation of authorized sales in foreign markets. But can purchasers of authorized copyrighted goods in foreign countries invoke the first sale doctrine to bring them into the United States for resale? An enterprising graduate student from Thailand tested this proposition.



Kirtsaeng v. John Wiley & Sons, Inc.
Supreme Court of the United States
568 U.S. 519 (2013)

JUSTICE BREYER delivered the opinion of the Court.

Section 106 of the Copyright Act grants “the owner of copyright under this title” certain “exclusive rights,” including the right “to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership.” 17 U.S.C. §106(3). These rights are qualified, however, by the application of various limitations set forth in the next several sections of the Act, §§107 through 122. Those sections, typically entitled “Limitations on exclusive rights,” include, for example, the principle of “fair use” (§107), permission for limited library archival reproduction, (§108), and the doctrine at issue here, the “first sale” doctrine (§109).

Section 109(a) sets forth the “first sale” doctrine as follows:

“Notwithstanding the provisions of section 106(3) [the section that grants the owner exclusive distribution rights], the owner of a particular copy or phonorecord *lawfully made under this title* . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.” (Emphasis added.)

Thus, even though §106(3) forbids distribution of a copy of, say, the copyrighted novel Herzog without the copyright owner’s permission, §109(a) adds that, once a copy of Herzog has been lawfully sold (or its ownership otherwise lawfully transferred), the buyer of *that copy* and subsequent owners are free to dispose of it as they wish. In copyright jargon, the “first sale” has “exhausted” the copyright owner’s §106(3) exclusive distribution right.

What, however, if the copy of Herzog was printed abroad and then initially sold with the copyright owner’s permission? Does the “first sale” doctrine still apply? Is the buyer, like the buyer of a domestically manufactured copy, free to bring the copy into the United States and dispose of it as he or she wishes?

To put the matter technically, an “importation” provision, §602(a)(1), says that “[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . *under section 106*. . . .” (emphasis added).

Thus §602(a)(1) makes clear that importing a copy without permission violates the owner’s exclusive distribution right. But in doing so, §602(a)(1) refers explicitly to the

§106(3) exclusive distribution right. As we have just said, §106 is by its terms “[s]ubject to” the various doctrines and principles contained in §§107 through 122, including §109(a)’s “first sale” limitation. Do those same modifications apply—in particular, does the “first sale” modification apply—when considering whether §602(a)(1) prohibits importing a copy?

[W]e ask whether the “first sale” doctrine applies to protect a buyer or other lawful owner of a copy (of a copyrighted work) lawfully manufactured abroad. Can that buyer bring that copy into the United States (and sell it or give it away) without obtaining permission to do so from the copyright owner? Can, for example, someone who purchases, say at a used bookstore, a book printed abroad subsequently resell it without the copyright owner’s permission?

In our view, the answers to these questions are, yes. We hold that the “first sale” doctrine applies to copies of a copyrighted work lawfully made abroad.

I

A

Respondent, John Wiley & Sons, Inc., publishes academic textbooks. Wiley obtains from its authors various foreign and domestic copyright assignments, licenses and permissions—to the point that we can, for present purposes, refer to Wiley as the relevant American copyright owner. Wiley often assigns to its wholly owned foreign subsidiary, John Wiley & Sons (Asia) Pte Ltd., rights to publish, print, and sell Wiley’s English language textbooks abroad. Each copy of a Wiley Asia foreign edition will likely contain language making clear that the copy is to be sold only in a particular country or geographical region outside the United States. . . .

Petitioner, Supap Kirtsaeng, a citizen of Thailand, moved to the United States in 1997. . . . While he was studying in the United States, Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they sold at low prices, and mail them to him in the United States. Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit. . . .

II

We must decide whether the words “lawfully made under this title” restrict the scope of §109(a)’s “first sale” doctrine geographically. The Second Circuit, the Ninth Circuit, Wiley, and the Solicitor General (as *amicus*) all read those words as imposing a form of *geographical* limitation. The Second Circuit held that they limit the “first sale” doctrine to particular copies “made in territories *in which the Copyright Act is law*,” which (the Circuit says) are copies “manufactured domestically,” not “outside of the United States.” (emphasis added). . . .

Under [this] geographical interpretation[], §109(a)’s “first sale” doctrine would not apply to the Wiley Asia books at issue here. And, despite an American copyright owner’s permission to *make* copies abroad, one who *buys* a copy of any such book or other copyrighted work—whether at a retail store, over the Internet, or at a library sale—

could not resell (or otherwise dispose of) that particular copy without further permission.

Kirtsaeng, however, reads the words “lawfully made under this title” as imposing a *non*-geographical limitation. He says that they mean made “in accordance with” or “in compliance with” the Copyright Act. In that case, §109(a)’s “first sale” doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law. In particular, the doctrine would apply where, as here, copies are manufactured abroad with the permission of the copyright owner. *See* §106 (referring to the owner’s right to authorize).

In our view, §109(a)’s language, its context, and the common-law history of the “first sale” doctrine, taken together, favor a *non*-geographical interpretation. We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographical interpretation would threaten ordinary scholarly, artistic, commercial, and consumer activities. We consequently conclude that Kirtsaeng’s nongeographical reading is the better reading of the Act.

A

The language of §109(a) read literally favors Kirtsaeng’s nongeographical interpretation, namely, that “lawfully made under this title” means made “in accordance with” or “in compliance with” the Copyright Act. The language of §109(a) says nothing about geography. The word “under” can mean “[i]n accordance with.” 18 Oxford English Dictionary 950 (2d ed. 1989). *See also* Black’s Law Dictionary 1525 (6th ed. 1990) (“according to”). And a nongeographical interpretation provides each word of the five-word phrase with a distinct purpose. The first two words of the phrase, “lawfully made,” suggest an effort to distinguish those copies that were made lawfully from those that were not, and the last three words, “under this title,” set forth the standard of “lawful[ness].” Thus, the nongeographical reading is simple, it promotes a traditional copyright objective (combatting piracy), and it makes word-by-word linguistic sense.

The geographical interpretation, however, bristles with linguistic difficulties. It gives the word “lawfully” little, if any, linguistic work to do. (How could a book be *unlawfully* “made under this title”?) It imports geography into a statutory provision that says nothing explicitly about it. And it is far more complex than may at first appear.

To read the clause geographically, Wiley . . . must first emphasize the word “under.” Indeed, Wiley reads “under this title” to mean “in conformance with the Copyright Act *where the Copyright Act is applicable*.” Wiley must then take a second step, arguing that the Act “is applicable” only in the United States. . . .

One difficulty is that neither “under” nor any other word in the phrase means “where.” It might mean “subject to,” but as this Court has repeatedly acknowledged, the word evades a uniform, consistent meaning. *See Kucana v. Holder*, 558 U.S. 233, 245 (2010) (“‘under’ is chameleon”); *Ardestani v. INS*, 502 U.S. 129, 135 (1991) (“under” has “many dictionary definitions” and “must draw its meaning from its context”). . . .

B

Both historical and contemporary statutory context indicate that Congress, when writing the present version of §109(a), did not have geography in mind. In respect to history, we compare §109(a)'s present language with the language of its immediate predecessor. That predecessor said:

“[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work *the possession of which has been lawfully obtained.*” Copyright Act of 1909, §41, 35 Stat. 1084 (emphasis added).

The predecessor says nothing about geography (and Wiley does not argue that it does). So we ask whether Congress, in changing its language implicitly *introduced* a geographical limitation that previously was lacking.

A comparison of language indicates that it did not. The predecessor says that the “first sale” doctrine protects “the transfer of any copy *the possession of which has been lawfully obtained.*” The present version says that “*the owner* of a particular copy or phonorecord lawfully made under this title is entitled to sell or otherwise dispose of the possession of that copy or phonorecord.” . . .

Finally, we normally presume that the words “lawfully made under this title” carry the same meaning when they appear in different but related sections. But doing so here produces surprising consequences. Consider:

(1) Section 109(c) says that, despite the copyright owner’s exclusive right “to display” a copyrighted work (provided in §106(5)), the owner of a particular copy “lawfully made under this title” may publicly display it without further authorization. To interpret these words geographically would mean that one who buys a copyrighted work of art, a poster, or even a bumper sticker, in Canada, in Europe, in Asia, could not display it in America without the copyright owner’s further authorization.

(2) Section 109(e) specifically provides that the owner of a particular copy of a copyrighted video arcade game “lawfully made under this title” may “publicly perform or display that game in coin-operated equipment” without the authorization of the copyright owner. To interpret these words geographically means that an arcade owner could not (“without the authority of the copyright owner”) perform or display arcade games (whether new or used) originally made in Japan.

(3) Section 110(1) says that a teacher, without the copyright owner’s authorization, is allowed to perform or display a copyrighted work (say, an audiovisual work) “in the course of face-to-face teaching activities”—unless the teacher knowingly used “a copy that was not lawfully made under this title.” To interpret these words geographically would mean that the teacher could not (without further authorization) use a copy of a film during class if the copy was lawfully made in Canada, Mexico, Europe, Africa, or Asia.

(4) In its introductory sentence, §106 provides the Act’s basic exclusive rights to an “owner of a copyright under this title.” The last three words cannot support a geographic interpretation.

Wiley basically accepts the first three readings, but argues that Congress intended the restrictive consequences. And it argues that context simply requires that the words

of the fourth example receive a different interpretation. Leaving the fourth example to the side, we shall explain in Part II-D why we find it unlikely that Congress would have intended these, and other related consequences.

C

A relevant canon of statutory interpretation favors a nongeographical reading. “[W]hen a statute covers an issue previously governed by the common law,” we must presume that “Congress intended to retain the substance of the common law.” *Samantar v. Yousef*, 560 U.S. 305, 320, n.13 (2010). . . .

The “first sale” doctrine is a common-law doctrine with an impeccable historic pedigree. In the early 17th century Lord Coke explained the common law’s refusal to permit restraints on the alienation of chattels. . . .

. . . Coke emphasizes the importance of leaving buyers of goods free to compete with each other when reselling or otherwise disposing of those goods. American law too has generally thought that competition, including freedom to resell, can work to the advantage of the consumer. *See, e.g., Leegin Creative Leather Products, Inc. v. PSKS, Inc.*, 551 U.S. 877, 886 (2007) (restraints with “manifestly anticompetitive effects” are *per se* illegal; others are subject to the rule of reason (internal quotation marks omitted)); 1 P. AREEDA & H. HOVENKAMP, *ANTITRUST LAW* ¶ 100, p. 4 (3d ed. 2006) (“[T]he principal objective of antitrust policy is to maximize consumer welfare by encouraging firms to behave competitively”).

The “first sale” doctrine also frees courts from the administrative burden of trying to enforce restrictions upon difficult-to-trace, readily movable goods. And it avoids the selective enforcement inherent in any such effort. Thus, it is not surprising that for at least a century the “first sale” doctrine has played an important role in American copyright law. *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908); Copyright Act of 1909, §41, 35 Stat. 1084. . . .

The common-law doctrine makes no geographical distinctions; nor can we find any in *Bobbs-Merrill* (where this Court first applied the “first sale” doctrine) or in §109(a)’s predecessor provision, which Congress enacted a year later. . . .

D

Associations of libraries, used-book dealers, technology companies, consumer goods retailers, and museums point to various ways in which a geographical interpretation would fail to further basic constitutional copyright objectives, in particular “promot[ing] the Progress of Science and useful Arts.” U.S. CONST., Art. I, §8, cl. 8.

The American Library Association tells us that library collections contain at least 200 million books published abroad (presumably, many were first published in one of the nearly 180 copyright-treaty nations and enjoy American copyright protection under 17 U.S.C. §104); that many others were first published in the United States but printed abroad because of lower costs; and that a geographical interpretation will likely require

“In the interpretation of statutes, the function of the courts is easily stated. It is to construe the language so as to give effect to the intent of Congress.” Instead of adhering to the Legislature’s design, the Court today adopts an interpretation of the Copyright Act at odds with Congress’ aim to protect copyright owners against the unauthorized importation of low-priced, foreign-made copies of their copyrighted works. The Court’s bold departure from Congress’ design is all the more stunning, for it places the United States at the vanguard of the movement for “international exhaustion” of copyrights—a movement the United States has steadfastly resisted on the world stage.

To justify a holding that shrinks to insignificance copyright protection against the unauthorized importation of foreign-made copies, the Court identifies several “practical problems.” The Court’s parade of horrors, however, is largely imaginary. Congress’ objective in enacting 17 U.S.C. §602(a)(1)’s importation prohibition can be honored without generating the absurd consequences hypothesized in the Court’s opinion. I dissent from the Court’s embrace of “international exhaustion.” . . .

Because economic conditions and demand for particular goods vary across the globe, copyright owners have a financial incentive to charge different prices for copies of their works in different geographic regions. Their ability to engage in such price discrimination, however, is undermined if arbitrageurs are permitted to import copies from low-price regions and sell them in high-price regions. The question in this case is whether the unauthorized importation of foreign-made copies constitutes copyright infringement under U.S. law. . . .

The text of the Copyright Act demonstrates that Congress intended to provide copyright owners with a potent remedy against the importation of foreign-made copies of their copyrighted works. . . .

The Court’s point of departure is similar to mine. According to the Court, the phrase “‘lawfully made under this title’ means made ‘in accordance with’ or ‘in compliance with’ the Copyright Act.” But the Court overlooks that, according to the very dictionaries it cites, the word “under” commonly signals a relationship of subjection, where one thing is governed or regulated by another. *See* BLACK’S LAW DICTIONARY 1525 (6th ed. 1990) (“under” frequently means “inferior” or “subordinate”; 18 OXFORD ENGLISH DICTIONARY 950 (2d ed. 1989) (“under” means, among other things, “[i]n accordance with (*some regulative power or principle*)” (emphasis added)). Only by disregarding this established meaning of “under” can the Court arrive at the conclusion that Wiley’s foreign-manufactured textbooks were “lawfully made under” U.S. copyright law, even though that law did not govern their creation. It is anomalous, however, to speak of particular conduct as “lawful” under an inapplicable law. For example, one might say that driving on the right side of the road in England is “lawful” under U.S. law, but that would be so only because U.S. law has nothing to say about the subject. The governing law is English law, and English law demands that driving be done on the left side of the road. . . .

The Court . . . interprets §109(a) as applying only to copies whose making actually complied with Title 17, or would have complied with Title 17 had Title 17 been

applicable (*i.e.*, had the copies been made in the United States). Congress, however, used express language when it called for such a counterfactual inquiry in 17 U.S.C. §§602(a)(2) and (b). *See* §602(a)(2) (“Importation into the United States or exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or *which would have constituted an infringement of copyright if this title had been applicable*, is an infringement of the exclusive right to distribute copies or phonorecords under section 106.” (emphasis added)); §602(b) (“In a case where the making of the copies or phonorecords *would have constituted an infringement of copyright if this title had been applicable*, their importation is prohibited.” (emphasis added)). Had Congress intended courts to engage in a similarly hypothetical inquiry under §109(a), Congress would presumably have included similar language in that section. *See Russello v. United States*, 464 U.S. 16, 23 (1983) (“[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.”).

Not only does the Court adopt an unnatural construction of the §109(a) phrase “lawfully made under this title.” Concomitantly, the Court reduces §602(a)(1) to insignificance. As the Court appears to acknowledge, the only independent effect §602(a)(1) has under today’s decision is to prohibit unauthorized importations carried out by persons who merely have possession of, but do not own, the imported copies. *See* 17 U.S.C. §109(a) (§109(a) applies to any “*owner* of a particular copy or phonorecord lawfully made under this title” (emphasis added)). If this is enough to avoid rendering §602(a)(1) entirely “superfluous,” it hardly suffices to give the owner’s importation right the scope Congress intended it to have. Congress used broad language in §602(a)(1); it did so to achieve a broad objective. Had Congress intended simply to provide a copyright remedy against larcenous lessees, licensees, consignees, and bailees of films and other copyright-protected goods, it likely would have used language tailored to that narrow purpose. . . .

III

The history of §602(a)(1) reinforces the conclusion I draw from the text of the relevant provisions: §109(a) does not apply to copies manufactured abroad. Section 602(a)(1) was enacted as part of the Copyright Act of 1976. . . .

“Section 602 [deals] with two separate situations: importation of ‘piratical’ articles (that is, copies or phonorecords made without any authorization of the copyright owner), and unauthorized importation of copies or phonorecords that were lawfully made. *The general approach of section 602 is to make unauthorized importation an act of infringement in both cases*, but to permit the Bureau of Customs to prohibit importation only of ‘piratical’ articles.” S. REP. NO. 94–473, p. 151 (1975) (emphasis added). *See also* H.R. REP. NO. 94–1476, p. 169 (1976) (same).

In sum, the legislative history of the Copyright Act of 1976 is hardly “inconclusive.” To the contrary, it confirms what the plain text of the Act conveys: Congress intended

§602(a)(1) to provide copyright owners with a remedy against the unauthorized importation of foreign-made copies of their works, even if those copies were made and sold abroad with the copyright owner’s authorization.

IV

Unlike the Court’s holding, my position is consistent with the stance the United States has taken in international-trade negotiations. . . .

V

I turn now to the Court’s justifications for a decision difficult to reconcile with the Copyright Act’s text and history. . . .

B

The Court sees many “horribles” following from a holding that the §109(a) phrase “lawfully made under this title” does not encompass foreign-made copies. If §109(a) excluded foreign-made copies, the Court fears, then copyright owners could exercise perpetual control over the downstream distribution or public display of such copies. A ruling in Wiley’s favor, the Court asserts, would shutter libraries, put used-book dealers out of business, cripple art museums, and prevent the resale of a wide range of consumer goods, from cars to calculators. Copyright law and precedent, however, erect barriers to the anticipated horribles.

1

Recognizing that foreign-made copies fall outside the ambit of §109(a) would not mean they are forever free of the first sale doctrine. . . .

Under the logic of *Bobbs-Merrill*, the sale of a foreign-manufactured copy in the United States carried out with the copyright owner’s authorization would exhaust the copyright owner’s right to “vend” that copy. The copy could thenceforth be resold, lent out, or otherwise redistributed without further authorization from the copyright owner. . . .

2

Other statutory prescriptions provide further protection against the absurd consequences imagined by the Court. For example, §602(a)(3)(C) permits “an organization operated for scholarly, educational, or religious purposes” to import, without the copyright owner’s authorization, up to five foreign-made copies of a non-audiovisual work—notably, a book—for “library lending or archival purposes.”

The Court also notes that *amici* representing art museums fear that a ruling in Wiley’s favor would prevent museums from displaying works of art created abroad. . . .

Limiting §109(c) to U.S.-made works, however, does not bar art museums from lawfully displaying works made in other countries. Museums can, of course, seek the copyright owner’s permission to display a work. Furthermore, the sale of a work of art to a U.S. museum may carry with it an implied license to publicly display the work. . . .

The Court worries about the resale of foreign-made consumer goods “contain[ing] copyrightable software programs or packaging.” For example, the Court observes that a car might be programmed with diverse forms of software, the copyrights to which might be owned by individuals or entities other than the manufacturer of the car. Must a car owner, the Court asks, obtain permission from all of these various copyright owners before reselling her car? Although this question strays far from the one presented in this case and briefed by the parties, principles of fair use and implied license (to the extent that express licenses do not exist) would likely permit the car to be resold without the copyright owners’ authorization. . . .

COMMENTS AND QUESTIONS

1. How would you characterize each of the opinion writer’s approach to statutory interpretation? Does Justice Breyer adequately address Justice Ginsburg’s analysis of the Copyright Act’s text (e.g., §602) and legislative history? Who has the better policy argument? Is the Supreme Court the appropriate institution to resolve the policy question?

2. *Interaction of the First Sale Doctrine and the Right to Prepare Derivative Works: Art Tiles.* Can the purchaser of cards and books containing artwork mount and affix the pictures to ceramic tiles for later sale? The Ninth Circuit has held that the process of attaching art from a book onto ceramic tiles constituted the preparation of a derivative work. *See Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988). In rejecting a first sale defense, the court recognized that the defendant could purchase a copy of the plaintiff’s book and subsequently alienate its ownership in that book. “However, the right to transfer applies only to the particular copy of the book which appellant has purchased and nothing else. The mere sale of the book to the appellant without a specific transfer by the copyright holder of its exclusive right to prepare derivative works, does not transfer that right to appellant. The derivative works right remains unimpaired and with the copyright proprietors.” *Id.* at 1344. On nearly identical facts involving the same defendant, the Seventh Circuit reached a contrary result, holding that the mere mounting of pictures on tiles did not rise to the level of originality required to create a derivative work and that the first sale doctrine immunizes the defendants from liability for unauthorized distribution. *See Lee v. A.R.T. Company*, 125 F.3d 580 (7th Cir. 1997); *see also Steeplechase Arts & Prods., LLC v. Wisdom Paths, Inc.*, 2023 WL 416080 (D.N.J. Jan. 26, 2023) (rebinding a book did not create a derivative work).

Do you agree with the reasoning of the Seventh Circuit or Ninth Circuit in the A.R.T. cases? Is it possible to envision circumstances under which framing a work of art involves original, creative expression? Even if it is, should the copyright owner be entitled to control how the work is framed once it has been sold?

3. *Software Marketing and “License versus Sale.”* As a means of controlling post-transaction use of software programs, many software vendors have characterized the distribution of their products as “licenses” rather than “sales” and argued that the first sale doctrine accordingly does not apply. Should the rights conferred by copyright turn

on the title given to the agreement? In *Softman Products Co., LLC v. Adobe Systems, Inc.*, 171 F. Supp. 2d 1075 (C.D. Cal. 2001), a software distributor had lawfully acquired a retail collection of Adobe software products and then unbundled them for later sale in violation of the terms of an End User Licensing Agreement (EULA), which prohibited the distribution of individual software titles that were originally distributed as part of a collection. Looking to the “economic realities of the exchange” by which Softman acquired the Adobe product, the court determined that “a single payment giving the buyer an unlimited period in which it has a right to possession . . . is a sale.” As such, the court found that the first sale doctrine superseded the EULA. See Nancy S. Kim, *The Software Licensing Dilemma*, 2008 B.Y.U. L. REV. 1103 (2008); David A. Rice, *Licensing the Use of Computer Program Copies and the Copyright Act First Sale Doctrine*, 30 JURIMETRICS J. 157, 172 (1990) (noting the following factors in characterizing a software transaction as a sale rather than a license: temporally unlimited possession; absence of time limits on copy possession; pricing and payment schemes that are unitary, not serial; subsequent transfer is neither prohibited nor conditioned on obtaining the licensor’s prior approval; and the principal purpose of the use restrictions is to protect intangible copyrightable subject matter and not to preserve property interests in individual program copies).

By contrast, in *Vernor v. Autodesk Inc.*, 621 F.3d 1102 (9th Cir. 2010), the court found that Autodesk had licensed, not sold, copies of its software, and so the first sale doctrine did not apply. The court focused particular attention on whether the agreement imposed restrictions on the use and transfer of the software:

We hold today that a software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2) significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions.

Id. at 1111. The court pointed to limitations on transfer in the license agreement. Should it matter whether those limitations are ever enforced? After *Vernor*, can a software company always draft an agreement that will avoid the first sale doctrine? Does *Vernor* survive the *Kirtsaeng* decision?

4. *Does Distribution of Promotional Copies Trigger the First Sale Doctrine?* Record labels and textbook publishers routinely distribute free copies of their copyrighted works to radio stations and university professors as a way of promoting air play and adoption for classroom use. But they do not want to have those copies resold, as such copies could displace direct sales. They have sought to preclude that result by including a notice on the promotional goods stating “Promotional Use Only—Not for Sale.” In *UMG Recordings, Inc. v. Augusto*, 628 F.3d 1175 (9th Cir. 2011), the court rejected UMG’s argument that such notice labels create a “license” that is not subject to the first sale doctrine. Looking to the “economic realities” of the transaction—including the effective passage of title, the fact that UMG does not expect to regain possession of the goods, the absence of a recurring benefit to UMG—the court found that UMG’s distribution of the CDs was properly characterized as a gift or sale to which

the first sale doctrine applied. Hence, the recipient was free to resell or distribute the copy.

5. *Digital Exhaustion*. As the digital revolution unfolds, a growing portion of information goods—from music to books and even the software that runs automobiles—comes to consumers digitally. Such information is typically licensed and increasingly updated automatically and remotely. Should such information goods be subject to the first sale doctrine? Should music downloads be resellable? How would the copyright owner be able to verify that a digital good had been erased from the seller’s device? See *Capitol Records, LLC v. ReDigi, Inc.*, 910 F.3d 649 (2d Cir. 2018) (holding that ReDigi, a “used” digital download reseller, and its customers were not protected by the first sale doctrine because ReDigi’s process for transferring files effectuates an unlawful reproduction of the copyrighted work). The Court of Justice of the European Union held the same in 2019. See *Nederlands Uitgeversverbond v. Tom Kabinet Internet BV*, C-263/18 (C.J.E.U. 2019).

The role of the first sale doctrine in the digital age has generated robust policy debate. See U.S. DEPARTMENT OF COMMERCE INTERNET POLICY TASK FORCE, WHITE PAPER ON REMIXES, FIRST SALE, AND STATUTORY DAMAGES (Jan. 2016); U.S. COPYRIGHT OFFICE, LIBRARY OF CONG., THE MAKING AVAILABLE RIGHT IN THE UNITED STATES 22, n.94 (2016); AARON PERZANOWSKI & JASON SCHULTZ, THE END OF OWNERSHIP: PERSONAL PROPERTY IN THE DIGITAL ECONOMY (2018); John F. Duffy & Richard Hynes, *Statutory Domain and the Commercial Law of Intellectual Property*, 102 VA. L. REV. 1 (2016).

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Lee, a law student, attends an expensive private school. After buying the books for his first-year classes, he underlines key passages in the books and takes some notes in the margins. At the end of the first year of law school, Lee sells his books back to the law school bookstore. The bookstore in turn sells them to incoming law students the next fall as “used books.” Under what theory might Lee or the bookstore be liable for copyright infringement? Should they be?

d. *Public Performance Right*

The Copyright Act grants owners of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works the exclusive right to perform their works publicly. See §106(4).

1. What Constitutes a “Public Performance”?

Section 101 defines “perform” broadly:

To “perform” a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

For a monthly fee, Aereo offers subscribers broadcast television programming over the Internet, virtually as the programming is being broadcast. Much of this programming is made up of copyrighted works. Aereo neither owns the copyright in those works nor holds a license from the copyright owners to perform those works publicly.

Aereo's system is made up of servers, transcoders, and thousands of dime-sized antennas housed in a central warehouse. It works roughly as follows: First, when a subscriber wants to watch a show that is currently being broadcast, he visits Aereo's website and selects, from a list of the local programming, the show he wishes to see.

Second, one of Aereo's servers selects an antenna, which it dedicates to the use of that subscriber (and that subscriber alone) for the duration of the selected show. A server then tunes the antenna to the over-the-air broadcast carrying the show. The antenna begins to receive the broadcast, and an Aereo transcoder translates the signals received into data that can be transmitted over the Internet.

Third, rather than directly send the data to the subscriber, a server saves the data in a subscriber-specific folder on Aereo's hard drive. In other words, Aereo's system creates a subscriber-specific copy—that is, a “personal” copy—of the subscriber's program of choice.

Fourth, once several seconds of programming have been saved, Aereo's server begins to stream the saved copy of the show to the subscriber over the Internet. (The subscriber may instead direct Aereo to stream the program at a later time, but that aspect of Aereo's service is not before us.) The subscriber can watch the streamed program on the screen of his personal computer, tablet, smart phone, Internet-connected television, or other Internet-connected device. The streaming continues, a mere few seconds behind the over-the-air broadcast, until the subscriber has received the entire show.

Aereo emphasizes that the data that its system streams to each subscriber are the data from his own personal copy, made from the broadcast signals received by the particular antenna allotted to him. . . .

B

Petitioners are television producers, marketers, distributors, and broadcasters who own the copyrights in many of the programs that Aereo's system streams to its subscribers. . . .

II

This case requires us to answer two questions: First, in operating in the manner described above, does Aereo “perform” at all? And second, if so, does Aereo do so “publicly”? We address these distinct questions in turn. . . .

A

History makes plain that one of Congress' primary purposes in amending the Copyright Act in 1976 was to overturn this Court's determination that community antenna television (CATV) systems (the precursors of modern cable systems) fell outside the Act's scope. [The Court reviewed *Fortnightly Corp. v. United Artists*

Television, Inc., 392 U.S. 390 1176 (1968), and Teleprompter Corp. v. Columbia Broadcasting System, Inc., 415 U.S. 394 (1974), both of which held that CATV systems were more analogous to viewers who amplify a signal, and hence do not perform copyrighted works, than broadcasters, who exercise significant creativity in choosing what to air and hence perform copyrighted works.)]

B

In 1976 Congress amended the Copyright Act in large part to reject the Court's holdings in *Fortnightly* and *Teleprompter*. See H.R. REP. NO. 94-1476, pp. 86–87 (1976) (hereinafter H.R. Rep.). Congress enacted new language that erased the Court's line between broadcaster and viewer, in respect to “perform[ing]” a work. The amended statute clarifies that to “perform” an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible.” §101; see *ibid.* (defining “[a]udiovisual works” as “works that consist of a series of related images which are intrinsically intended to be shown by the use of machines . . . , together with accompanying sounds”). Under this new language, both the broadcaster and the viewer of a television program “perform,” because they both show the program's images and make audible the program's sounds. See H.R. Rep., at 63 (“[A] broadcasting network is performing when it transmits [a singer's performance of a song] . . . and any individual is performing whenever he or she . . . communicates the performance by turning on a receiving set”).

Congress also enacted the Transmit Clause, which specifies that an entity performs publicly when it “transmit[s] . . . a performance . . . to the public.” §101; see *ibid.* (defining “[t]o ‘transmit’ a performance” as “to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent”). Cable system activities, like those of the CATV systems in *Fortnightly* and *Teleprompter*, lie at the heart of the activities that Congress intended this language to cover. See H.R. Rep., at 63 (“[A] cable television system is performing when it retransmits [a network] broadcast to its subscribers”); see also *ibid.* (“[T]he concep[t] of public performance . . . cover[s] not only the initial rendition or showing, but also any further act by which that rendition or showing is transmitted or communicated to the public”). The Clause thus makes clear that an entity that acts like a CATV system itself performs, even if when doing so, it simply enhances viewers' ability to receive broadcast television signals.

Congress further created a new section of the Act to regulate cable companies' public performances of copyrighted works. See §111. Section 111 creates a complex, highly detailed compulsory licensing scheme that sets out the conditions, including the payment of compulsory fees, under which cable systems may retransmit broadcasts. H.R. Rep., at 88 (Section 111 is primarily “directed at the operation of cable television systems and the terms and conditions of their liability for the retransmission of copyrighted works”).

Congress made these three changes to achieve a similar end: to bring the activities of cable systems within the scope of the Copyright Act.

C

This history makes clear that Aereo is not simply an equipment provider. Rather, Aereo, and not just its subscribers, “perform[s]” (or “transmit[s]”). Aereo’s activities are substantially similar to those of the CATV companies that Congress amended the Act to reach. *See id.*, at 89 (“[C]able systems are commercial enterprises whose basic retransmission operations are based on the carriage of copyrighted program material”). Aereo sells a service that allows subscribers to watch television programs, many of which are copyrighted, almost as they are being broadcast. In providing this service, Aereo uses its own equipment, housed in a centralized warehouse, outside of its users’ homes. By means of its technology (antennas, transcoders, and servers), Aereo’s system “receive[s] programs that have been released to the public and carr[ies] them by private channels to additional viewers.” *Fortnightly*, 392 U.S., at 400. It “carr[ies] . . . whatever programs [it] receive[s],” and it offers “all the programming” of each over-the-air station it carries. *Id.*, at 392, 400.

Aereo’s equipment may serve a “viewer function”; it may enhance the viewer’s ability to receive a broadcaster’s programs. It may even emulate equipment a viewer could use at home. But the same was true of the equipment that was before the Court, and ultimately before Congress, in *Fortnightly* and *Teleprompter*.

We recognize, and Aereo and the dissent emphasize, one particular difference between Aereo’s system and the cable systems at issue in *Fortnightly* and *Teleprompter*. The systems in those cases transmitted constantly; they sent continuous programming to each subscriber’s television set. In contrast, Aereo’s system remains inert until a subscriber indicates that she wants to watch a program. Only at that moment, in automatic response to the subscriber’s request, does Aereo’s system activate an antenna and begin to transmit the requested program.

This is a critical difference, says the dissent. It means that Aereo’s subscribers, not Aereo, “selec[t] the copyrighted content” that is “perform[ed],” and for that reason they, not Aereo, “transmit” the performance. Aereo is thus like “a copy shop that provides its patrons with a library card.” A copy shop is not directly liable whenever a patron uses the shop’s machines to “reproduce” copyrighted materials found in that library. *See* §106(1) (“exclusive righ[t] . . . to reproduce the copyrighted work”). And by the same token, Aereo should not be directly liable whenever its patrons use its equipment to “transmit” copyrighted television programs to their screens.

In our view, however, the dissent’s copy shop argument, in whatever form, makes too much out of too little. Given Aereo’s overwhelming likeness to the cable companies targeted by the 1976 amendments, this sole technological difference between Aereo and traditional cable companies does not make a critical difference here. . . . Here the signals pursue their ordinary course of travel through the universe until today’s “turn of the knob”—a click on a website—activates machinery that intercepts and reroutes them to Aereo’s subscribers over the Internet. But this difference means nothing to the subscriber. It means nothing to the broadcaster. We do not see how this single difference, invisible to subscriber and broadcaster alike, could transform a system that

is for all practical purposes a traditional cable system into “a copy shop that provides its patrons with a library card.”

In other cases involving different kinds of service or technology providers, a user’s involvement in the operation of the provider’s equipment and selection of the content transmitted may well bear on whether the provider performs within the meaning of the Act. But the many similarities between Aereo and cable companies, considered in light of Congress’ basic purposes in amending the Copyright Act, convince us that this difference is not critical here. We conclude that Aereo is not just an equipment supplier and that Aereo “perform[s].”

III

Next, we must consider whether Aereo performs petitioners’ works “publicly,” within the meaning of the Transmit Clause. Under the Clause, an entity performs a work publicly when it “transmit[s] . . . a performance . . . of the work . . . to the public.” §101. Aereo denies that it satisfies this definition. It reasons as follows: First, the “performance” it “transmit[s]” is the performance created by its act of transmitting. And second, because each of these performances is capable of being received by one and only one subscriber, Aereo transmits privately, not publicly. Even assuming Aereo’s first argument is correct, its second does not follow. . . .

We assume *arguendo* that Aereo’s first argument is correct. Thus, for present purposes, to transmit a performance of (at least) an audiovisual work means to communicate contemporaneously visible images and contemporaneously audible sounds of the work. *Cf. United States v. American Soc. of Composers, Authors and Publishers*, 627 F.3d 64, 73 (C.A.2 2010) (holding that a download of a work is not a performance because the data transmitted are not “contemporaneously perceptible”). When an Aereo subscriber selects a program to watch, Aereo streams the program over the Internet to that subscriber. Aereo thereby “communicate[s]” to the subscriber, by means of a “device or process,” the work’s images and sounds. §101. And those images and sounds are contemporaneously visible and audible on the subscriber’s computer (or other Internet-connected device). So under our assumed definition, Aereo transmits a performance whenever its subscribers watch a program.

But what about the Clause’s further requirement that Aereo transmit a performance “to the public”? As we have said, an Aereo subscriber receives broadcast television signals with an antenna dedicated to him alone. Aereo’s system makes from those signals a personal copy of the selected program. It streams the content of the copy to the same subscriber and to no one else. One and only one subscriber has the ability to see and hear each Aereo transmission. The fact that each transmission is to only one subscriber, in Aereo’s view, means that it does not transmit a performance “to the public.”

In terms of the Act’s purposes, these differences do not distinguish Aereo’s system from cable systems, which do perform “publicly.” Viewed in terms of Congress’ regulatory objectives, why should any of these technological differences matter? They concern the behind-the-scenes way in which Aereo delivers television programming to

its viewers' screens. They do not render Aereo's commercial objective any different from that of cable companies. Nor do they significantly alter the viewing experience of Aereo's subscribers. Why would a subscriber who wishes to watch a television show care much whether images and sounds are delivered to his screen via a large multisubscriber antenna or one small dedicated antenna, whether they arrive instantaneously or after a few seconds' delay, or whether they are transmitted directly or after a personal copy is made? And why, if Aereo is right, could not modern CATV systems simply continue the same commercial and consumer-oriented activities, free of copyright restrictions, provided they substitute such new technologies for old? Congress would as much have intended to protect a copyright holder from the unlicensed activities of Aereo as from those of cable companies.

The text of the Clause effectuates Congress' intent. Aereo's argument to the contrary relies on the premise that "to transmit . . . a performance" means to make a single transmission. But the Clause suggests that an entity may transmit a performance through multiple, discrete transmissions. . . .

The Transmit Clause must permit this interpretation, for it provides that one may transmit a performance to the public "whether the members of the public capable of receiving the performance . . . receive it . . . at the same time or at different times." §101. Were the words "to transmit . . . a performance" limited to a single act of communication, members of the public could not receive the performance communicated "at different times." Therefore, in light of the purpose and text of the Clause, we conclude that when an entity communicates the same contemporaneously perceptible images and sounds to multiple people, it transmits a performance to them regardless of the number of discrete communications it makes. . . .

Moreover, the subscribers to whom Aereo transmits television programs constitute "the public." Aereo communicates the same contemporaneously perceptible images and sounds to a large number of people who are unrelated and unknown to each other. This matters because, although the Act does not define "the public," it specifies that an entity performs publicly when it performs at "any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." The Act thereby suggests that "the public" consists of a large group of people outside of a family and friends.

Neither the record nor Aereo suggests that Aereo's subscribers receive performances in their capacities as owners or possessors of the underlying works. This is relevant because when an entity performs to a set of people, whether they constitute "the public" often depends upon their relationship to the underlying work. When, for example, a valet parking attendant returns cars to their drivers, we would not say that the parking service provides cars "to the public." We would say that it provides the cars to their owners. We would say that a car dealership, on the other hand, does provide cars to the public, for it sells cars to individuals who lack a pre-existing relationship to the cars. Similarly, an entity that transmits a performance to individuals in their capacities as owners or possessors does not perform to "the public," whereas an entity

like Aereo that transmits to large numbers of paying subscribers who lack any prior relationship to the works does so perform.

Finally, we note that Aereo’s subscribers may receive the same programs at different times and locations. This fact does not help Aereo, however, for the Transmit Clause expressly provides that an entity may perform publicly “whether the members of the public capable of receiving the performance . . . receive it in the same place or in separate places and at the same time or at different times.” In other words, “the public” need not be situated together, spatially or temporally. For these reasons, we conclude that Aereo transmits a performance of petitioners’ copyrighted works to the public, within the meaning of the Transmit Clause.

IV

Aereo and many of its supporting *amici* argue that to apply the Transmit Clause to Aereo’s conduct will impose copyright liability on other technologies, including new technologies, that Congress could not possibly have wanted to reach. We agree that Congress, while intending the Transmit Clause to apply broadly to cable companies and their equivalents, did not intend to discourage or to control the emergence or use of different kinds of technologies. But we do not believe that our limited holding today will have that effect.

For one thing, the history of cable broadcast transmissions that led to the enactment of the Transmit Clause informs our conclusion that Aereo “perform[s],” but it does not determine whether different kinds of providers in different contexts also “perform.” For another, an entity only transmits a performance when it communicates contemporaneously perceptible images and sounds of a work. . . .

Further, we have interpreted the term “the public” to apply to a group of individuals acting as ordinary members of the public who pay primarily to watch broadcast television programs, many of which are copyrighted. We have said that it does not extend to those who act as owners or possessors of the relevant product. And we have not considered whether the public performance right is infringed when the user of a service pays primarily for something other than the transmission of copyrighted works, such as the remote storage of content. . . .

We also note that courts often apply a statute’s highly general language in light of the statute’s basic purposes. Finally, the doctrine of “fair use” can help to prevent inappropriate or inequitable applications of the Clause. *See Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

We cannot now answer more precisely how the Transmit Clause or other provisions of the Copyright Act will apply to technologies not before us. We agree with the Solicitor General that “[q]uestions involving cloud computing, [remote storage] DVRs, and other novel issues not before the Court, as to which ‘Congress has not plainly marked [the] course,’ should await a case in which they are squarely presented.” And we note that, to the extent commercial actors or other interested entities may be concerned with the relationship between the development and use of such technologies

That leaves as the criterion of cable-TV-resemblance nothing but th'ol' totality-of-the-circumstances test (which is not a test at all but merely assertion of an intent to perform test-free, ad hoc, case-by-case evaluation). It will take years, perhaps decades, to determine which automated systems now in existence are governed by the traditional volitional-conduct test and which get the Aereo treatment. (And automated systems now in contemplation will have to take their chances.) The Court vows that its ruling will not affect cloud-storage providers and cable-television systems, but it cannot deliver on that promise given the imprecision of its result-driven rule. Indeed, the difficulties inherent in the Court's makeshift approach will become apparent in this very case. Today's decision addresses the legality of Aereo's "watch" function, which provides nearly contemporaneous access to live broadcasts. On remand, one of the first questions the lower courts will face is whether Aereo's "record" function, which allows subscribers to save a program while it is airing and watch it later, infringes the Networks' public-performance right. The volitional-conduct rule provides a clear answer to that question: Because Aereo does not select the programs viewed by its users, it does not perform. But it is impossible to say how the issue will come out under the Court's analysis, since cable companies did not offer remote recording and playback services when Congress amended the Copyright Act in 1976. . . .

COMMENTS AND QUESTIONS

1. Much of the media attention surrounding the *Aereo* case focused on whether Aereo's disruptive technology worked around copyright text drafted in the analog age, yet the ultimate decision turned on deciphering the larger legislative context and broad text animating the public performance right. It took nearly two decades for the Copyright Act of 1976 to emerge, with the battle over cable television proving to be the largest roadblock. That may explain why the Supreme Court devotes so much effort to parsing legislative history in addressing Aereo's efforts to circumvent the Copyright Act's public performance right. See Peter S. Menell & David Nimmer, *Aereo, Disruptive Technology, and Statutory Interpretation*, SCOTUSBLOG (Jun. 26, 2014), <http://www.scotusblog.com/2014/06/symposium-aereo-disruptive-technology-and-statutory-interpretation/>.

2. *Public Access to Over-the-Air Broadcasts and Technological Disruption.* Aereo had a potent policy argument for why copyright law ought not to stand in the way of technology that expands access to over-the-air broadcasts. Yet the history surrounding the drafting of the 1976 Act in general and the Transmit Clause and Section 111 in particular reveals that Congress rejected a similar appeal nearly half a century ago in a different context. Community antenna television (CATV, now known as cable TV) emerged as a way for people in outlying communities to pool resources to erect antennas capable of receiving distant broadcast signals. These non-profit entities served democratic, speech-promoting purposes. The TV signals themselves were available for free so long as one had a strong enough antenna. The programming being broadcast was funded by commercial advertising, not subscriptions. Therefore, the expanded market for such content increased the value of commercial advertising to broadcasters and

owners of copyrights in the programming being broadcast. And consumers lacked the ability to skip the ads. The CATV non-profit cooperatives merely enabled distant consumers to receive signals that they were each entitled to receive if they had erected their own antenna. And the Supreme Court held that CATV entities did not require licenses under the 1909 Act to retransmit the signal to their local areas in the *Fortnightly* and *Teleprompter* cases. Volumes of legislative history from the mid-1960s through passage of the 1976 Act are replete with studies and reports explaining why CATV retransmission ought to be permitted without licenses.

Congress compromised. It chose to deny cable networks license-free retransmission, but also denied copyright owners the right to an injunction in favor of a compulsory license.

Should Congress revisit that determination today? Should Congress expand the §111 compulsory license to include Aereo-type services? How should the compulsory license rate be determined? On remand, Aereo sought a license under §111 but was denied on the grounds that it was too similar to a cable company to avoid liability but not similar enough to a cable company to take advantage of the statutory license. To what extent should the added technological capability for consumers or automated DVRs to skip commercials affect your analysis?

3. *Cord Cutting and Local Broadcasting*. In January 2018, Locast, a non-profit entity, launched a free online digital translator service for streaming local broadcast television signals using internet-connected devices. It “requested” users to contribute a \$5 per month “donation” to support its operations. During 2020, Locast’s revenues exceeded \$4.5 million, against costs of \$2.4 million. After broadcasters sued for copyright infringement, Locast contended that its operation was legal pursuant to the exemption set forth in § 111(a)(5) for “a nonprofit organization[] without any purpose of direct or indirect commercial advantage, and without charge to the recipients of the secondary transmission other than assessments necessary to defray the actual and reasonable costs of maintaining and operating the secondary transmission service.” Do you agree? After a court ruled that fundraising could only be used to defray costs of operating the service, not of expanding it into new markets, *see American Broadcasting Companies, Inc. v. Goodfriend*, 557 F.Supp.3d 409 (S.D.N.Y 2021), Locast shut down. *See* Eriq Gardner, *Locast to Pay \$32M to Broadcasters to Settle Copyright Lawsuit*, THE HOLLYWOOD REPORTER (Oct. 28, 2021).

4. *A Volition Requirement?* Justice Scalia invokes lower court rulings holding that direct copyright infringement can only occur through volitional conduct. The doctrine traces its roots to *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995), a pre-DMCA Internet case holding that “[a]lthough copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant’s system is merely used to create a copy by a third party.” Although early drafts of the DMCA online service provider safe harbor (§512) provision would have codified the volition doctrine, the ultimate statutory formulation took a different path. *See* 4 NIMMER ON COPYRIGHT §12B.06[B][2][b]. Nonetheless, other district and appellate decisions have invoked the

volition doctrine, including the Second Circuit in *Aereo* and *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 130 (2d Cir. 2008).

Does the majority opinion in *Aereo* provide any clues as to whether volition is still a requirement for direct infringement? The Court suggests that merely pressing the button doesn't indicate that you are in charge of the recording. How will that conclusion affect remote-storage DVRs like the one at issue in *Cartoon Network*? What about services like Sling that permit a user to access and view recorded content remotely over the Internet? Cf. *Fox Broadcasting Co. v. Dish Network LLC*, 2015 WL 1137593 (CD Cal. 2015) (recognizing that while “[t]he Supreme Court did not expressly address the general volitional conduct requirement for direct liability under the Copyright Act [in *Aereo*, the] volitional conduct doctrine is a significant and long-standing rule . . .”). The Supreme Court suggests that the fact that the user selects the content she will watch is not enough to make the user the relevant actor for copyright purposes. What more is required?

5. *Public Place Clause*. Courts have grappled with the problem of when a performance occurs in a public place. The Third Circuit has held that video rental stores cannot provide viewing rooms for customers, because the performance of a rented movie in such a room is “public” (even though the room is rented only to one group at a time). The Third Circuit explained its rationale in terms that interpret the phrase “public performance” very broadly:

The Copyright Act speaks of performances at a place open to the public. It does not require that the public place be actually crowded with people. A telephone booth, a taxi cab, and even a pay toilet are commonly regarded as “open to the public,” even though they are usually occupied only by one party at a time.

Columbia Pictures v. Aveco, Inc., 800 F.2d 59, 63 (3d Cir. 1986); accord *Columbia Pictures v. Redd Horne*, 749 F.2d 154, 158 (3d Cir. 1984) (finding that small rental booths in video stores, seating up to four, were “open to the public” for purposes of public performance analysis). The Ninth Circuit distinguished these cases from the situation in which hotels rent their guests videocassettes and provide in-room videocassette players. “While the hotel may indeed be ‘open to the public,’ a guest’s hotel room, once rented, is not.” *Columbia Pictures v. Professional Real Estate Investors, Inc.*, 866 F.2d 278, 281 (9th Cir. 1989).

PROBLEMS

Problem IV-38. Cablevision, a large cable television provider, has seen interest in its set-top digital video recorders (DVR) and its video-on-demand (VOD) service increase. To better serve its customers, it has developed the capability to provide a server-based DVR, what it calls a Remote Storage DVR (RS-DVR). With the new RS-DVR, Cablevision would split the single stream of data that it has traditionally broadcast into two streams. The first would be routed immediately to customers as before. The second stream would flow into a device which would buffer the data stream, reformat

it, and send it to the “Arroyo Server,” which includes high-capacity hard disks for each RS-DVR customer. The server would automatically inquire as to whether any customers want to record any of that programming. If a customer has requested a particular program, the data for that program would move onto their designated hard disk. Like with a set-top DVR, as new data flows into their hard disk, old data would be overwritten if the disk was at capacity.

To the customer, the processes of recording and playback on the RS-DVR would be similar to that of a standard set-top DVR. Using a remote control, the customer could record programming by selecting a program in advance from an on-screen guide, or by pressing the record button while viewing a given program. A customer could not, however, record the earlier portion of a program once it has begun. To begin playback, the customer would select the show from an on-screen list of previously recorded programs. The principal difference in operation is that, instead of sending signals from the remote to an on-set box, the viewer sends signals from the remote, through the cable, to the Arroyo Server at Cablevision’s central facility. In this respect, RS-DVR more closely resembles a Video on Demand (VOD) service, whereby a cable subscriber uses his or her remote and cable box to request transmission of content, such as a movie, stored on computers at the cable company’s facility. But unlike a VOD service, RS-DVR users could only play content that they previously requested to be recorded.

Content providers—television and motion picture studios—worry that Cablevision is circumventing its VOD license, which would result in substantial loss of revenues. Cablevision argues that the remote DVR appears to the user just like a local video recorder of the type consumers have long used without additional payment. Does Cablevision need a public performance license from content providers to operate the RS-DVR service?

Problem IV-39. Ralston Hotels, a national hotel chain, offers guests an “in-room video rental” service. A menu is displayed on the guest’s interactive television screen, and the guest can select both a movie and a starting time by using his remote control. Portland Pictures, a major movie producer that owns the video rental rights to its movies, sues Ralston, alleging that each selected movie is a “public performance” and demanding royalties. Who should prevail? Would your answer differ if Ralston made particular movies available only at certain times?

2. Blanket Public Performance Licenses and Collecting Societies

The challenges of enforcing musical composition public performance rights led to the formation of the American Society of Composers, Authors, and Publishers (ASCAP) in 1914. This consortium of leading musical composition authors and owners shared the costs of enforcing public performance rights in their compositions. ASCAP initially focused on live performances of musical compositions in theater, restaurants, and other public establishments. The consortium brought litigation to expand the interpretation of the public performance right, economized on enforcement activities,

understandable. It is not clear what it would mean to “perform” a PGS or architectural work.

By contrast, one of the most important means of exploiting a sound recording is to perform it publicly—for example, by broadcasting the recording on the radio. The explanation for this exclusion reveals a lot about the politics of copyright reform.

When Congress set out in the mid-1950s to overhaul the 1909 Act, the recording industry put the establishment of federal copyright protection for sound recordings at the top of their wishlist. By that point in time, however, the radio broadcasting industry was well-established and had significant political clout. Based on cases orchestrated by the American Society of Composers, Authors and Publishers (ASCAP), *see, e.g., Jerome H. Remick & Co. v. General Electric Co.*, 16 F.2d 829 (S.D.N.Y. 1926), radio broadcasters were already on the hook for musical composition licenses. By the late 1940s, these payments were handled through blanket licenses from ASCAP and BMI. Radio stations strenuously opposed paying another set of copyright owners for public performance. In addition, ASCAP and BMI worried that these additional licensing fees would come, at least in part, from their royalty streams. Furthermore, record labels realized that radio play was essential to marketing their works. Many in fact made illegal “payola” payments to get their records on the air.

With record piracy mounting by the late 1960s, record labels were willing to compromise. The Sound Recording Amendments Act of 1971 established federal protection for sound recordings, but without a public performance right. That compromise was carried over to the 1976 Act, although record labels and recording artists continued to fight for a public performance right for sound recordings. *See* Matthew S. DelNero, *Long Overdue? An Exploration of the Status and Merit of a General Public Performance Right in Sound Recordings*, 51 J. COPYRIGHT SOC’Y U.S.A. 473 (2004).

The emergence of the Internet created the conditions for partially addressing this gap in copyright protection. Terrestrial radio stations worried that webcasters posed a competitive threat. This produced an unlikely coalition among record labels, recording artists, and radio stations which led to the Digital Performance Right in Sound Recordings Act of 1995 (DPRSRA). The ultimate compromise amended §§106 and 114 of the Copyright Act to establish an exclusive right to perform sound recordings “publicly by means of a digital audio transmission.” §106(6). The DPRSRA also created a complex compulsory license regime for digital performances, later amended by the DMCA and the MMA.

4. Statutory Limits on Performance and Display Rights

There are a number of specific statutory exceptions that limit the scope of the performance and display rights. We summarize each briefly; you are encouraged to study the statutory provisions at issue. The provisions are of two basic types: (1) public interest exemptions; and (2) compulsory licenses.

i. Public Interest Exemptions

Section 110 of the Copyright Act exempts many “public interest” performances and displays from the reach of §§106(4) and (5). Thus, most live educational performances and displays are exempt under §110(1), as are distance learning broadcasts (including via webcasts) made by accredited, nonprofit educational institutions (subject to various conditions). §110(2). Religious performances and displays are exempt from the Act under §110(3). Face-to-face performances of “nondramatic literary or musical works” for free or for charitable purposes are exempt, reviving in part the “for profit” requirement of the 1909 Act. §110(4). Record stores may play records without charge to promote their sale under §110(7), although the analogous performance of videos in video stores without permission appears to be prohibited.

After many years of complaints by small business and restaurant owners and performing rights societies over the collection of public performance royalties for broadcast and other recorded music played in these establishments, Congress passed the Fairness in Music Licensing Act in 1998. Due to the political strength of retailers and restaurant owners, Congress substantially broadened an exemption for home listening of transmitted performances to extend to small businesses (less than 2,000 square feet), restaurants (less than 3,750 square feet), and larger establishments conforming to limitations on the number of loudspeakers and television screen size. §110(5). These establishments would still need a public performance license from the musical composition owner to host live or taped performances. §513.

In May 2000, a World Trade Organization (WTO) panel found the Fairness in Music Licensing Act to be in violation of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and the Berne Convention for the Protection of Literary and Artistic Works requiring that member nations afford copyright owners minimum levels of protection. WTO Dispute Panel Report on Section 110(5) of the U.S. Copyright Act, WT/DS160/R §7.1, at 69 (June 15, 2000). Although these accords allow member nations to craft limited exceptions that “do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder,” the WTO panel concluded that §110(5) operated on too large a scale. A Congressional Research Service showed that 65.2 percent of all eating establishments, 71.8 percent of all drinking establishments, and 27 percent of all retail establishments qualified for the exemption. Rather than appeal the WTO decision, the United States has indicated its intention to amend §110(5) and has agreed to pay approximately \$1.1 million in damages per year until it brings its law into compliance. The United States and the European Community reached a mutually satisfactory temporary agreement in June 2003. The United States has yet to change the law to comply with the Berne Convention.

Given that the music being played in a bar or restaurant often comes over the radio, and the copyright owner has already been paid for the public performance over the radio, does §110(5) really “conflict with a normal exploitation of the work”?

ii. Compulsory Licenses

Cable Retransmission. As discussed in *Aereo*, §111 authorizes television broadcast relays, or “secondary transmissions,” under a variety of circumstances where they are not for profit and are not content-controlled. For example, the owner of an apartment building with a single reception antenna may relay its signal to residents of the building without charge. Cable systems are also entitled to retransmit television broadcasts over their networks and charge a fee for the service, provided that the cable network registers its intent to do so and pays a royalty based on the revenues it receives from subscribers. The royalty rate, a percentage of the cable system’s gross receipts (as set forth in the statute), is based on the cable system’s retransmission of distant *non-network* programming. Congress determined that content owners could fully recover the value of retransmission of their shows through their contracts with the networks. After all, retransmission in the local market for network programming enhanced advertising revenue, which would be passed through to content owners through the market for shows. Any loss to content owners would come from retransmission to distant markets as such programming lost the opportunity to license their content into the local network media channels. Cable companies cannot delay or alter the programming they relay from local television broadcasts.

The royalties paid to content owners are collected, calculated, and distributed under the supervision of the Copyright Royalty Tribunal, a governmental entity with three Copyright Royalty Judges (CRJ), full-time employees of the Library of Congress appointed for six-year terms with an opportunity for reappointment.

Satellite Retransmission. Section 119 provides a similar right to a compulsory license for satellite transmission to “unserved households”—that is, households that do not receive the normal transmission signal from a particular network or other station, either through broadcast or cable. Satellites may broadcast the signal of those stations to subscribing recipients upon the payment of a royalty. Unlike §111, however, §119 does not specify the royalty rate. Rather, the rate is subject to voluntary negotiation or compulsory arbitration between the satellite owner and the individual stations or networks.

Jukeboxes. Section 116 authorizes owners of jukeboxes (“coin-operated phonorecord players,” in the words of the statute) to publicly perform the musical works contained in the jukebox subject to a compulsory license. This compulsory license, like that in §111, is fixed by statute.

Public Broadcasting. Section 118 authorizes public broadcasting stations to transmit musical and artistic (but not literary or audiovisual) works upon payment of a compulsory license. This section does not, however, set royalty rates. Rather, it requires public broadcasters and the owners of such works to negotiate a rate every five years under the supervision of the Librarian of Congress.

Non-interactive Streaming. In establishing the §106(6) digital performance right in sound recordings in 1995, Congress provided a compulsory license for non-interactive streaming services (such as webcasters, SiriusXM, and Pandora). The DPRSRA created

a three-tiered system: (1) “exempt transmissions,” including nonsubscription digital broadcast transmissions, largely by traditional broadcasters, are exempt from the digital performance right;²⁶ (2) non-interactive subscription digital transmissions meeting specified statutory criteria²⁷ are subject to the new right but are granted a compulsory license; and (3) interactive or user-selected streaming of music are ineligible for the compulsory license and hence require consent of or a license from the sound recording copyright owner.

Section 114(f) provides for the compulsory license rate to be set by the Copyright Royalty Board in the absence of voluntary agreement among record labels and online services. Congress authorized SoundExchange, a non-profit collective rights management organization, to distribute the compulsory license royalties. Section 114(g) allocates 50% of the compulsory license royalties to be paid to record labels, 45% to featured vocalists and musicians, and 5% to non-featured performers. The MMA requires SoundExchange to “adopt and reasonably implement a policy that provides . . . for acceptance of instructions from” either sound recording copyright owners or featured artists, directing the collective to pay a portion of their share of royalties to “a producer, mixer, or sound engineer who was part of the creative process that created a sound recording.” § 114(g)(5)(A). The statute does not specify any particular share of royalties to be paid to producers, mixers, and sound engineers. Section 114(g)(6) provides for mandatory payments to producers, mixers, and sound engineers who meet specified criteria.

e. Public Display Right

The Copyright Act grants owners of “literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work,” the exclusive right to display such works. *See* § 106(5). Section 101 defines “display” broadly: “to show a copy of [the work], either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.”

Section 109(c) provides an exception to the public display right that is particularly important:

the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.

²⁶ Traditional television and radio broadcasters may continue to perform sound recordings without being subject to this new right, even if they convert their signal to digital form. *See* 17 U.S.C. § 114(d)(1). In addition, various secondary transmissions of exempt primary transmissions and transmissions within business establishments (such as MUZAK) do not implicate the digital performance right.

²⁷ *See* § 114(d)(2), (j)(13). In essence, non-interactive services mimic traditional radio stations. Users do not choose the tracks or artists and there are no pre-published playlists.

merchandising item or advertising, promotional, descriptive, covering, or packaging material or container”; or (iii) any work made for hire. §101.



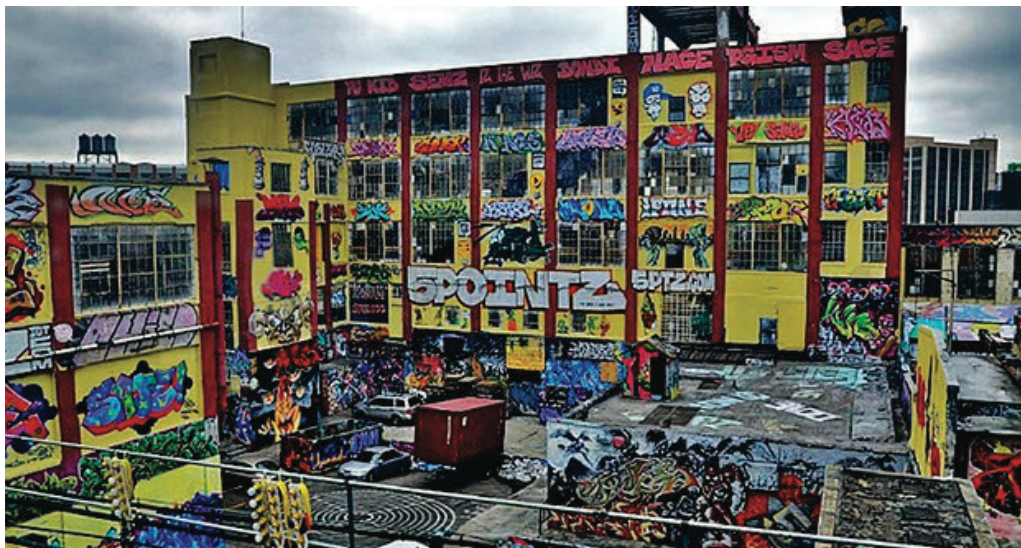
Castillo v. G&M Realty L.P.
United States Court of Appeals for the Second Circuit
950 F.3d 155 (2d Cir. 2020)

BARRINGTON D. PARKER, CIRCUIT JUDGE:

...

The facts as found by the district court established that in 2002, Wolkoff undertook to install artwork in a series of dilapidated warehouse buildings that he owned in Long Island City, New York. Wolkoff enlisted Appellee Jonathan Cohen, a distinguished aerosol artist, to turn the warehouses into an exhibition space for artists. Cohen and other artists rented studio spaces in the warehouses and filled the walls with aerosol art, with Cohen serving as curator. Under Cohen's leadership, the site, known as 5Pointz, evolved into a major global center for aerosol art. It attracted thousands of daily visitors, numerous celebrities, and extensive media coverage.

“Creative destruction” was an important feature of the 5Pointz site. Some art at the site achieved permanence, but other art had a short lifespan and was repeatedly painted over. An elaborate system of norms—including Cohen's permission and often consent of the artist whose work was overpainted—governed the painting process. Cohen divided the walls into “short-term rotating walls,” where works would generally last for days or weeks, and “longstanding walls,” which were more permanent and reserved for the best works at the site. During its lifespan, 5Pointz was home to a total of approximately 10,650 works of art.



In May 2013, Cohen learned that Wolkoff had sought municipal approvals looking to demolish 5Pointz and to build luxury apartments on the site. seeking to prevent that destruction, Cohen applied to the New York City Landmark Preservation Commission to have 5Pointz designated a site of cultural significance. The application was unsuccessful, as were Cohen's efforts to raise money to purchase the site.

At that point, Cohen, joined by numerous 5Pointz artists, sued under VARA to prevent destruction of the site. VARA, added to the copyright laws in 1990, grants visual artists certain “moral rights” in their work. *See* 17 U.S.C. §106A(a). specifically, the statute prevents modifications of artwork that are harmful to artists' reputations. *Id.* §106A(a)(3)(A). The statute also affords artists the right to prevent destruction of their work if that work has achieved “recognized stature” and carries over this protection even after the work is sold. *Id.* §106A(a)(3)(B). Under §§504(b) and (c) an artist who establishes a violation of VARA may obtain actual damages and profits or statutory damages, which are enhanced if the artist proves that a violation was willful.

Early in the litigation, Plaintiffs applied for a temporary restraining order to prevent the demolition of the site, which the district court granted. As the TRO expired, Plaintiffs applied for a preliminary injunction. On November 12, 2013, the court denied the application in a minute order but told the parties that a written opinion would soon follow.

That night, Wolkoff began to destroy the artwork. He banned the artists from the site and refused them permission to recover any work that could be removed. Several nights later (and before the district court's written opinion could issue), Wolkoff deployed a group of workmen who, at his instruction, whitewashed the art.

On November 20, 2013, the district court issued its opinion denying the preliminary injunction. Judge Block concluded that, although some of the 5Pointz paintings may have achieved recognized stature, resolution of that question was best reserved for trial. The court also decided that, given the transitory nature of much of the work, preliminary injunctive relief was inappropriate and that the monetary damages available under VARA could remediate any injury proved at trial.

Following the destruction of the art, nine additional artists sued Wolkoff. . . .

On February 12, 2018, the district court issued its findings of fact and conclusions of law. Drawing on a vast record, the court found that 45 of the works had achieved recognized stature, that Wolkoff had violated VARA by destroying them, and that the violation was willful. More specifically, the court observed that the works “reflect[ed] striking technical and artistic mastery and vision worthy of display in prominent museums if not on the walls of 5Pointz.” The findings emphasized Cohen's prominence in the world of aerosol art, the significance of his process of selecting the artists who could exhibit at 5Pointz, and the fact that, while much of the art was temporary, other works were on display for several years. Judge Block credited the artists' evidence of outside recognition of the 5Pointz works and expert testimony as to the works' stature. The court declined to impose liability with respect to the four remaining works because

they had not achieved long-term preservation, were insufficiently discussed outside of 5Pointz, and were not modified to the detriment of the artists' reputations.

Where a violation of VARA is established, the statute permits the injured party to recover either actual damages and profits or statutory damages. 17 U.S.C. §504. . . . Ultimately, the district court concluded that it could not reliably fix the market value of the destroyed paintings and, for that reason, declined to award actual damages.

Nonetheless, the court did award statutory damages. It determined that statutory damages would serve to sanction Wolkoff's conduct and to vindicate the policies behind VARA. In addition, and in accord with the advisory jury's verdict, the court found that Wolkoff had acted willfully. This finding was based on Wolkoff's awareness of the ongoing VARA litigation and his refusal to afford the artists the 90-day opportunity provided by the statute to salvage their artwork, some of which was removable. *See* 17 U.S.C. §113(d)(2)(B). Judge Block was unpersuaded by Wolkoff's assertion that he whitewashed the artwork to prevent the artists from engaging in disruption and disorderly behavior at the site. Instead, he found that Wolkoff acted out of "pure pique and revenge for the nerve of the plaintiffs to sue to attempt to prevent the destruction of their art." Judge Block awarded the maximum amount of statutory damages: \$150,000 for each of the 45 works, for a total of \$6.75 million. . . .

DISCUSSION

...

I.

VARA creates a scheme of moral rights for artists. "The right of attribution generally consists of the right of an artist to be recognized by name as the author of his work or to publish anonymously or pseudonymously . . ." *Carter v. Helmsley-Spear, Inc.*, 71 F.3d 77, 81 (2d Cir. 1995). It further includes the right to prevent the artist's work from being attributed to another and to prevent the use of the artist's name on works created by others. *Id.* "The right of integrity allows the [artist] to prevent any deforming or mutilating changes to his work, even after title in the work has been transferred."

Most importantly for this appeal, VARA gives "the author of a work of visual art" the right "to prevent any destruction of a work of recognized stature" and provides that "any intentional or grossly negligent destruction of that work is a violation of that right." 17 U.S.C. §106A(a)(3)(B); *see also Carter*, 71 F.3d at 83. VARA further permits the artist "to prevent any intentional distortion, mutilation, or other modification of [his or her work] which would be prejudicial to his or her honor or reputation," and provides that "any intentional distortion, mutilation, or modification of that work is a violation of that right." 17 U.S.C. §106A(a)(3)(A). The latter provision applies regardless of a work's stature. These rights may not be transferred, but they "may be waived if the author expressly agrees to such waiver in a written instrument signed by the author." *Id.* §106A(e)(1).

Additionally, the statute contains specific provisions governing artwork incorporated into a building. If the artwork is incorporated “in such a way that removing the work from the building will cause the destruction, distortion, mutilation, or other modification of the work,” then the artist’s rights may be waived if and only if he “consented to the installation of the work in the building . . . in a written instrument.” *Id.* §113(d)(1). This instrument must be “signed by the owner of the building and the author” and must “specif[y] that the installation of the work may subject the work to destruction, distortion, mutilation, or other modification, by reason of its removal.” *Id.* However, “[i]f the owner of a building wishes to remove a work of visual art which is a part of such building and which can be removed from the building without the destruction, distortion, mutilation, or other modification of the work,” then the artist’s rights prevail unless one of two things has occurred. *Id.* §113(d)(2). First, the building’s owner “has made a diligent, good faith attempt without success to notify the author of the owner’s intended action affecting the work of visual art.” *Id.* or second, the owner has “provide[d] such notice in writing and the person so notified failed, within 90 days after receiving such notice, either to remove the work or to pay for its removal.” *Id.*

Damages for violations of VARA's rights of attribution and integrity are governed by general copyright law and include both actual and statutory damages. Statutory damages may range from \$750 to \$30,000 per work “as the court considers just.” *Id.* §504(c)(1). However, if “the [artist] sustains the burden of proving, and the court finds, that [a violation of VARA] was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000 [per work].” *Id.* §504(c)(2).

II.

The crux of the parties’ dispute on this appeal is whether the works at 5Pointz were works of “recognized stature,” thereby protected from destruction under §106A(a)(3)(B). We conclude that a work is of recognized stature when it is one of high quality, status, or caliber that has been acknowledged as such by a relevant community. *See Carter v. Helmsley-Spear, Inc.*, 861 F. Supp. 303, 324-25 (S.D.N.Y. 1994), *aff’d in part, vacated in part, rev’d in part*, 71 F.3d 77; *see also, e.g., Martin v. City of Indianapolis*, 192 F.3d 608, 612 (7th Cir. 1999). A work’s high quality, status, or caliber is its stature, and the acknowledgement of that stature speaks to the work’s recognition.

The most important component of stature will generally be artistic quality. The relevant community will typically be the artistic community, comprising art historians, art critics, museum curators, gallerists, prominent artists, and other experts. Since recognized stature is necessarily a fluid concept, we can conceive of circumstances under which, for example, a “poor” work by an otherwise highly regarded artist nonetheless merits protection from destruction under VARA. This approach helps to ensure that VARA protects “the public interest in preserving [the] nation’s culture,” *Carter*, 71 F.3d at 81. This approach also ensures that the personal judgment of the court is not the determinative factor in the court's analysis. *See* Christopher J.

Robinson, *The “Recognized Stature” Standard in the Visual Artists Rights Act*, 68 *FORDHAM L. REV.* 1935, 1945 n.84 (2000).

After all, we are mindful of Justice Holmes’s cautionary observation that “[i]t would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [visual art],” *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903); accord *Pollara v. Seymour*, 344 F.3d 265, 271 (2d Cir. 2003) (“We steer clear of an interpretation of VARA that would require courts to assess . . . the worth of a purported work of visual art . . .”). For that reason, aside from the rare case where an artist or work is of such prominence that the issue of recognized stature need not be tried, expert testimony or substantial evidence of non-expert recognition will generally be required to establish recognized stature.

III.

Accordingly, to establish a violation of VARA in this case, the artists were required to demonstrate that their work had achieved recognized stature. Judge Block found that they did so. He concluded that “the plaintiffs adduced such a plethora of exhibits and credible testimony, including the testimony of a highly regarded expert, that even under the most restrictive of evidentiary standards almost all of the plaintiffs’ works easily qualify as works of recognized stature.” [The Court found substantial evidence supported that conclusion].

Initially, Wolkoff contends that the great majority of the works in question were temporary ones which, for that reason, could not meet the recognized stature requirement. We disagree. We see nothing in VARA that excludes temporary artwork from attaining recognized stature. Unhelpful to this contention is the fact that Wolkoff’s own expert acknowledged that temporary artwork can achieve recognized stature.

The statute does not adopt categories of “permanent” and “temporary” artwork, much less include a definition of these terms. VARA is distinctive in that “[a] work of visual art is defined by the Act in terms both positive (what it is) and negative (what it is not).” *Carter*, 71 F.3d at 84. In narrowing the scope of the statute, Congress adopted a highly specific definition of visual art. *See* 17 U.S.C. §101. In light of this specificity, we see no justification for adopting an additional requirement not included by Congress, even if that requirement is styled as a component of recognized stature. To do so would be to upset the balance achieved by the legislature.

Additionally, at least as recently as 2005, New York City saw a clear instance where temporary artwork achieved recognized stature. That winter, artists Christo Vladimirov Javacheff and Jeanne-Claude Denat, known collectively as “Christo,” installed 7,503 orange draped gates in Central Park. This work, known as “The Gates,” lasted only two weeks but was the subject of significant critical acclaim and attention, not just from the art world but also from the general public. *See* Richard Chused, *Moral Rights: The Anti-Rebellion Graffiti Heritage of 5Pointz*, 41 *COLUM. J.L. & ARTS* 583, 597-98 (2018). As Wolkoff concedes, “The Gates” achieved recognized stature and would have been protected under VARA.

In recent years, “street art,” much of which is “temporary,” has emerged as a major category of contemporary art. As one scholar has noted, “street art” has “blossomed into far more than spray-painted tags and quickly vanishing pieces . . . painted by rebellious urbanites. In some quarters, it has become high art.” *Id.* at 583. For example, noted street artist Banksy has appeared alongside President Barack Obama and Apple founder Steve Jobs on *Time* magazine’s list of the world’s 100 most influential people. Though often painted on building walls where it may be subject to overpainting, Banksy’s work is nonetheless acknowledged, both by the art community and the general public, as of significant artistic merit and cultural importance. Famously, Banksy’s *Girl with a Balloon* self-destructed after selling for \$1.4 million at Sotheby’s, but, as with Banksy’s street art, the temporary quality of this work has only added to its recognition.

A Banksy painting at 5Pointz would have possessed recognized stature, even if it were temporary. Even if “The Gates” had been replaced with another art exhibit, that work would have maintained its recognized stature. Although a work’s short lifespan means that there will be fewer opportunities for the work to be viewed and evaluated, the temporary nature of the art is not a bar to recognized stature.

The district court correctly observed that when Congress wanted to impose durational limits on work subject to VARA, it knew how to do so. For example, the statute provides that “[t]he modification of a work of visual art which is a result of the passage of time or the inherent nature of the materials is not a distortion, mutilation, or other modification described in subsection (a)(3)(A).” 17 U.S.C. §106A(c)(1). For that reason, the gradual erosion of outdoor artwork exposed to the elements or the melting of an ice sculpture does not threaten liability. Congress also imposed a durational limit insofar as the statute protects only works that are “fixed”—“sufficiently permanent . . . to be perceived. . . for a period of more than transitory duration.” *Id.* §§101, 102(a). We have held that a work that exists for only 1.2 seconds is of merely transitory duration but have noted with approval cases holding that a work “embodied . . . for at least several minutes” is of more than transitory duration. *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 127-28 (2d Cir. 2008). It is undisputed that the 5Pointz works survived far longer than this and therefore satisfied the statute’s minimal durational requirement.

As a variation on the theme that temporary artwork does not merit VARA protection, Wolkoff contends that because the artists were aware that the 5Pointz buildings might eventually be torn down, they should have expected their work to be destroyed. The district court correctly observed, however, that VARA accounts for this possibility. Under §113(d), if the art at 5Pointz was incorporated into the site such that it could not be removed without being destroyed, then Wolkoff was required to obtain “a written instrument . . . that [was] signed by the owner of the building and the [artist] and that specifie[d] that installation of the work may subject the work to destruction, distortion, mutilation, or other modification, by reason of its removal.” 17 U.S.C. §113(d)(1)(B). It is undisputed that no such instrument was executed. If, on the other hand, the 5Pointz art could have been safely removed, then Wolkoff was required to provide written notice of the planned demolition and to allow the artists 90 days to

2. *Comparison to Moral Rights Protection in Continental Europe.* Significant constraints on moral rights protection built into §106A make it much more limited than artist protection in Europe. Consider the case involving Picasso’s painting “Trois Femmes.” Two art investors cut the painting into one-inch squares, which they then marketed as “original Picassos.” Daniel Grant, *Before You Cut Up That Picasso . . .*, WORLD MONITOR, Feb. 1992, at 58–59. This mutilation is illegal in France. Because Picasso was dead when this occurred, however, §106A would not prohibit it in the United States. §106A(d)(1). In addition, §106A does not extend to a host of works, such as films, that are protected under European moral rights regimes. Cf. John Huston—*Asphalt Jungle* Case, reported at 22 INT’L REV. IND. PROP. & COPYRIGHT L. 121 (1991) (describing French court’s decision to bar showing of “colorized” version of film made in black and white by director John Huston).

Moral rights in the continental tradition are normally thought to be “inalienable.” Certainly, the Berne Convention speaks of an author retaining such rights even after relinquishing the copyright. And Sarraute refers to the “inalienable, unbarrable, and perpetual nature of the French moral right.” Raymond Sarraute, *Current Theory on the Moral Right of Authors and Artists Under French Law*, 16 AM. J. COMP. L. 465, 485 (1968); *but see* Neil W. Netanel, *Alienability Restrictions and the Enhancement of Author Autonomy in United States and Continental Copyright Law*, 12 CARDOZO ARTS & ENT. L.J. 1 (1994) (suggesting that the extent of inalienability in continental moral rights law has been overstated). Should moral rights be subject to sale or waiver by contract? If so, what good are they?

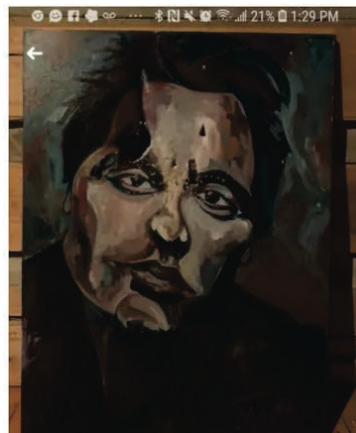
3. *Applied Art.* The statute’s definition of a “work of visual art” contains an extensive list of works that are ineligible for moral rights protection, including “applied art.” Does applied art encompass only forms of industrial design? Should it encompass a separability requirement along the lines of the useful article doctrine?

In *Cheffins v. Stewart*, 825 F.2d 588 (9th Cir. 2016), the court examined the scope of the phrase “applied art” but declined to draw on the useful article doctrine for guidance. The case involved the *La Contessa*, a dry land replica of a Spanish galleon built around a schoolbus originally developed for use at the Burning Man Festival.



After the sculpture was intentionally destroyed by the defendant to sell the schoolbus as scrap metal, the plaintiffs alleged a violation of their moral right of integrity under the VARA. In the court’s view, an “object constitutes a piece of ‘applied art’—opposed to a ‘work of visual art’—where the object initially served a utilitarian function and the object continues to serve such a function after the artist made embellishments or alterations to it.” Since the *La Contessa* continued to be used for transportation and other practical purposes, even after being treated as a sculpture by its creators, the court concluded that it was a piece of “applied art” and therefore ineligible for moral rights protection.

4. *Mutilation or Destruction.* Ryan Upchurch commissioned Jacob Leveille to paint portraits of country musician Johnny Cash and Upchurch. After a dispute over payment for a later work, Upchurch shot holes in the paintings and posted a photo of the shotgunned paintings with the caption “Fuck this dudes Paintings.”



Upchurch then scribbled a profanity-laced insult against LeVeille on the Johnny Cash portrait and auctioned both pieces off. Leveille brought suit, alleging violation of VARA as well as several state law causes of action. The court held that Leveille stated a claim under VARA for “mutilation” of his paintings. *Leveille v. Upchurch*, 2020 WL 10180570 (M.D. Fla. 2020).

By contrast, covering up or hiding a work is not a modification of the work. *Kerson v. Vermont Law School*, 2021 WL 4142268 (D. Vt. 2021). Would Wolkoff have avoided liability if he had merely built a wall covering the 5Pointz works?

5. *State Moral Rights.* In some states, VARA is augmented by separate state moral rights statutes. The state statutes generally provide more and broader rights to artists and restrict their alienability. *See, e.g.*, 107 N.M. Stat. Ann. §13-4B-2(B), 3(B) (work of fine art is “any original work of visual or graphic art of any media . . . of recognized quality.”); R.I. Gen. Laws §5-62-2(e); Conn. Gen. Stat. Ann. §42-116t; Cal. Civ. Code §§987–990; Pa. Stat. Ann. title 73, §§2101–10; Mass. Gen. Laws Ann. ch. 231, §85S. The New York moral rights statute takes a different tack. It emphasizes the value of an artist’s reputation, rather than the intrinsic value of the work itself. Under this statute,

for example, display of a mutilated original art work (or a copy for limited-run works) is prohibited only if the artist's name is associated with it. *See* N.Y. ARTS AND CULTURAL AFFAIRS LAW §14.03 (1994).

The enforceability of these state protections has been cast into question by the passage of VARA. Due to federal preemption, VARA provides the exclusive vehicle for asserting “all legal or equitable rights that are equivalent to any of the” attribution and integrity rights as of June 1, 1991. State laws remain enforceable, however, to the extent that they create legal or equitable rights that are not equivalent to VARA's attribution and integrity rights or extend beyond the life of the author. Given the ambiguity surrounding the scope of federal preemption, it remains to be seen whether VARA's passage expands or contracts protection of visual artists' moral rights in the United States.

6. *Resale Royalties* (“*Droit de Suite*”). The *droit de suite* would permit an artist to benefit from appreciation in the value of her works by entitling her to a percentage of all subsequent sales. The California Resale Royalty Act provides that a 5 percent royalty shall be paid on each sale of a work. *See* Cal. Civ. Code §986(a). The Ninth Circuit, however, struck down this statute with respect to sales occurring outside of California under the dormant Commerce Clause. *See Sam Francis Foundation v. Christies, Inc.*, 784 F.3d 1320 (9th Cir. 2015) (en banc). The dormant Commerce Clause restricts state regulations that improperly burden or discriminate against interstate commerce. A later panel held that the statute was also preempted by the 1976 Copyright Act. *See Close v. Sotheby's, Inc.*, 909 F.3d 1204 (9th Cir. 2018).

7. *Policy Analysis*. Moral rights remain controversial in the United States. They raise a host of difficult philosophical and implementation questions: Should U.S. law offer general protections to authors and artists against alteration or misattribution of their works? Do such rights interfere with the free licensing of works of intellectual property by giving the creator a continual “veto power” over editing and publication? Should moral rights extend beyond the first sale of a book or work of art, preventing its owner from (for example) destroying or mutilating that particular copy? Is it desirable for an artist to be able to control what the owner of a piece of art does with it? Even in the privacy of her own home? The statutes speak of “defacement, mutilation, or destruction” of works of art, but also prevent mere “alteration” and “modification.” Who should make this determination? The artist? The courts? What might constitute actionable alteration of a work of art? Moving it? *Cf. Pollara v. Seymour*, 344 F.3d 265 (2d Cir. 2003) (holding that a political banner was “advertising or promotion” and therefore not a work of visual art that could be protected under VARA); Carys Craig & Anupriya Dhonchak, *Against Integrity: A Feminist Theory of Moral Rights, Creative Agency, and Attribution*, in Ysolde Gendreau (ed.), *RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY AND MORAL RIGHTS* 60 (2023) (contending that moral rights of integrity and association disadvantage women and minorities who wish to engage with and challenge canonical works).

iii. *State and Common Law Copyrights*

The 1976 Act largely preempted state and common law copyright protection. See §301. Congress carved out a few particular areas in which state or common law protection may still apply to works of authorship fixed in a tangible medium of expression. Most notably, §301(c) preserves protection for sound recordings fixed before February 15, 1972.

This is a particularly active area of litigation. Record labels and recording artists have filed a raft of cases against Pandora, Spotify, and XM Radio seeking damages for public performance of pre-1972 sound recordings. The plaintiffs allege that either state statutes (in the case of California) or common law doctrines afford sound recording owners a public performance right. Interestingly, there is a Pennsylvania Supreme Court decision so holding. See *Waring v. WDAS Broadcasting Station*, 327 Pa. 433 (Penn. S.Ct. 1937) (reasoning that “[j]ust as the birth of the printing press made it necessary for equity to inaugurate a protection for literary and intellectual property, so these latter-day inventions [sound recording and broadcasting] make demands upon the creative and ever-evolving energy of equity to extend that protection so as adequately to do justice under current conditions of life”); *but cf. RCA Manufacturing Co. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940) (holding that any “common-law property” in performances ended with sale of the records).

Notwithstanding the *Waring* decision, there was little effort to enforce a state or common law public performance right in sound recordings until this recent spate of cases. The defendants in the contemporary cases have pointed to this long period of non-enforcement to suggest that a common law public performance right was not thought to exist. On the other hand, there are plausible reasons for record companies to have stayed their hand. First, the record companies may well have also owned an interest in the underlying musical compositions through their music publishing divisions and hence stood to gain through the ASCAP or BMI license. Second, radio play promoted record sales. With the demise of record sales in the Internet Age, sound recording owners see getting a piece of the streaming revenue stream to be the best strategy.

The New York’s Court of Appeals (its highest state court) ruled that there is no public performance right in sound recordings under New York’s common law. *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 28 N.Y.3d 583 (Ct. App. 2016). The majority concluded that “[i]t would be illogical to conclude that the right of public performance would have existed for decades without the courts recognizing such a right as a matter of state common law, and in the absence of any artist or record company attempting to enforce that right in this state until now.” *Id.* at 605. Furthermore, “[b]ecause the consequences of doing so could be extensive and far-reaching, and there are many competing interests at stake, . . . the recognition of such a right should be left to the legislature.” *Id.* at 605–06. Other courts have agreed. See *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 9 F.4th 1167 (9th Cir. 2021); *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 229 So. 3d 305 (Fla. S.Ct. 2017).

Congress extended federal copyright protection to pre-1972 sound recordings in the Music Modernization Act. *See* §1401. Federal protection extends for 95 years from first publication with a 3 to 15 years transition period. Congress granted owners of sound recordings rights under §§106(1), 106(2), 106(3), 106(6), 602, 1201, and 1202, subject to the §107 fair use defense, §108's library exemptions, the §109(a) first sale doctrine, §110's exemptions for small shops and some non-profit uses, §112's limitation for ephemeral recordings, and the §512 online service provider safe harbor. The legislation also provides for noncommercial use of orphan works. *See* §1401(c). The copyright remedies apply, with modest caveats. *See* §1401(f)(5).

iv. Digital Rights

a. Audio Home Recording Act

As analog recording technology improved during the 1980s, the sound recording industry became particularly concerned about the inevitable arrival of digital recording technology. While listeners had been recording off the airwaves since the introduction of the audio cassette tape, copyright owners feared that digital equipment could produce the viral spread of high quality copies. By the mid-1980s, just a few years after the release of the record labels' catalogs in unencrypted digital format (on CDs), consumer electronics companies sought to introduce a host of new products that would enable consumers to make digital copies of audio recordings. These technologies, DAT and mini-disc (DCC), made it possible to produce identical copies of copyrighted works without any significant degradation of quality. As occurred with the introduction of video cassette recording technology in the early 1980s, copyright owners sued the principal manufacturer of this technology, the Sony Corporation. *See Cahn v. Sony Corp.*, 90 Civ. 4537 (S.D.N.Y. Jul. 9, 1990).

In the shadow of costly and uncertain litigation (and following Sony's acquisition of CBS Records, one of the leading record labels, in 1987), the various interests resolved their differences through negotiations which culminated in Congress's passage of the Audio Home Recording Rights Act of 1992 (codified at 17 U.S.C. §§1001–10). For the first time in the history of copyright, the government imposed technological design constraints on the manufacture of copying devices. This legislation also established a royalty on the sale of devices and blank recording media. Section 1002(a) prohibits the importation, manufacture, and distribution of any digital audio recording device that does not incorporate technological controls (Serial Copy Management System or functional equivalents) that block second-generation digital copying. This technology control allowed users to make copies directly from a compact disc, but not from digital copies made using this technology. In so doing, the AHRA sought to limit the viral spread of copies. Consumers could make first-generation copies, but no further copies could be made from those copies.

To compensate copyright owners for the copying that could result from these new technologies, the Act requires manufacturers and importers of digital audio recording equipment and blank tapes, disks, or other storage media to pay a percentage of their transfer prices (2 percent for digital audio devices and 3 percent for storage media) into

measures put in place by copyright owners. The statute divides technological protection measures (TPMs) into two functional categories: (1) those that control *access* to copyrighted works—e.g., password protection governing access to an eBook; and (2) those that permit access but control *copying (or some other right)* of copyrighted works—e.g., a digital rights management system that authorizes the user to view a film during a 24-hour period.³² With regard to the first category (TPMs that prevent *access*), §1201(a) prohibits both specific acts to circumvent the technological measure³³ and the manufacture, importation, trafficking in, and marketing of devices that: (1) are primarily designed or produced for the purpose of circumventing a technological measure that effectively “controls access to” a copyrighted work; (2) have only limited commercially significant purpose or use other than to circumvent such technological protection measures; or (3) are marketed for use in circumventing such technological protection measures. §1201(a)(2). With regard to TPMs regulating *copying (or exercise of other copyright rights)* of a work where access has been lawfully obtained, §1201(b) does not prohibit the act of circumvention but only trafficking in and marketing of circumvention devices. This more limited protection was purportedly designed so as not to impair users’ ability to make fair use of content to which they have been given access.³⁴ This limitation, however, provides little solace to advocates of broad fair use standards because although it allows circumvention of use controls, the ban on trafficking of circumvention devices (including instructions) puts the means for such access beyond

³² It is unclear where DVD encryption falls in this typology. See NIMMER ON COPYRIGHT, §12A.06. If the DVD encryption system, content scrambling system (CSS), limits playback on an authorized compliant player (an access TPM) and prevents copying of the content to another medium (a copying TPM), then both sections 1201(a) and 1201(b) could be implicated by decryption of CSS. But if CSS-encrypted DVDs can be freely copied, but just cannot be viewed without a compliant machine, then only section 1201(a) is implicated by decryption. See *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001). The Court there provides this explication of section 1201’s meaning:

Subsection 1201(b)(1) is similar to subsection 1201(a)(2), except that subsection 1201(a)(2) covers those who traffic in technology that can circumvent “a technological measure that effectively controls access to a work protected under” Title 17, whereas subsection 1201(b)(1) covers those who traffic in technology that can circumvent “protection afforded by a technological measure that *effectively protects a right of a copyright owner* under” Title 17. *Id.* §1201(a)(2), (b)(1) (emphases added). In other words, although both subsections prohibit trafficking in a circumvention technology, the focus of subsection 1201(a)(2) is circumvention of technologies designed to *prevent access* to a work, and the focus of subsection 1201(b)(1) is circumvention of technologies designed to *permit access* to a work but *prevent copying* of the work or some other act that infringes a copyright. See S. REP. NO. 105-190, at 11–12 (1998). Subsection 1201(a)(1) differs from both of these anti-trafficking subsections in that it targets the use of a circumvention technology, not the trafficking in such a technology.

Id. at 441.

³³ § 1201(a)(1). To circumvent a technological measure is defined as descrambling a scrambled work, decrypting an encrypted work, or “otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner.” §1201(a)(3)(A).

³⁴ See H.R. REP. NO. 105-551, pt. 1, at 18 (1998); Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 65 Fed. Reg. 64,557 (2000) (codified at 37 C.F.R. §201).

the reach of all but the most technically adept—those possessing the ability to decrypt restricted works unaided.

Section 1202 further bolsters encryption efforts by prohibiting the falsification, removal, or alteration of “copyright management information,” such as digital watermarks and identifying information, when done with the intent to encourage or conceal infringement. Section 1202 contains what courts have called a “double scienter requirement”—the defendant must both intentionally remove or alter copyright management information and “know or have reason to know that its actions would induce, enable, facilitate, or conceal infringement.” See *Victor Elias Photography v. Ice Portal, Inc.*, 43 F.4th 1313 (11th Cir. 2022); *Stevens v. Corelogic, Inc.*, 899 F.3d 666 (9th Cir. 2018).

The DMCA addresses the many objections and concerns raised by various groups through a complex series of narrow exemptions. Detailed exemptions exist for law enforcement activities, radio and television broadcasters, libraries, encryption researchers, filtering of content to prevent access by minors, and protection for personally identifying information. See §§1201(d), (e), (h), (i). To reduce adverse effects of §1201 upon fair use of copyrighted works, the DMCA authorizes the Librarian of Congress to exempt any classes of copyrighted works where persons making non-infringing uses are likely to be adversely affected by the anticircumvention ban. Perhaps of most significance, the DMCA authorizes the circumvention of technological protection measures for purposes of reverse engineering of computer programs for the “sole purpose of identifying and analyzing those elements of the program that are necessary to achieve interoperability of an independently created computer program.” §1201(f)(1).

COMMENTS AND QUESTIONS

1. *Stream Capture Technology.* One of the first tests of the anticircumvention prohibitions arose with regard to technology for streaming music and video over the Internet. RealNetworks developed technology that allows Internet users to access protected content encoded in its RealMedia formats using its RealPlayer software. The user cannot, however, store the content on their computer (unless the content provider activated the download capability). Streambox began offering its “VCR” and “Ripper” technologies. The Streambox VCR product enables users to access and download copies of RealMedia files that are streamed over the Internet by mimicking the operation of RealPlayer software. It then circumvents the authentication procedure in order to gain access to streamed content. Unlike the RealPlayer, however, the Streambox VCR bypasses the copy switch so that users can download content, even if the content owner had intended that it only be streamed. Once downloaded, the content can then be accessed, copied, and distributed at the user’s discretion. Streambox’s Ripper technology enables users to convert files from RealMedia (.RMA) format to other formats such as .WAV (a format commonly used for music editing), .WMA (Windows Media Player), and .MP3.

RealNetworks sued Streambox for violating the DMCA's anticircumvention prohibitions. On RealNetworks's motion for a preliminary injunction, the court held that aspects of the Streambox VCR were likely to violate the new law. *See RealNetworks, Inc. v. Streambox, Inc.*, 2000 WL 127311 (W.D. Wash. 2000). In particular, the court found that the authentication process used to establish a handshake between the RealPlayer and a RealNetworks server constitutes a "technological measure" that "effectively controls access" to copyrighted works. The Streambox VCR's means of establishing access and then bypassing the copy switch circumvents the technological protection measures. The court further found that it had no significant commercial purpose other than to enable users to access and record protected content. The court rejected Streambox's defense that its software allows consumers to make "fair use" copies, such as to time or space shift access to content. It distinguished the *Sony* case on two grounds: (1) many of the copyright owners there authorized or would not have objected to having their content time-shifted whereas all of the content owners using the RealNetworks' technology to stream their works specifically chose not to authorize downloading; and (2) *Sony* did not address the new protections afforded by the DMCA.³⁵ The court declined to enjoin Streambox's Ripper software, raising doubts as to whether the .RMA format constituted a "technological protection measure" within the meaning of the DMCA and noting that Ripper could serve significant legitimate purposes.

2. *Constitutionality of the DMCA's Anticircumvention Provisions.* In a series of high-profile cases, the content industries pursued publishers of decryption code who have asserted as a defense that the DMCA interferes with their freedom of expression protected by the First Amendment. The courts upheld the anticircumvention provisions under the intermediate scrutiny test applied to content-neutral constraints on speech. Under this standard, the courts determined that the ban on distributing decryption code were adequately justified by the substantial governmental interest in restraining unauthorized distribution of copyrighted works in the digital age, were not related to the suppression of free expression, and did not burden substantially more speech than necessary to further the interest in preventing piracy. *See Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001); *see also United States v. Elcom, Ltd.*, 203 F. Supp. 2d 1111 (N.D. Cal. 2002).

3. *Circumventing Fair Use?* As noted above, violations of the DMCA are not acts of copyright infringement, but separate offenses. As a result, some courts have held that the defenses available under the Copyright Act, including fair use, simply don't apply

³⁵ The court cited NIMMER ON COPYRIGHT for the proposition that "those who manufacture equipment and products generally can no longer gauge their conduct as permitted or forbidden by reference to the *Sony* doctrine. For a given piece of machinery might qualify as a staple item of commerce, with a substantial noninfringing use, and hence be immune from attack under *Sony*'s construction of the Copyright Act—but nonetheless still be subject to suppression under Section 1201." 1 NIMMER ON COPYRIGHT (1999 Supp.), §12A.18[B]. As such, "[e]quipment manufacturers in the twenty-first century will need to vet their products for compliance with Section 1201 in order to avoid a circumvention claim, rather than under *Sony* to negate a copyright claim." *Id.*

owners”); *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2005) (holding that the lock-out technology at issue did not effectively control access to a copyrighted work); *see also Storage Technology Corp. v. Custom Hardware Engineering*, 421 F.3d 1307 (Fed. Cir. 2005) (decryption (by third party software repair entity) in order to perform software maintenance activities not actionable). Are these claims legitimate uses of the DMCA? Or are they a form of “bootstrapping,” alleging that the lockout code is itself the copyrighted work that the code is nominally designed to protect?

One court lamented the misuse of the DMCA anticircumvention rules:

[T]his case exemplifies problems with the DMCA and the right to repair. Whereas the DMCA was originally enacted to protect copyright owners from digital piracy (such as illegally downloading and sharing music, video games, and movies), powerful corporations are now putting digital locks on their products as a tool to capture and retain a huge market share over the repair industry, reducing consumer choice and raising repair costs. Issues of third-party rights to repair not only affect the medical imaging industry, but they extend further to extremely problematic areas for consumers. Indeed, under the literal and very broad language of the DMCA, car owners may be prevented from repairing their own vehicles or from sending their vehicles to third parties for repairs. Imagine the company you bought your vehicle from telling you that you may only get your vehicle repaired at the dealership. This cannot be what Congress intended when it passed the DMCA.

Philips Med. Sys. Nederland BV v. TEC Holdings, 2023 WL 2064201 (M.D.N.C. Feb. 16, 2023).

6. *Machine Learning and CMI*. Section 1202(b) of the DMCA renders the intentional removal/alteration of Copyright Management Information (CMI) from any copyright-protected works with the knowledge that it will “induce, enable, facilitate, or conceal” copyright infringement, independently actionable. In a class action lawsuit recently filed against Open AI, the plaintiffs alleged that Github’s Copilot program (which uses AI to generate computer code) violates §1202 because Github allegedly blocks Copilot from generating open source license text when it uses software released under an open source license. The district court held that the allegation was sufficient to survive a motion to dismiss. *Doe v. Github*, 2023 WL 3449131 (N.D. Cal. May 11, 2023).

2. Indirect Infringement

As technological advances provide ever more powerful means for reproducing, adapting, distributing, and performing copyrighted works, the contours of liability for those who contribute to, induce, or profit from the infringing acts of others, or who merely sell products that others can use to infringe, has taken center-stage in copyright law and policy. To understand these contours, we need to trace the development of copyright law. We begin with the analog age and then turn to the digital age.

i. The Analog Age

Copyright infringement standards developed from an austere statutory foundation. The 1790 Act provided that “any person or persons who shall print or publish any manuscript, without the consent and approbation of the author or proprietor thereof . . . shall be liable to suffer and pay to the said author or proprietor all damages occasioned by such injury.” The Act did not provide a formal definition of infringement. The 1909 Act did not elucidate copyright’s reach any further, stating simply that any person who “shall infringe the copyright in any work protected under the copyright laws of the United States . . . shall be liable” for various remedies. *See* 17 U.S.C. §25 (1909 Act), recodified §101 (1912 Act); *see also* H. Committee Print, 89th Cong., 1st Sess., Copyright Law Revision Part 6, Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law; 1965 Revision Bill (May 1965), chapter 7 (Copyright Infringement and Remedies) at 131 (“It seems strange, though not very serious, that the present law lacks any statement or definition of what constitutes an infringement.”).

Against this bare legislative backdrop and drawing upon general principles of civil liability (tort law), courts recognized that copyright liability extends not just to those who infringe directly but also to those who contribute to or control the infringing acts of others. As noted more than a century ago, “[t]he evidence shows that the defendants bought the pictures from the complainants, furnished them to the photogravure company, ordered the copies made, and gave general directions as to how the work should be done. They are therefore liable as joint tort feasons.” *Fishel v. Lueckel*, 53 F. 499 (S.D.N.Y. 1892); *see also Kalem Co. v. Harper Brothers*, 222 U.S. 55, 62–63 (1911) (observing that contributory liability is a principle “recognized in every part of the law”).

a. Respondeat Superior

Courts readily recognized that employers should be liable for the infringing acts of their employees under traditional master-servant principles:

Neither does the fact, if it is a fact, that young Williams, the operator of the player piano, borrowed this music without the direction, knowledge, or consent of the owner or manager of the theater affect the question. The rule of the common law applies, to wit, that the master is civilly liable in damages for the wrongful act of his servant in the transaction of the business which he was employed to do, although the particular act may have been done without express authority from the master, or even against his orders.

M. Witmark & Sons v. Calloway, 22 F.2d 412, 415 (D. Tenn. 1927).

b. Vicarious Liability

Even outside of the master-servant context, courts extended liability to those who profit from infringing activity where an enterprise has the right and ability to prevent infringement.

[T]he owner of a dance hall at whose place copyrighted musical compositions are played in violation of the rights of the copyright holder is liable, if the playing be for the profit of the proprietor of the dance hall. And this is so even though the orchestra be employed under a contract that would ordinarily make it an independent contractor.

Dreamland Ball Room v. Shapiro, Bernstein & Co., 36 F.2d 354, 355 (7th Cir. 1929); see also *Gershwin Publ'g Corp. v. Columbia Artists Mgmt.*, 443 F.2d 1159 (2d Cir. 1971) (“When the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted material—even in the absence of actual knowledge . . . —the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.”). By contrast, courts did not extend liability to landlords who leased premises to a direct infringer for a fixed rental and did not participate directly in organizing or soliciting the infringing activity. See *Deutsch v. Arnold*, 98 F.2d 686 (2d Cir. 1938). Cf. *Fonovisa v. Cherry Auction*, 76 F.3d 259 (9th Cir. 1996) (extending liability to the operator of a swap meet who repeatedly leased booth space to concessionaires selling infringing tapes).

In discussing the infringement section, the House Report includes the following explanation:

Vicarious liability for infringing performances

The committee has considered and rejected an amendment to this section intended to exempt the proprietors of an establishment, such as a ballroom or night club, from liability for copyright infringement committed by an independent contractor, such as an orchestra leader. A well-established principle of copyright law is that a person who violates any of the exclusive rights of the copyright owner is an infringer, including persons who can be considered related or vicarious infringers. To be held a related or vicarious infringer in the case of performing rights, a defendant must either actively operate or supervise the operation of the place wherein the performances occur, or control the content of the infringing program, and expect commercial gain from the operation and either direct or indirect benefit from the infringing performance. The committee has decided that no justification exists for changing existing law, and causing a significant erosion of the public performance right.

H.R. REP. NO. 94-1478 at 159–60. The Ninth Circuit declined to extend vicarious liability to a company that hired a contractor that used images copied from the Internet without authorization to design the company’s website. The court emphasized that the hiring firm received no direct financial benefit from the infringing activity. See *Erickson Prods. v. Kast*, 921 F.3d 822 (9th Cir. 2019).

c. Contributory Liability

“[O]ne who, with knowledge of the infringing activity, induces, causes, or materially contributes . . . may be held liable as a ‘contributory’ infringer.” *Gershwin Publ'g Corp. v. Columbia Artists Mgmt.*, 443 F.2d 1159, 1162 (2d Cir. 1971). Thus, in

Elektra Records v. Gem Elec. Distribs., 360 F. Supp. 821 (E.D.N.Y. 1973), an electronics store which sold blank tapes and made available both pre-recorded tapes of copyrighted works and a high speed, coin-operated “Make-A-Tape” system was held contributorily liable for the infringing activities of its customers.

One of the studies commissioned for what ultimately became the 1976 Act reviewed the jurisprudence of indirect liability. See Alan Latman & William S. Tager, *Liability of Innocent Infringers of Copyrights* (Study No. 25 1958), reprinted in Subcomm. on Patents, Trademarks, and Copyrights, Senate Comm. on the Judiciary, 86th Cong., *Copyright Law Revision: Studies 22–25*, at 135 (Comm. Print 1960). The comments largely endorsed what the courts had done in extending copyright liability upstream. None of the many participants in the decade and a half of legislative hearings advocated change in the way such liability was addressed under the 1909 Act.

The principal reports accompanying the final version of the 1976 Act confirm that Congress intended to perpetuate indirect copyright liability. In explaining the general scope of copyright, the House Report recognizes contributory liability:

The exclusive rights accorded to a copyright owner under section 106 are “to do and to authorize” any of the activities specified in the five numbered clauses. Use of the phrase “to authorize” is intended to avoid any questions as to the liability of *contributory* infringers. For example, a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance.

H.R. REP. NO. 94-1478 at 61 (emphasis added).

Not long after the passage of the 1976 Act, the scope of contributory infringement liability was tested in a case in which the copyright owners claimed that the sale of a recording device—the video cassette recorder (VCR)—illegally contributed to infringement.



Sony Corporation of America v. Universal City Studios, Inc.
Supreme Court of the United States
464 U.S. 417 (1984)

JUSTICE STEVENS delivered the opinion of the Court.

[The respondents, a group of movie studios, sued the makers of video cassette recorders (“VCRs,” or “VTR’s” in the opinion), alleging that they were liable for contributory copyright infringement because consumers bought VCRs and used them to tape movies and other programming broadcast by television stations. In order for there to be indirect liability, there must direct infringement. We address the Court’s treatment of indirect liability in this section and return to this case in section (E)(2), discussing whether time-shifting by VCR users is fair use.]

II

Article I, Sec. 8 of the Constitution provides that:

The Congress shall have Power . . . to Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

The copyright law, like the patent statute, makes reward to the owner a secondary consideration. In *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127, Chief Justice Hughes spoke as follows respecting the copyright monopoly granted by Congress, “The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.” It is said that reward to the author or artist serves to induce release to the public of the products of his creative genius.

United States v. Paramount Pictures, 334 U.S. 131, 158.

As the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product. Because this task involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand, our patent and copyright statutes have been amended repeatedly.¹⁰

From its beginning, the law of copyright has developed in response to significant changes in technology. Indeed, it was the invention of a new form of copying equipment—the printing press—that gave rise to the original need for copyright protection. Repeatedly, as new developments have occurred in this country, it has been the Congress that has fashioned the new rules that new technology made necessary. . . .

¹⁰ In its report accompanying the comprehensive revision of the Copyright Act in 1909, the Judiciary Committee of the House of Representatives explained this balance:

The enactment of copyright legislation by Congress under the terms of the Constitution is not based upon any natural right that the author has in his writings, . . . but upon the ground that the welfare of the public will be served and progress of science and useful arts will be promoted by securing to authors for limited periods the exclusive rights to their writings.

In enacting a copyright law Congress must consider . . . two questions: First, how much will the legislation stimulate the producer and so benefit the public, and, second, how much will the monopoly granted be detrimental to the public? The granting of such exclusive rights, under the proper terms and conditions, confers a benefit upon the public that outweighs the evils of the temporary monopoly.

H.R. REP. NO. 2222, 60th Cong., 2d Sess. 7 (1909).

The judiciary's reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme. *See, e.g., Teleprompter Corp. v. CBS*, 415 U.S. 394 (1974); *Fortnightly Corp. v. United Artists*, 392 U.S. 390 (1968); *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908); *Williams and Wilkins v. United States*, 487 F.2d 1345 (1973), affirmed by an equally divided court, 420 U.S. 376 (1975). Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.

In a case like this, in which Congress has not plainly marked our course, we must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests. In doing so, we are guided by Justice Stewart's exposition of the correct approach to ambiguities in the law of copyright:

The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an "author's" creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. "The sole interest of the United States and the primary object in conferring the monopoly," this Court has said, "lie in the general benefits derived by the public from the labors of authors." *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127. When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose.

Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (footnotes omitted). . . .

The Copyright Act provides the owner of a copyright with a potent arsenal of remedies against an infringer of his work, including an injunction to restrain the infringer from violating his rights, the impoundment and destruction of all reproductions of his work made in violation of his rights, a recovery of his actual damages and any additional profits realized by the infringer or a recovery of statutory damages, and attorney's fees.

The two respondents in this case do not seek relief against the Betamax users who have allegedly infringed their copyrights. Moreover, this is not a class action on behalf of all copyright owners who license their works for television broadcast, and respondents have no right to invoke whatever rights other copyright holders may have to bring infringement actions based on Betamax copying of their works. As was made clear by their own evidence, the copying of the respondents' programs represents a small portion of the total use of VTR's. It is, however, the taping of respondents own

If vicarious liability is to be imposed on petitioners in this case, it must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory. The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.¹⁹ . . .

In the Patent Code both the concept of infringement and the concept of contributory infringement are expressly defined by statute. The prohibition against contributory infringement is confined to the knowing sale of a component especially made for use in connection with a particular patent. There is no suggestion in the statute that one patentee may object to the sale of a product that might be used in connection with other patents. Moreover, the Act expressly provides that the sale of a “staple article or commodity of commerce suitable for substantial noninfringing use” is not contributory infringement.

When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent, the public interest in access to that article of commerce is necessarily implicated. A finding of contributory infringement does not, of course, remove the article from the market altogether; it does, however, give the patentee effective control over the sale of that item. Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.²¹

For that reason, in contributory infringement cases arising under the patent laws the Court has always recognized the critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant. These cases deny the patentee any right to control the distribution of unpatented articles unless they are “unsuited for any commercial noninfringing use.” Unless a commodity “has no use except through practice of the patented method,” the patentee has no right to claim that its distribution constitutes contributory infringement. “To form the basis for contributory infringement the item must almost be uniquely suited as a component of the patented invention.” P. ROSENBERG, PATENT LAW FUNDAMENTALS §17.02[2] (1982). “[A] sale of an article which though adapted to an infringing use is also adapted

¹⁹ E.g., *United States v. Paramount Pictures*, 334 U.S. 131, 158 (1948); *Fox Film Corp. v. Doyal*, 286 U.S. 123, 131 (1932); *Wheaton and Donaldson v. Peters and Grigg*, 33 U.S. (8 Pet.) 591, 657–658 (1834). The two areas of the law, naturally, are not identical twins, and we exercise the caution which we have expressed in the past in applying doctrine formulated in one area to the other. See generally, *Mazer v. Stein*, 347 U.S. 201, 217–218 (1954); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 345 (1908).

²¹ It seems extraordinary to suggest that the Copyright Act confers upon all copyright owners collectively, much less the two respondents in this case, the exclusive right to distribute VTR’s simply because they may be used to infringe copyrights. That, however, is the logical implication of their claim. The request for an injunction below indicates that respondents seek, in effect, to declare VTR’s contraband. Their suggestion in this Court that a continuing royalty pursuant to a judicially created compulsory license would be an acceptable remedy merely indicates that respondents, for their part, would be willing to license their claimed monopoly interest in VTR’s to petitioners in return for a royalty.

to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce.” *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912), overruled on other grounds, *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 517 (1917).

We recognize there are substantial differences between the patent and copyright laws. But in both areas the contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible. The staple article of commerce doctrine must strike a balance between a copyright holder’s legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.

IV

[The court found that a substantial portion of the public’s use of VCRs did not implicate copyright at all, and also that the most common use—time-shifting—was a fair use.] The Betamax is, therefore, capable of substantial noninfringing uses. Sony’s sale of such equipment to the general public does not constitute contributory infringement of respondent’s copyrights.

V

“The direction of Art. I is that Congress shall have the power to promote the progress of science and the useful arts. When, as here, the Constitution is permissive, the sign of how far Congress has chosen to go can come only from Congress.” *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530 (1972).

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible.

It may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past. But it is not our job to apply laws that have not yet been written. Applying the copyright statute, as it now reads, to the facts as they have been developed in this case, the judgment of the Court of Appeals must be reversed.

It is so ordered.

COMMENTS AND QUESTIONS

1. *Statutory Interpretation or Judicial Legislation?* How would you characterize the Court’s interpretive methodology? Given that Congress had comprehensively revised the Copyright Act just a few years earlier, was the Court justified in transplanting an

express provision of the 1952 Patent Act into the Copyright Act? How else might the Court have determined the appropriate liability standard in the absence of Congressional guidance?

The Court notes that “[t]he judiciary’s reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme.” Yet, it was the judiciary, and not Congress, that brought doctrines of indirect liability into copyright law, and Congress endorsed that approach in the 1976 Act. By contrast, the principal cases on which the Court relies for its comment about “judicial reluctance” addressed whether a statutory definition—created by Congress—applied to a new activity.

2. *Exploring the “Historic Kinship.”* The Supreme Court justifies its transplantation of a categorical safe harbor from the patent statute into copyright law on the basis of a terse characterization of a rather complex historical relationship. Consider the following effort to delve more deeply into that relationship:

While central to both patent and copyright law, technology plays very different roles in the two regimes. In patent law, technological innovation is the end to which the system is directed. . . . The staple article of commerce doctrine arose as a way of balancing contributory liability and patent misuse (antitrust-like limits on the leveraging of patent rights). . . .

By contrast, in copyright law, technology serves as a means to the end of promoting creation and dissemination of works of authorship—art, music, literature, film, and other expressive works. Technology provides the platforms for instantiation, reproduction, and distribution on which creative expression flourishes and commerce occurs. When new technology platforms threaten the economic infrastructure supporting creative expression, copyright law seeks to protect the system that supports the creative arts.

. . . If, contrary to the Court’s findings, VCRs did pose a serious threat to the “golden goose” of creative expression, then copyright law would have required a very different analytical perspective. Rather than look to patent law—which seeks to delineate the proper scope of exclusive rights in order to promote technological advance and freedom to use that which is not protected—the Court might have been better served by looking to statutory and common law regimes aimed at protecting interests threatened by technologies that can produce harmful side effects—such as tort law (nuisance, product defect) and environmental law. Thus, when a court enjoins a factory that spews noxious chemicals under nuisance or statutory environmental law, it would be misleading to characterize such a result as giving pollution victims “exclusive rights” over the factory’s technology. A more apt characterization would be that society does not believe that the activity should be permitted in its current form. Such a perspective would not necessarily mean that the factory should be shut down permanently. But it might mean that it would have to install filters to limit the adverse effects on neighbors.

Similarly, copyright law has long constrained technologies and business practices that jeopardize the system that supports creative expression. In *Jerome H. Remick & Co. v. General Electric Co.*, 16 F.2d 829 (S.D.N.Y. 1926), a lawsuit pitting music publishers against the newly-emerging radio industry, the court had little difficulty finding that the defendant's broadcast of plaintiff's copyrighted musical composition constituted copyright infringement, despite the fact that such a holding conferred a measure of "control" over the nascent radio broadcasting industry. What that case established was that radio broadcasters would have to obtain valid copyright licenses if they were going to build the popularity of their medium using copyrighted content.³ This decision did not "shut down" the radio industry. Rather it led to the development of institutions for monitoring of broadcasts and compensation of artists—such as the ASCAP blanket license—which have fostered both commercial broadcasting and the creative arts.

Brief of Professors Peter S. Menell, David Nimmer, Robert P. Merges & Justin Hughes, as Amici Curiae in Support of Petitioners, *Metro-Goldwyn-Mayer Studios Inc., et al. v. Grokster, Ltd., et al.*, No. 04-480 (2005), reprinted in 20 BERKELEY TECH. L.J. 511 (2005); see also Peter S. Menell & David Nimmer, *Unwinding Sony*, 95 CAL. L. REV. (2007).

Should the Court have looked to tort law or patent law as the default regime for determining the scope of indirect copyright liability? If it looked to tort law, should all services or technologies—from Internet service providers (ISPs) to general purpose computers and iPods—be subject to scrutiny? (We explore the statutory online service provider safe harbor in Section F(2).) Should the manufacturers of computers have to pay damages (including statutory damages) because some people misuse those computers? Should it matter that computer manufacturers, unlike dance hall owners, generally have no control over what purchasers do with their products? To what extent should copyright law, like tort law, encourage product manufacturers to consider the social harm of their design decisions?

Should the analysis focus on the entire product or be conducted on a feature-by-feature basis? Is there an argument that even if the VCR had substantial noninfringing uses, particular parts of its design didn't (e.g., the fast-forward button)? Cf. *Universal Music Australia v. Sharman License Holdings* ([2005] FCA 1242) (Australia) (requiring provider of file-sharing software to implement a keyword filtering technology that excludes copyrighted music from search results).

Since we are dealing with indirect liability, should the economics of enforcement factor into the equation? Are you comforted by the suggestion that copyright owners might not be entitled to block technologies that contribute to infringement altogether,

³ The dance hall cases can also be characterized in this way. . . . Dance halls, like radio . . . can be used for infringing and non-infringing uses. The dance hall cases established that the proprietors of such facilities bore some responsibility to ensure that their clubs were not used for infringing uses. In the end, most clubs complied with the law by obtaining blanket licenses through ASCAP and BMI.

but instead request that courts order design changes to counteract demonstrated piracy-causing effects? Consider that, as the *Sony* Court noted, copyright owners do not all see eye to eye. Would all copyright owners have to agree to allow a new technology? Most of them?

3. “*Capable of Substantial Noninfringing Use.*” The Patent Act defines the staple article of commerce safe harbor as “suitable for substantial noninfringing use,” 35 U.S.C. §271(c), whereas the *Sony* decision speaks of “capable” of noninfringing use. What explains this difference? It appears that the Court wanted to get at both present and future uses. Are courts able to gauge such possibilities? Note in this regard that Hollywood was wrong to predict imminent disaster if Sony were allowed to continue making VCRs. See Mark A. Lemley, *Is the Sky Falling on the Content Industries?*, 9 J. TELECOM. & HIGH TECH. L. 125 (2011) (chronicling consistently wrong predictions by copyright owners that a new technology would destroy their market over the past 125 years). Does this suggest that courts should be cautious about using copyright law to screen markets for technology?

On the other hand, Professor Peter Menell suggests that better crafted indirect copyright liability could encourage the development of more symbiotic platforms and services without jeopardizing technological innovation. See Peter S. Menell, *Infringement Conflation*, 64 STAN. L. REV. 1551 (2012).

Will allowing technology to continue without judicial intervention ultimately work to the benefit of copyright owners? Those technologies often turn out to provide new ways for copyright owners to get paid. YouTube’s ContentID, for instance, allows copyright owners to authorize user-generated content employing their work and uses the carrot of sharing advertising revenues.

ii. The Digital Age

The amount of copyrighted content available over the Internet took a massive leap in late 1999 with the introduction of Napster’s peer-to-peer network technology. This technology vastly expanded the effective storage and exchange capacity of the Internet by enabling computer users running Napster’s software to search the hard drives of millions of other users for files encoded in the MP3 compression format commonly used for music files. Napster’s server contained the labels of MP3 files, typically some combination of band names and song titles, which could be searched by Napster users. Searches produced a list of Internet addresses of computers containing the search term. Software running on the user’s computer would then form a connection through the Internet to the particular computer containing the file, establish a link, and quickly transfer the file to the searcher’s hard drive. In essence, the Napster platform converted every computer running the software and connected to Napster into a “servent”—enabling it to function as both a server and a client. It became the fastest adopted software application in the history of computer technology, attaining 70 million users within its relatively brief period of operation.

The trial court and the Ninth Circuit ultimately concluded that Napster’s direct knowledge of copyright infringement by users of its software and its ability to control

such activities through the index of file names maintained on its central servers created a responsibility to remove links to infringing content and engage in efforts to police its network. See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001). Furthermore, the district court required that Napster be 100 percent accurate, ensuring that no infringing files at all were indexed on the system. The burden of this responsibility and the prospect of crushing liability ultimately pushed Napster into bankruptcy. During the pendency of this litigation, a new generation of peer-to-peer software providers entered the market, prompting further legal battles.



MGM Studios Inc. v. Grokster, Ltd.
Supreme Court of the United States
545 U.S. 913 (2005)

JUSTICE SOUTER delivered the opinion of the Court.

The question is under what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties using the product. We hold that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.

I

A

Respondents, Grokster, Ltd., and StreamCast Networks, Inc., defendants in the trial court, distribute free software products that allow computer users to share electronic files through peer-to-peer networks, so called because users' computers communicate directly with each other, not through central servers. The advantage of peer-to-peer networks over information networks of other types shows up in their substantial and growing popularity. Because they need no central computer server to mediate the exchange of information or files among users, the high-bandwidth communications capacity for a server may be dispensed with, and the need for costly server storage space is eliminated. Since copies of a file (particularly a popular one) are available on many users' computers, file requests and retrievals may be faster than on other types of networks, and since file exchanges do not travel through a server, communications can take place between any computers that remain connected to the network without risk that a glitch in the server will disable the network in its entirety. Given these benefits in security, cost, and efficiency, peer-to-peer networks are employed to store and distribute electronic files by universities, government agencies, corporations, and libraries, among others.

Other users of peer-to-peer networks include individual recipients of Grokster's and StreamCast's software, and although the networks that they enjoy through using the software can be used to share any type of digital file, they have prominently employed those networks in sharing copyrighted music and video files without authorization. A

distributors of unprotected content have used peer-to-peer networks to disseminate files, Shakespeare being an example. Indeed, StreamCast has given Morpheus users the opportunity to download the briefs in this very case, though their popularity has not been quantified.

As for quantification, the parties' anecdotal and statistical evidence entered thus far to show the content available on the FastTrack and Gnutella networks does not say much about which files are actually downloaded by users, and no one can say how often the software is used to obtain copies of unprotected material. But MGM's evidence gives reason to think that the vast majority of users' downloads are acts of infringement, and because well over 100 million copies of the software in question are known to have been downloaded, and billions of files are shared across the FastTrack and Gnutella networks each month, the probable scope of copyright infringement is staggering.

Grokster and StreamCast concede the infringement in most downloads, and it is uncontested that they are aware that users employ their software primarily to download copyrighted files, even if the decentralized FastTrack and Gnutella networks fail to reveal which files are being copied, and when. From time to time, moreover, the companies have learned about their users' infringement directly, as from users who have sent e-mail to each company with questions about playing copyrighted movies they had downloaded, to whom the companies have responded with guidance. And MGM notified the companies of 8 million copyrighted files that could be obtained using their software.

Grokster and StreamCast are not, however, merely passive recipients of information about infringing use. The record is replete with evidence that from the moment Grokster and StreamCast began to distribute their free software, each one clearly voiced the objective that recipients use it to download copyrighted works, and each took active steps to encourage infringement.

After the notorious file-sharing service, Napster, was sued by copyright holders for facilitation of copyright infringement, *A & M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000), *aff'd in part, rev'd in part*, 239 F.3d 1004 (9th Cir. 2001), StreamCast gave away a software program of a kind known as OpenNap, designed as compatible with the Napster program and open to Napster users for downloading files from other Napster and OpenNap users' computers. Evidence indicates that "[i]t was always [StreamCast's] intent to use [its OpenNap network] to be able to capture email addresses of [its] initial target market so that [it] could promote [its] StreamCast Morpheus interface to them," App. 861; indeed, the OpenNap program was engineered "'to leverage Napster's 50 million user base,'" *Id.*, at 746.

StreamCast monitored both the number of users downloading its OpenNap program and the number of music files they downloaded. It also used the resulting OpenNap network to distribute copies of the Morpheus software and to encourage users to adopt it. Internal company documents indicate that StreamCast hoped to attract large numbers of former Napster users if that company was shut down by court order or otherwise, and that StreamCast planned to be the next Napster. A kit developed by StreamCast to be

delivered to advertisers, for example, contained press articles about StreamCast's potential to capture former Napster users and it introduced itself to some potential advertisers as a company "which is similar to what Napster was." It broadcast banner advertisements to users of other Napster-compatible software, urging them to adopt its OpenNap. An internal e-mail from a company executive stated: "We have put this network in place so that when Napster pulls the plug on their free service . . . or if the Court orders them shut down prior to that . . . we will be positioned to capture the flood of their 32 million users that will be actively looking for an alternative."

Thus, StreamCast developed promotional materials to market its service as the best Napster alternative. One proposed advertisement read: "Napster Inc. has announced that it will soon begin charging you a fee. That's if the courts don't order it shut down first. What will you do to get around it?" *Id.* at 897. Another proposed ad touted StreamCast's software as the "# 1 alternative to Napster" and asked "[w]hen the lights went off at Napster . . . where did the users go?" *Id.* at 836 (ellipsis in original).⁷ StreamCast even planned to flaunt the illegal uses of its software; when it launched the OpenNap network, the chief technology officer of the company averred that "[t]he goal is to get in trouble with the law and get sued. It's the best way to get in the new[s]." *Id.* at 916.

The evidence that Grokster sought to capture the market of former Napster users is sparser but revealing, for Grokster launched its own OpenNap system called Swaptor and inserted digital codes into its Web site so that computer users using Web search engines to look for "Napster" or "[f]ree filesharing" would be directed to the Grokster Web site, where they could download the Grokster software. *Id.*, at 992–993. And Grokster's name is an apparent derivative of Napster.

StreamCast's executives monitored the number of songs by certain commercial artists available on their networks, and an internal communication indicates they aimed to have a larger number of copyrighted songs available on their networks than other file-sharing networks. *Id.*, at 868. The point, of course, would be to attract users of a mind to infringe, just as it would be with their promotional materials developed showing copyrighted songs as examples of the kinds of files available through Morpheus. *Id.*, at 848. Morpheus in fact allowed users to search specifically for "Top 40" songs, *Id.*, at 735, which were inevitably copyrighted. Similarly, Grokster sent users a newsletter promoting its ability to provide particular, popular copyrighted materials.

In addition to this evidence of express promotion, marketing, and intent to promote further, the business models employed by Grokster and StreamCast confirm that their principal object was use of their software to download copyrighted works. Grokster and StreamCast receive no revenue from users, who obtain the software itself for nothing. Instead, both companies generate income by selling advertising space, and they stream the advertising to Grokster and Morpheus users while they are employing the programs. As the number of users of each program increases, advertising opportunities become

⁷ The record makes clear that StreamCast developed these promotional materials but not whether it released them to the public. Even if these advertisements were not released to the public and do not show encouragement to infringe, they illuminate StreamCast's purposes.

worth more. *Cf.* App. 539, 804. While there is doubtless some demand for free Shakespeare, the evidence shows that substantive volume is a function of free access to copyrighted work. Users seeking Top 40 songs, for example, or the latest release by Modest Mouse, are certain to be far more numerous than those seeking a free Decameron, and Grokster and StreamCast translated that demand into dollars.

Finally, there is no evidence that either company made an effort to filter copyrighted material from users' downloads or otherwise impede the sharing of copyrighted files. Although Grokster appears to have sent e-mails warning users about infringing content when it received threatening notice from the copyright holders, it never blocked anyone from continuing to use its software to share copyrighted files. *Id.*, at 75–76. StreamCast not only rejected another company's offer of help to monitor infringement, *Id.*, at 928–929, but blocked the Internet Protocol addresses of entities it believed were trying to engage in such monitoring on its networks, *Id.*, at 917–922.

B

After discovery, the parties on each side of the case cross-moved for summary judgment. The District Court limited its consideration to the asserted liability of Grokster and StreamCast for distributing the current versions of their software, leaving aside whether either was liable “for damages arising from past versions of their software, or from other past activities.” The District Court held that those who used the Grokster and Morpheus software to download copyrighted media files directly infringed MGM's copyrights, a conclusion not contested on appeal, but the court nonetheless granted summary judgment in favor of Grokster and StreamCast as to any liability arising from distribution of the then current versions of their software. Distributing that software gave rise to no liability in the court's view, because its use did not provide the distributors with actual knowledge of specific acts of infringement.

The Court of Appeals affirmed. 380 F.3d 1154 (9th Cir. 2004). In the court's analysis, a defendant was liable as a contributory infringer when it had knowledge of direct infringement and materially contributed to the infringement. But the court read *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, as holding that distribution of a commercial product capable of substantial noninfringing uses could not give rise to contributory liability for infringement unless the distributor had actual knowledge of specific instances of infringement and failed to act on that knowledge. The fact that the software was capable of substantial noninfringing uses in the Ninth Circuit's view meant that Grokster and StreamCast were not liable, because they had no such actual knowledge, owing to the decentralized architecture of their software. . . .

The Ninth Circuit also considered whether Grokster and StreamCast could be liable under a theory of vicarious infringement. The court held against liability because the defendants did not monitor or control the use of the software, had no agreed-upon right or current ability to supervise its use, and had no independent duty to police infringement. We granted certiorari.

II

A

MGM and many of the *amici* fault the Court of Appeals's holding for upsetting a sound balance between the respective values of supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement. The more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the trade-off. *See Sony Corp. v. Universal City Studios, supra*, at 442; *see generally* Ginsburg, *Copyright and Control Over New Technologies of Dissemination*, 101 COLUM. L. REV. 1613 (2001); Lichtman & Landes, *Indirect Liability for Copyright Infringement: An Economic Perspective*, 16 HARV. J. L. & TECH. 395 (2003).

The tension between the two values is the subject of this case, with its claim that digital distribution of copyrighted material threatens copyright holders as never before, because every copy is identical to the original, copying is easy, and many people (especially the young) use file-sharing software to download copyrighted works. This very breadth of the software's use may well draw the public directly into the debate over copyright policy, Peters, *Brace Memorial Lecture: Copyright Enters the Public Domain*, 51 J. COPYRIGHT SOC. 701, 705–717 (2004) (address by Register of Copyrights), and the indications are that the ease of copying songs or movies using software like Grokster's and Napster's is fostering disdain for copyright protection, Wu, *When Code Isn't Law*, 89 VA. L. REV. 679, 724–726 (2003). As the case has been presented to us, these fears are said to be offset by the different concern that imposing liability, not only on infringers but on distributors of software based on its potential for unlawful use, could limit further development of beneficial technologies. *See, e.g.*, Lemley & Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345, 1386–1390 (2004); Brief for Innovation Scholars and Economists as *Amici Curiae* 15–20; Brief for Emerging Technology Companies as *Amici Curiae* 19–25; Brief for Intel Corporation as *Amicus Curiae* 20–22.

The argument for imposing indirect liability in this case is, however, a powerful one, given the number of infringing downloads that occur every day using StreamCast's and Grokster's software. When a widely shared service or product is used to commit infringement, it may be impossible to enforce rights in the protected work effectively against all direct infringers, the only practical alternative being to go against the distributor of the copying device for secondary liability on a theory of contributory or vicarious infringement. *See In re Aimster Copyright Litigation*, 334 F.3d 643, 645–646 (C.A.7 2003).

One infringes contributorily by intentionally inducing or encouraging direct infringement, *see Gershwin Pub. Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (C.A.2 1971), and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it, *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (C.A.2 1963). Although “[t]he Copyright Act does not expressly render anyone liable for infringement committed by another,” *Sony*

presumed to intend that they shall be used in the combination of the patent.” *New York Scaffolding Co. v. Whitney*, 224 F. 452, 459 (C.A.8 1915).

In sum, where an article is “good for nothing else” but infringement, there is no legitimate public interest in its unlicensed availability, and there is no injustice in presuming or imputing an intent to infringe, see *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912), overruled on other grounds, *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917). Conversely, the doctrine absolves the equivocal conduct of selling an item with substantial lawful as well as unlawful uses, and limits liability to instances of more acute fault than the mere understanding that some of one’s products will be misused. It leaves breathing room for innovation and a vigorous commerce. See *Sony Corp. v. Universal City Studios*, *supra*, at 442; *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 221 (1980); *Henry v. A.B. Dick Co.*, *supra*, at 48.

The parties and many of the *amici* in this case think the key to resolving it is the *Sony* rule and, in particular, what it means for a product to be “capable of commercially significant noninfringing uses.” MGM advances the argument that granting summary judgment to Grokster and StreamCast as to their current activities gave too much weight to the value of innovative technology, and too little to the copyrights infringed by users of their software, given that 90% of works available on one of the networks was shown to be copyrighted. Assuming the remaining 10% to be its noninfringing use, MGM says this should not qualify as “substantial,” and the Court should quantify *Sony* to the extent of holding that a product used “principally” for infringement does not qualify. As mentioned before, Grokster and StreamCast reply by citing evidence that their software can be used to reproduce public domain works, and they point to copyright holders who actually encourage copying. Even if infringement is the principal practice with their software today, they argue, the noninfringing uses are significant and will grow.

We agree with MGM that the Court of Appeals misapplied *Sony*, which it read as limiting secondary liability quite beyond the circumstances to which the case applied. *Sony* barred secondary liability based on presuming or imputing intent to cause infringement solely from the design or distribution of a product capable of substantial lawful use, which the distributor knows is in fact used for infringement. The Ninth Circuit has read *Sony*’s limitation to mean that whenever a product is capable of substantial lawful use, the producer can never be held contributorily liable for third parties’ infringing use of it; it read the rule as being this broad, even when an actual purpose to cause infringing use is shown by evidence independent of design and distribution of the product, unless the distributors had “specific knowledge of infringement at a time at which they contributed to the infringement, and failed to act upon that information.” Because the Circuit found the StreamCast and Grokster software capable of substantial lawful use, it concluded on the basis of its reading of *Sony* that neither company could be held liable, since there was no showing that their software, being without any central server, afforded them knowledge of specific unlawful uses.

This view of *Sony*, however, was error, converting the case from one about liability resting on imputed intent to one about liability on any theory. Because *Sony* did not

displace other theories of secondary liability, and because we find below that it was error to grant summary judgment to the companies on MGM's inducement claim, we do not revisit *Sony* further, as MGM requests, to add a more quantified description of the point of balance between protection and commerce when liability rests solely on distribution with knowledge that unlawful use will occur. It is enough to note that the Ninth Circuit's judgment rested on an erroneous understanding of *Sony* and to leave further consideration of the *Sony* rule for a day when that may be required.

C

Sony's rule limits imputing culpable intent as a matter of law from the characteristics or uses of a distributed product. But nothing in *Sony* requires courts to ignore evidence of intent if there is such evidence, and the case was never meant to foreclose rules of fault-based liability derived from the common law. *Sony Corp. v. Universal City Studios*, 464 U.S., at 439 ("If vicarious liability is to be imposed on Sony in this case, it must rest on the fact that it has sold equipment with constructive knowledge" of the potential for infringement). Thus, where evidence goes beyond a product's characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, *Sony's* staple-article rule will not preclude liability.

The classic case of direct evidence of unlawful purpose occurs when one induces commission of infringement by another, or "entic[es] or persuad[es] another" to infringe, BLACK'S LAW DICTIONARY 790 (8th ed. 2004), as by advertising. Thus at common law a copyright or patent defendant who "not only expected but invoked [infringing use] by advertisement" was liable for infringement "on principles recognized in every part of the law." *Kalem Co. v. Harper Brothers*, 222 U.S., at 62–63 (copyright infringement).

The rule on inducement of infringement as developed in the early cases is no different today. Evidence of "active steps . . . taken to encourage direct infringement," *Oak Industries, Inc. v. Zenith Electronics Corp.*, 697 F. Supp. 988, 992 (N.D. Ill. 1988), such as advertising an infringing use or instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe, and a showing that infringement was encouraged overcomes the law's reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use, *see, e.g., Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (C.A. Fed. 1988) (liability for inducement where one "actively and knowingly aid[s] and abet[s] another's direct infringement" (emphasis omitted)); *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 412–413 (C.A.5 1963) (demonstrations by sales staff of infringing uses supported liability for inducement); *Haworth Inc. v. Herman Miller Inc.*, 37 U.S.P.Q.2d 1080, 1090 (W.D. Mich. 1994) (evidence that defendant "demonstrate[d] and recommend[ed] infringing configurations" of its product could support inducement liability); *Sims v. Mack Trucks, Inc.*, 459 F. Supp. 1198, 1215 (E.D. Pa. 1978) (finding inducement where the use "depicted by the defendant in its promotional film and brochures infringes the . . . patent"), overruled on other grounds, 608 F.2d 87 (C.A.3 1979). *Cf. W. KEETON, D.*

DOBBS, R. KEETON & D. OWEN, PROSSER AND KEETON ON LAW OF TORTS 37 (5th ed. 1984) (“There is a definite tendency to impose greater responsibility upon a defendant whose conduct was intended to do harm, or was morally wrong”).

For the same reasons that *Sony* took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here, holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties. We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential. Accordingly, just as *Sony* did not find intentional inducement despite the knowledge of the VCR manufacturer that its device could be used to infringe, 464 U.S., at 439, n.19, mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability. Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves. The inducement rule, instead, premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.

II

A

The only apparent question about treating MGM’s evidence as sufficient to withstand summary judgment under the theory of inducement goes to the need on MGM’s part to adduce evidence that StreamCast and Grokster communicated an inducing message to their software users. The classic instance of inducement is by advertisement or solicitation that broadcasts a message designed to stimulate others to commit violations. MGM claims that such a message is shown here. It is undisputed that StreamCast beamed onto the computer screens of users of Napster-compatible programs ads urging the adoption of its OpenNap program, which was designed, as its name implied, to invite the custom of patrons of Napster, then under attack in the courts for facilitating massive infringement. Those who accepted StreamCast’s OpenNap program were offered software to perform the same services, which a factfinder could conclude would readily have been understood in the Napster market as the ability to download copyrighted music files. Grokster distributed an electronic newsletter containing links to articles promoting its software’s ability to access popular copyrighted music. And anyone whose Napster or free file-sharing searches turned up a link to Grokster would have understood Grokster to be offering the same file-sharing ability as Napster, and to the same people who probably used Napster for infringing downloads; that would also have been the understanding of anyone offered Grokster’s suggestively named Swaptor software, its version of OpenNap. And both companies communicated a clear message by responding affirmatively to requests for help in locating and playing copyrighted materials.

In StreamCast's case, of course, the evidence just described was supplemented by other unequivocal indications of unlawful purpose in the internal communications and advertising designs aimed at Napster users ("When the lights went off at Napster . . . where did the users go?" App. 836 (ellipsis in original)). Whether the messages were communicated is not to the point on this record. The function of the message in the theory of inducement is to prove by a defendant's own statements that his unlawful purpose disqualifies him from claiming protection (and incidentally to point to actual violators likely to be found among those who hear or read the message). Proving that a message was sent out, then, is the preeminent but not exclusive way of showing that active steps were taken with the purpose of bringing about infringing acts, and of showing that infringing acts took place by using the device distributed. Here, the summary judgment record is replete with other evidence that Grokster and StreamCast, unlike the manufacturer and distributor in *Sony*, acted with a purpose to cause copyright violations by use of software suitable for illegal use.

Three features of this evidence of intent are particularly notable. First, each company showed itself to be aiming to satisfy a known source of demand for copyright infringement, the market comprising former Napster users. StreamCast's internal documents made constant reference to Napster, it initially distributed its Morpheus software through an OpenNap program compatible with Napster, it advertised its OpenNap program to Napster users, and its Morpheus software functions as Napster did except that it could be used to distribute more kinds of files, including copyrighted movies and software programs. Grokster's name is apparently derived from Napster, it too initially offered an OpenNap program, its software's function is likewise comparable to Napster's, and it attempted to divert queries for Napster onto its own Web site. Grokster and StreamCast's efforts to supply services to former Napster users, deprived of a mechanism to copy and distribute what were overwhelmingly infringing files, indicate a principal, if not exclusive, intent on the part of each to bring about infringement.

Second, this evidence of unlawful objective is given added significance by MGM's showing that neither company attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software. While the Ninth Circuit treated the defendants' failure to develop such tools as irrelevant because they lacked an independent duty to monitor their users' activity, we think this evidence underscores Grokster's and StreamCast's intentional facilitation of their users' infringement.¹²

Third, there is a further complement to the direct evidence of unlawful objective. It is useful to recall that StreamCast and Grokster make money by selling advertising space, by directing ads to the screens of computers employing their software. As the record shows, the more the software is used, the more ads are sent out and the greater the advertising revenue becomes. Since the extent of the software's use determines the

¹² Of course, in the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses. Such a holding would tread too close to the *Sony* safe harbor.

gain to the distributors, the commercial sense of their enterprise turns on high-volume use, which the record shows is infringing. This evidence alone would not justify an inference of unlawful intent, but viewed in the context of the entire record its import is clear.

The unlawful objective is unmistakable.

B

In addition to intent to bring about infringement and distribution of a device suitable for infringing use, the inducement theory of course requires evidence of actual infringement by recipients of the device, the software in this case. As the account of the facts indicates, there is evidence of infringement on a gigantic scale, and there is no serious issue of the adequacy of MGM's showing on this point in order to survive the companies' summary judgment requests. Although an exact calculation of infringing use, as a basis for a claim of damages, is subject to dispute, there is no question that the summary judgment evidence is at least adequate to entitle MGM to go forward with claims for damages and equitable relief.

* * *

In sum, this case is significantly different from *Sony* and reliance on that case to rule in favor of StreamCast and Grokster was error. *Sony* dealt with a claim of liability based solely on distributing a product with alternative lawful and unlawful uses, with knowledge that some users would follow the unlawful course. The case struck a balance between the interests of protection and innovation by holding that the product's capability of substantial lawful employment should bar the imputation of fault and consequent secondary liability for the unlawful acts of others.

MGM's evidence in this case most obviously addresses a different basis of liability for distributing a product open to alternative uses. Here, evidence of the distributors' words and deeds going beyond distribution as such shows a purpose to cause and profit from third-party acts of copyright infringement. If liability for inducing infringement is ultimately found, it will not be on the basis of presuming or imputing fault, but from inferring a patently illegal objective from statements and actions showing what that objective was.

There is substantial evidence in MGM's favor on all elements of inducement, and summary judgment in favor of Grokster and StreamCast was error. On remand, reconsideration of MGM's motion for summary judgment will be in order. . . .

JUSTICE GINSBURG, with whom THE CHIEF JUSTICE and JUSTICE KENNEDY join, concurring.

I concur in the Court's decision, which vacates in full the judgment of the Court of Appeals for the Ninth Circuit and write separately to clarify why I conclude that the Court of Appeals misperceived, and hence misapplied, our holding in *Sony*. . . .

This case differs markedly from *Sony*. Here, there has been no finding of any fair use and little beyond anecdotal evidence of noninfringing uses. . . .

serves as an adequate foundation where there is a reasonable prospect of expanded legitimate uses over time. *See ibid.* (noting a “significant potential for future authorized copying”). And its language also indicates the appropriateness of looking to potential future uses of the product to determine its “capability.”

Here the record reveals a significant future market for noninfringing uses of Grokster-type peer-to-peer software. . . .

And that is just what is happening. Such legitimate noninfringing uses are coming to include the swapping of: research information (the initial purpose of many peer-to-peer networks); public domain films (e.g., those owned by the Prelinger Archive); historical recordings and digital educational materials (e.g., those stored on the Internet Archive); digital photos (OurPictures, for example, is starting a P2P photo-swapping service); “shareware” and “freeware” (e.g., Linux and certain Windows software); secure licensed music and movie files (Intent MediaWorks, for example, protects licensed content sent across P2P networks); news broadcasts past and present (the BBC Creative Archive lets users “rip, mix and share the BBC”); user-created audio and video files (including “podcasts” that may be distributed through P2P software); and all manner of free “open content” works collected by Creative Commons (one can search for Creative Commons material on StreamCast). I can find nothing in the record that suggests that this course of events will not continue to flow naturally as a consequence of the character of the software taken together with the foreseeable development of the Internet and of information technology.

There may be other now-unforeseen noninfringing uses that develop for peer-to-peer software, just as the home-video rental industry (unmentioned in *Sony*) developed for the VCR. But the foreseeable development of such uses, when taken together with an estimated 10% noninfringing material, is sufficient to meet *Sony*’s standard. . . .

COMMENTS AND QUESTIONS

1. At first blush, the unanimous Supreme Court in *Grokster* would appear to be a significant victory for content providers over peer-to-peer companies. But how broad is the Court’s rule? Could a new entrant into the file-sharing marketplace offering the very same functionality as Grokster or Streamcast shield itself from liability by avoiding statements encouraging infringement?

2. What light does the *Grokster* decision shed on contributory or vicarious liability in copyright law? How would you advise a client developing peer-to-peer technology (or other technology that could be used for copyright infringement) about the scope and predictability of the *Sony* safe harbor? Has this case clarified the scope of contributory or vicarious liability to any significant degree (and if so, in what direction)? Do the concurrences enhance or detract from the clarity of the *Sony* standard? Does the *Sony* standard matter now that copyright owners can bring a claim based on inducement even if the only conduct is selling a product capable of substantial noninfringing uses, so long as they can allege bad intent? *See BMG v. Cox Comm’ns*, 881 F.3d 293, 306 (4th Cir. 2018) (noting that “the fact that a product is capable of substantial lawful use” does not

mean the “producer can never be held contributorily liable”) (quoting *Grokster*, 545 U.S. at 934).

3. *BitTorrent Protocol*. Just as *Grokster* and Streamcast emerged during the litigation over Napster, BitTorrent, a powerful new generation of file-sharing technology, became available during the pendency of the *Grokster* litigation. BitTorrent breaks files into smaller pieces and provides users information about the location of the various pieces. This program allows rapid distribution of very large files and is used for full-length feature films, software, and music, as well as Linux upgrades and podcasts. BitTorrent is an open source program that is available for free (and does not earn any income from advertising). How would this technology fare under the *Grokster* decision?

In *Columbia Pictures Indus., Inc. v. Fung*, 710 F.3d 1020, 1039 (9th Cir. 2013), major film studios alleged that websites maintained by Gary Fung induced end users to download infringing copies of the studios’ copyrighted works. Fung developed websites, such as isohunt.com and torrentbox.com, that organized torrent files into various categories such as “Top 20 TV Shows,” “Top 20 Movies,” and “Top 20 Most Active Torrents.”

The Ninth Circuit interpreted *Grokster* to require proof of four elements: (1) the distribution of a device or product, which could include Fung’s websites; (2) acts of infringement by users—statistical evidence established that more than 90% of the content associated with the torrent files available on Fung’s websites was infringing; (3) an object of promoting its use to infringe copyright—“the record is replete with instances of Fung responding personally to queries for assistance in: uploading torrent files corresponding to obviously copyrighted material, finding particular copyrighted movies and television shows, getting pirated material to play properly, and burning the infringing content onto DVDs for playback on televisions”; and (4) causation—“acts of infringement by third parties” were caused by Fung’s service. The court stopped short, however, of holding that Fung’s failure to implement filtering tools or sale of advertising space on his websites would, on their own, establish the third (mental state) element. Nonetheless, such evidence corroborated the conclusion that Fung “acted with a purpose to cause copyright violations by use of” their services.

4. The Ninth Circuit held that AT&T was not secondarily liable for copyright infringement resulting from customer forwarding of multimedia messages. The court determined that AT&T had limited ability to control and supervise the content of messages and derived no direct financial benefit. See *Luvdarts, L.L.C. v. AT&T Mobility, L.L.C.*, 710 F.3d 1068 (9th Cir. 2013).

5. *Indirect Copyright Liability and Technological Innovation*. Following the Supreme Court’s *Grokster* decision, Professor Lessig predicted that the decision would gravely hamper innovation in digital technology. See Robert Hof, *Ten Years of Chilled Innovation*, BUSINESS WEEK, June 29, 2005. The causal relationship that Professor Lessig and others draw reflects plausible logic. If those who develop technology that can be used to infringe copyrights are exposed to potentially crushing liability—such as what befell Napster, MP3.com’s MyMP3 music locker service, ReplayTV’s digital

video recorder, and Grokster—it seems reasonable to surmise that digital technology innovators would, certainly at the margin, invest their resources and energies elsewhere. At the same time, however, there is no shortage of evidence suggesting that digital innovation and commercialization that contribute to copyright infringement are far from in retreat. Each month brings new digital technologies—iPod, image search engines, MySpace, YouTube, Facebook, Google’s Book Search, BitTorrent, iPhone, Twitter, Kindle 2.0—many of which could be (and have been) portrayed as facilitating copyright infringement. The development and commercialization of these technologies suggests that the cloud of liability has not throttled the digital innovation pipeline. This conclusion makes intuitive sense as well. The upside of developing the next “killer app” is massive and well publicized. On the other hand, many of those new technologies, including image search, book search, ringtone making, and online video sites, have themselves been met with suits alleging copyright infringement. The threat of copyright litigation now figures into the business model of any new technology in the digital media space, and has arguably skewed innovation toward larger companies that can afford the cost of copyright litigation.

This debate raises several critical questions:

- What should be the goal of policy in this area—to promote technological innovation regardless of its effects on the enforceability of copyright law, to promote copyright law regardless of its effect on innovation, or to channel technological innovation so as to balance competing effects? Does “channeling innovation” come with its own costs?
- What is the proper rule or standard for public policy?
- Are courts the appropriate institutions for addressing these questions?

Compare Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345, 1390 (2004) (arguing that the social benefits of improved distribution platforms substantially outweigh better enforcement of copyright law, anything less immunizing than the *Sony* rule will significantly harm innovation, and that courts are ill-suited to making complex decisions requiring changes in technology design); with Peter S. Menell, *Indirect Copyright Liability and Technological Innovation*, 32 COLUM. J.L. & ARTS 375 (2009) (arguing that countervailing forces, such as the relatively modest capital requirements, research and social norms, risk- and liability-insulating institutions, and the importance of technological advance in fields unaffected by copyright liability dampen the effects of indirect copyright liability on innovation in distribution technologies).

6. *Policy Analysis*. As a venture capitalist remarked in a discussion with Napster’s developers, “You’ve distributed more music [in your first year of operation] than the whole record industry since it came into existence.” JOSEPH MENN, *ALL THE RAVE* 161 (2003). Doesn’t it seem peculiar that the copyright system’s treatment of the most dramatic advance in the means for reproducing and distributing works of authorship since the printing press is being decided by the courts reasoning from a pre-digital age technology (VCR) rather than expert bodies and democratic institutions? Various

proposals have been floated on how to reform copyright law in the wake of peer-to-peer technology. Consider the following:

- replace the staple article of commerce standard with a predominant use standard that considers: (1) whether noninfringing uses can be achieved for most consumers through other means without significant added expense, inconvenience, or loss of functionality; (2) the extent to which copyright owners can protect themselves against infringements without undue cost (e.g., through encryption); and (3) the cost and efficacy of enforcement against direct infringers. This was the standard proposed by the dissent in *Sony*; they would have read it to make the VCR illegal.
- abolish indirect liability entirely and make it easier to enforce copyrights against direct infringers.
- abolish liability for noncommercial filesharing and impose a levy on Internet users designed to compensate copyright owners for estimated losses due to unauthorized copying.

These and related proposals are discussed in Peter S. Menell, *Design for Symbiosis: Promoting More Harmonious Paths for Technological Innovators and Expressive Creators in the Internet Age*, 55 COMMUNICATIONS OF THE ASSOCIATION OF COMPUTING MACHINERY 30 (May 2012); Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345 (2004); Robert P. Merges, *Compulsory Licensing v. the Three "Golden Oldies": Property Rights, Contracts, and Markets*, 508 CATO POLICY ANALYSIS (2004); Neil W. Netanel, *Impose a Noncommercial Use Levy to Allow Free Peer-to-Peer File Sharing*, 17 HARV. J.L. & TECH. 1 (2003).

7. *Seizing "Rogue" Websites.* Advances in streaming technology, expanded broadband coverage, and the growth of online advertising networks have led to the emergence of cyberlocker sites that earn sizeable profits from distributing copyrighted materials without authorization. Many of these websites are hosted outside of the United States although accessible from within the United States. The content industries pushed legislation in 2011 to target those sites. Called the Stop Online Piracy Act (SOPA), this legislation would have authorized courts to bar advertising networks and payment facilities from conducting business with infringing websites, prevent search engines from linking to the sites, and require Internet service providers to cease passing Internet traffic to particular sites. SOPA would also have expanded existing criminal laws to include unauthorized streaming of copyrighted content, imposing a maximum penalty of five years in prison. SOPA was shelved after an unprecedented uprising of Internet users in 2012, with over ten million people contacting Congress to express opposition on a single day in January. Even without this legislation, the U.S. Department of Justice and U.S. Immigration and Customs Enforcement (ICE) have launched a series of enforcement actions against foreign websites accused of fostering infringement of copyrighted works. These actions have included the seizure of domain names, effectively shutting down the entire site, raising First Amendment concerns.

i. The Formative Era

Although the Copyright Act of 1790 did not expressly establish a fair use defense, Justice Joseph Story, to whom we trace patent law's experimental use doctrine, *see Whittemore v. Cutter*, 29 Fed. Cas. 1120 (C.C.D. Mass. 1813), played a similarly formative role in the development of the fair use doctrine. *See Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841).

Folsom v. Marsh involved the copying of the private letters of George Washington. Justice Story, sitting as a circuit judge, explained that

[p]atents and copyrights approach, nearer than any other class of cases belonging to forensic discussions, to what may be called the metaphysics of the law, where the distinctions are, or at least may be, very subtle [sic] and refined, and, sometimes, almost evanescent. . . . [I]n cases of copyright, . . . the identity of the two works in substance, and the question of piracy, often depend upon a nice balance of the comparative use made in one of the materials of the other; the nature, extent, and value of the materials thus used; the objects of each work; and the degree to which each writer may be fairly presumed to have resorted to the same common sources of information, or to have exercised the same common diligence in the selection and arrangement of the materials. Thus, for example, no one can doubt that a reviewer may fairly cite largely from the original work, if his design be really and truly to use the passages for the purposes of fair and reasonable criticism. On the other hand, it is as clear, that if he thus cites the most important parts of the work, with a view, not to criticise, but to supersede the use of the original work, and substitute the review for it, such a use will be deemed in law a piracy. A wide interval might, of course, exist between these two extremes, calling for great caution and involving great difficulty. . . .

Id. at 344–45. Although ultimately determining that Washington's letters could not be reproduced in substantial part without authorization, the case provided the foundation for one of copyright law's most important safety valves for promoting cumulative creativity and free expression.

Numerous cases refined, elaborated, and applied this doctrine, although such efforts have failed to bring about predictable results. Thus, nearly a century after Justice Story conceptualized the fair use doctrine, the great copyright jurist Learned Hand characterized it as “the most troublesome in the whole law of copyright.” *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939).

ii. Codification and Early Post-Codification Interpretation

Congress sought to bring some clarity to this doctrine in its comprehensive codification of copyright law in 1976:

17 U.S.C. §107. Limitations on Exclusive Rights: Fair Use (1976)

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or

phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

In the accompanying report, Congress stated the “general intention” behind the provision:

The statement of the fair use doctrine in section 107 offers some guidance to users in determining when the principles of the doctrine apply. However, the endless variety of situations and combinations of circumstances that can rise in particular cases precludes the formulation of exact rules in the statute. The bill endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change. Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis. Section 107 is intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.

H.R. REP. NO. 94-1476, at 66. Therefore, the many fair use decisions continue to provide the backdrop for applying this doctrine and courts are permitted to further evolve these principles.

As a result of the vast fair use landscape, it is essential to understand the development of the modern regime and to appreciate its principal contours. We provide this foundation through summarizing the critical influences in historical context and through a sampling of the most influential and current cases.

a. Sony Corp. of America v. Universal City Studios, Inc. (1984)

The Supreme Court’s first encounter with the 1976 Act’s fair use formulation came in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), which we encountered in exploring the scope of indirect infringement. As we saw there and in *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 572 U.S. 915 (2014), see Chapter III(E)(1)(b)(iii), in order for a party to be indirectly liable, there must be direct infringement.

The record showed that most consumers used Sony’s product for “time shifting”—recording shows for later viewing. Relatively few consumers engaged in “archiving”—

recording and storing programs in a library. As summarized by the district court, “[a]ccording to plaintiffs’ survey, 75.4% of the VTR [video tape recorder] owners use their machines to record for time-shifting purposes half or most of the time. Defendants’ survey showed that 96% of the Betamax owners had used the machine to record programs they otherwise would have missed. . . . When plaintiffs asked interviewees how many cassettes were in their library, 55.8% said there were 10 or fewer. In defendants’ survey, of the total programs viewed by interviewees in the past month, 70.4% had been viewed only that one time and for 57.9%, there were no plans for further viewing.” 480 F. Supp. at 438. Both activities constituted copying of protected expression. The critical question was therefore whether these activities fell within the fair use exception. If so, then Sony could not be held indirectly liable.

In framing the analysis, the Court noted that fair use was “an equitable rule of reason,” quoting H.R. REP. NO. 94-1476 at 65. The Court interpreted the first factor—“the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes”—as establishing a presumption that commercial use was presumptively unfair.³⁶ The Court held, however, that a contrary presumption applied to this case because home use is a noncommercial, nonprofit activity. Furthermore, because time-shifting merely allows the viewer to see freely-broadcast television signals at a more convenient time, the fact that the entire work is reproduced does not weigh against a finding of fair use. As regards the fourth fair use factor—the effect of the use upon the potential market for or value of the copyrighted work—the Court noted that many sports, religious, and educational copyright owners consented to copying of their programs and that plaintiffs acknowledged that no actual harm to their copyrighted had yet occurred. Any potential future harm, possibly through a decline in measured live audience ratings used in advertising payments, was speculative. Viewing these considerations together, the Court upheld the district court’s finding that the use of the Betamax for time-shifting constituted fair use. The Court did not, however, reach a conclusion on whether home archiving of shows was fair use, which is why it considered indirect liability.

COMMENTS AND QUESTIONS

1. The Court never directly addresses whether consumers who do not merely time shift but use their VCRs to archive—i.e., develop large collections of recorded movies and television shows—would also fall within the ambit of the fair use doctrine. Such a use became fairly common in the late 1980s, but waned as the DVD player replaced the VCR, and then as the digital video recorder (DVR) with its limited storage space became the recording medium of choice. Is archiving a video to watch it repeatedly a fair use? Why or why not?

Would the fair use analysis of time shifting have changed if the plaintiffs had presented evidence that most consumers fast forwarded through television commercials? See *Fox Broadcasting Co. v. DISH Network*, 747 F.3d 1060 (9th Cir.

³⁶ As we will see below, the Supreme Court’s decision in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), rejected this presumption.

2014) (holding that the Hopper, a DVR that allowed commercial skipping at the push of a button, was legal under *Sony*). Compare Peter S. Menell & David Nimmer, *Unwinding Sony*, 95 CALIF. L. REV. 941, 968 (2007) (discovering that Justice O’Connor, the swing vote in the *Sony* 5-4 decision, had communicated to her colleagues that “timeshifting *with all advertisements preserved*” ought to be fair use in the absence of any evidence of harm to the copyright owners (emphasis added)).

The widespread availability of VCRs (and later DVDs) vastly expanded the marketplace for films and television content for several decades. Does the fact that a technology the copyright owners sought to ban soon accounted for a significant revenue source suggest that we should not trust copyright owners to decide what innovations should and should not be permissible? See Mark A. Lemley, *Is the Sky Falling on the Content Industries?*, 9 J. TELECOM. & HIGH TECH. L. 125 (2011).

In the end, both video cassette/DVD and P2P technologies faded as more symbiotic platforms—such as authorized streaming services with effective digital rights management, such as Netflix, Spotify, Hulu, and Amazon Prime, and YouTube’s Content ID system for identifying, screening, and monetizing copyrighted content—produced a more balanced ecosystem that both supports creators and serves consumers. See Peter S. Menell, *Design for Symbiosis: Promoting More Harmonious Paths for Technological Innovators and Expressive Creators in the Internet Age*, 55 COMMUNICATIONS OF THE ACM, No. 5, 30-32 (May 2012).

Is the move to streaming necessarily good for consumers, though? See Mark A. Lemley, *Disappearing Content*, 101 B.U. L. REV. 1255 (2021) (noting that in the streaming era content may be entirely inaccessible once it is removed from popular streaming sites).

2. *Sony* focused on the nature of the “public benefit” conferred by home taping. Public benefits are not expressly listed as a factor in §107, although the “purpose and character” of the use is one of the four factors. Is there a public benefit to home taping? If so, what is it and how should it be factored into the analysis?

3. *Sony* emphasized the noncommercial nature of home taping. While as we will see the Court no longer considers commercial uses to be presumptively unfair, a use that is not made for profit still favors a finding of fair use in some circumstances. See, e.g., *Bell v. Eagle Mountain Saginaw Indep. School Dist.*, 27 F.4th 313 (5th Cir. 2022) (holding that a high school sports program engaged in fair use when it tweeted motivational phrases from plaintiff’s book to support its team); *Monsarrat v. Newman*, 2022 WL 714426 (1st Cir. 2022) (reposting of comments on online neighborhood forum was fair use in part because the comments had no commercial value and reposting them had no commercial purpose).

PROBLEM

Problem IV-43. Refer back to *Problem IV-42*. Suppose that television production studios conducted a study finding that 85% of homes with the ReplayTV 4500 device regularly skip television commercials using the device’s automated commercial-

skipping features. They also obtained declarations from advertising executives stating that they have significantly reduced what they will pay for over-the-air advertising because of rampant commercial skipping and that many advertisers have either exited the broadcast television advertising marketplace or favor embedded advertising (integrating advertisements in television programs). How would these differences affect the fair use analysis of time-shifting?

b. *Harper & Row, Publishers, Inc. v. Nation Enterprises (1985)*

The Supreme Court addressed fair use the following year in *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985). Following his defeat in the 1976 presidential election, Gerald Ford entered into a contract to publish a memoir, *A TIME TO HEAL*, with Harper & Row. Harper & Row entered into an agreement with TIME MAGAZINE for the weekly periodical to publish excerpts from the forthcoming memoir prior to the book's release. Just as TIME was preparing the excerpts, THE NATION, a left-leaning news magazine, obtained a purloined copy of Mr. Ford's manuscript and published a 300 word excerpt detailing President Ford's rationale for pardoning President Nixon, the most salient aspect of the memoir. As a result of THE NATION's scoop, TIME refused to pay the remaining \$12,500 for the right to publish a 7,500-word excerpt of the book prior to publication of the full manuscript. President Ford's publisher, Harper and Row, sued for copyright infringement. THE NATION defended on fair use grounds, emphasizing the newsworthiness of the information, the factual character of the material, the relatively small amount of copying, and freedom of speech.

Notwithstanding these important considerations, the Supreme Court placed substantial emphasis on the fact that President Ford's memoir had not yet been published and that THE NATION's article displaced a similar article for which TIME had agreed to pay. Quoting the NIMMER treatise, the Court observed that "it has never been seriously disputed that 'the fact that the plaintiff's work is unpublished . . . is a factor tending to negate the defense of fair use.'" The Court also noted language in the legislative history of the 1976 Act according the copyright owner the "right to control the first public distribution" of his work. Consequently, the scope of fair use is narrower with respect to unpublished works. The Court also resisted the argument that the writings of public figures are excluded from copyright protection.

With these additional considerations in mind, the Court assessed the four §107 factors as follows:

1. *Purpose and Character of the Use*: Although THE NATION "has every right to seek to be the first to publish information," it "went beyond simply reporting uncopyrightable information and actively sought to exploit the headline value of its infringement, making a 'news event' out of its unauthorized first publication of a noted figure's copyrighted expression."
2. *Nature of the Copyrighted Work*: The Court characterized the work as "unpublished historical narrative or autobiography." It emphasized that the

excerpted portions went beyond conveying facts and merged idea and expression (such as Mr. Ford’s characterization of the White House tapes as the “smoking gun”) to include “subjective descriptions and portraits of public figures whose power lies in the author’s individualized expression.”

3. *Amount and Substantiality of the Portion Used*: While the THE NATION excerpted an “insubstantial portion” of A TIME TO HEAL, it took the “heart of the book”—what a TIME editor described as “the most interesting and moving parts of the entire manuscript.” The Court noted that “a taking may not be excused merely because it is insubstantial with respect to the infringing work,” citing *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 56 (2d Cir. 1936) (observing that “no plagiarist can excuse the wrong by showing how much of his work he did not pirate”). The Court further noted that “the direct takings from the unpublished manuscript constitute at least 13% of [THE NATION’s] infringing article.” The Court concluded by emphasizing the value of the excerpts and their key role in the infringing work.
4. *Effect on the Market*: The Court noted that the effect on the potential market is “undoubtedly the single most important element of fair use.” The infringement directly caused the cancellation of TIME’s pre-publication serialization of A TIME TO HEAL and the loss of the \$12,500.

The Court concluded that “extensive prepublication quotations from an unreleased manuscript without the copyright owner’s consent poses substantial potential for damage to the marketability of first serialization rights in general” and hence is not fair use.

COMMENTS AND QUESTIONS

1. A spirited dissent in *Harper & Row* argued that THE NATION had taken no more than was necessary to report the story, and that most of what was taken reflected ideas rather than expression. Given the newsworthiness of this information, shouldn’t such use fit within the fair use doctrine?

2. *Unclean Hands*. In characterizing the fair use defense, as an equitable doctrine, the majority considered the “propriety of [a] defendant’s conduct” relevant to the fair use determination. But should a defendant’s bad faith be disqualifying? In *Google LLC v. Oracle America, Inc.*, 141 S.Ct. 1183 (2021), the Supreme Court reiterated its skepticism about whether bad faith has any role in fair use analysis, observing that “[c]opyright is not a privilege reserved for the well-behaved.” *Google*, 141 S.Ct. at 1204 (quoting Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1126 (1990)); see also *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 585 n.18 (1994).

3. *Copyright and Time*. Suppose THE NATION had published its article two weeks after the TIME magazine article. Would the court reach a different result? Should it? What about a biographer who quotes extensively from Ford’s memoirs 30 years later? Several scholars have suggested that copyright can both ensure adequate primary incentives (appropriability) and better promote creativity by allowing greater use of copyrighted works as they age. See Justin Hughes, *Fair Use Across Time*, 50 UCLA L.

art for 60 seconds was held to be fair use in *Jackson v. Warner Bros.*, 993 F. Supp. 585 (E.D. Mich. 1997). *Cf. Sandoval v. New Line Cinema Corp.*, 147 F.3d 215 (2d Cir. 1998) (holding unpublished photographs appearing in the background of the movie *Seven* for less than 30 seconds constituted only *de minimis* copying, obviating fair use analysis).

7. *Fair Use as a Solution to Market Failure.* Wendy Gordon argues that the fair use doctrine can and does serve to remedy market failures.

Though the copyright law has provided a means for excluding nonpurchasers and thus has attempted to cure the public goods problem, and though it has provided mechanisms to facilitate consensual transfers, at times bargaining may be exceedingly expensive or it may be impractical to obtain enforcement against nonpurchasers, or other market flaws might preclude achievement of desirable consensual exchanges. In those cases, the market cannot be relied on to mediate public interests in dissemination and private interests in remuneration. . . .

Fair use should be awarded to the defendant in a copyright infringement action when (1) market failure is present; (2) transfer of the use to defendant is socially desirable; and (3) an award of fair use would not cause substantial injury to the incentives of the plaintiff copyright owner. The first element of this test ensures that market bypass will not be approved without good cause. The second element of the test ensures that the transfer of a license to use from the copyright holder to the unauthorized user effects a net gain in social value. The third element ensures that the grant of fair use will not undermine the incentive-creating purpose of the copyright law.

Wendy Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600 (1982). The *Harper & Row* majority appears to endorse such a framework, citing the Gordon article and noting that “there is a fully functioning market that encourages the creation and dissemination of memoirs of public figures.” *See Harper & Row*, 471 U.S. at 566 n.9. But is that the right question? Is the relevant market here the one for memoirs, or for articles like *THE NATION*’s? If the latter, is there a “fully functioning market” for excerpts of this nature? For critical reviews of memoirs?

Does a focus on market failure and licensing unreasonably limit the scope of the fair use doctrine? If the point of the fair use doctrine is merely to avoid transaction costs, is it ever likely to play a role in a case that is litigated, where the parties have already shown a willingness to pay hundreds of thousands of dollars for attorney’s fees? Should some copying be allowed without the copyst having to pay a royalty, even if the copyright owner would have demanded one? In a subsequent article, Gordon argues that her paper has been read too narrowly. *See Wendy J. Gordon, Excuse and Justification in the Law of Fair Use: Transactions Costs Have Always Been Only Part of the Story*, 50 J. COPYRIGHT SOC’Y 149 (2003).

8. Some observers have proposed eliminating the fair use doctrine and injunctive relief altogether in favor of liability rules—essentially a form of judicially imposed compulsory licensing. See Alex Kozinski & Christopher Newman, *What's So Fair About Fair Use?*, 46 J. COPYRIGHT SOC'Y U.S.A. 513 (1999); see also Jane C. Ginsburg, *Fair Use for Free, or Permitted-But-Paid*, 29 BERKELEY TECH L.J. 1383 (2014). Does this strike you as a fairer regime? Would it promote progress in expressive works and freedom of expression better than the fair use doctrine? What would be the effects of such a regime on licensing activity, royalty rates, court dockets, and freedom of expression?

PROBLEMS

Problem IV-44. A home movie taken by a witness named Zales captures the shooting of President John F. Kennedy in Dallas in 1963. Only days after the shooting, EARTH magazine buys the exclusive rights to the Zales film. It subsequently publishes some Zales frames in a magazine special on the assassination. The Zales frames are also appended to a government report by the Whitewash Commission on the assassination. Stone, a writer who is convinced that the Whitewash Report is flawed, unsuccessfully seeks permission from EARTH to reprint the Zales pictures in his book alleging a conspiracy to kill the president. Undaunted by EARTH's refusal, Stone breaks into EARTH's offices and photocopies the pictures, which he then publishes in his book. EARTH sues for copyright infringement. Stone defends on grounds of fair use, and offers to turn over all profits from his book to EARTH. What result?

Problem IV-45. Garrison, a scholar who believes that Lee Harvey Oswald acted alone, is incensed by Stone's (*Problem IV-44*) book. Garrison publishes a book that he entitles A REBUTTAL TO STONE. In it, Garrison follows Stone's organization in detail, presenting and refuting each of Stone's arguments. In doing so, Garrison quotes liberally from Stone's work. Garrison does not, however, use the Zales pictures. Stone sues for copyright infringement. Is Garrison's work fair use?

Problem IV-46. Refer back to the Salinger/Hamilton case (*Problem IV-31*). Can Hamilton successfully argue a fair use defense?

iii. *The Modern Fair Use Landscape*

Fair use analysis is among the most rich and varied fields of jurisprudence. As Justice Story observed in 1841, it is not easy “to lay down any general principles applicable to all cases.” As a result, lawyers must inevitably review dozens of cases in evaluating whether a use is fair. They must also deal with the fact that their client could be sued in any regional circuit, or if a patent issue is also in play, the Federal Circuit. They must also deal with the uncertainty of which judge or panel will hear their case. How a parody will come out may well depend on whether the judge “gets” the joke. How a technology-oriented case is decided can depend on the court's technological sophistication. How an art case is viewed can depend on the subjective tastes of the

jurist(s). The challenge is daunting. Fair use analysis, like many aspects of legal analysis, is a form of applied risk analysis.

Judge Pierre's 1990 law review article, which emphasizes the "transformativeness" of the follow-on work, has had a substantial influence on the modern fair use landscape:

. . . The doctrine of fair use need not be so mysterious or dependent on intuitive judgments. Fair use should be perceived not as a disorderly basket of exceptions to the rules of copyright, nor as a departure from the principles governing that body of law, but rather as a rational, integral part of copyright, whose observance is necessary to achieve the objectives of that law. . . .

I believe the answer to the question of justification turns primarily on whether, and to what extent, the challenged use is transformative. The use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original. A quotation of copyrighted material that merely repackages or republishes the original is unlikely to pass the test . . . If, on the other hand, the secondary use adds value to the original—if the quoted matter is used as raw material, transformed in the creation of new information, new aesthetics, new insights and understandings—this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society. . . .

We can [] gain a better understanding of fair use and greater consistency and predictability of court decisions by disciplined focus on the utilitarian, public-enriching objectives of copyright—and by resisting the impulse to import extraneous policies. Fair use is not a grudgingly tolerated exception to the copyright owner's rights of private property, but a fundamental policy of the copyright law. The stimulation of creative thought and authorship for the benefit of society depends assuredly on the protection of the author's monopoly. But it depends equally on the recognition that the monopoly must have limits. Those limits include the public dedication of facts (notwithstanding the author's efforts in uncovering them); the public dedication of ideas (notwithstanding the author's creation); and the public dedication of the right to make fair use of material covered by the copyright.

Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1107, 1111, 1135 (1990).

Modern fair use claims can usefully be divided into three categories, claims of (i) transformative fair use use; (ii) non-transformative fair use; and (iii) functional or technological fair use use.

a. Transformative Fair Use

A key development in U.S. fair use jurisprudence was the Court's endorsement of the idea that the transformativeness of a defendant's use ought to be factored into the fair use analysis. Yet even here, each of the four factors is crucial to the analysis.



Campbell v. Acuff-Rose Music, Inc.
Supreme Court of the United States
510 U.S. 569 (1994)

JUSTICE SOUTER delivered the opinion of the Court.

We are called upon to decide whether 2 Live Crew's commercial parody of Roy Orbison's song, "Oh, Pretty Woman," may be a fair use within the meaning of the Copyright Act of 1976, 17 U.S.C. §107. Although the District Court granted summary judgment for 2 Live Crew, the Court of Appeals reversed, holding the defense of fair use barred by the song's commercial character and excessive borrowing. Because we hold that a parody's commercial character is only one element to be weighed in a fair use enquiry, and that insufficient consideration was given to the nature of parody in weighing the degree of copying, we reverse and remand.

I

In 1964, Roy Orbison and William Dees wrote a rock ballad called "Oh, Pretty Woman" and assigned their rights in it to respondent Acuff-Rose Music, Inc. Acuff-Rose registered the song for copyright protection.

Petitioners Luther R. Campbell, Christopher Wongwon, Mark Ross, and David Hobbs are collectively known as 2 Live Crew, a popular rap music group. In 1989, Campbell wrote a song entitled "Pretty Woman," which he later described in an affidavit as intended, "through comical lyrics, to satirize the original work. . . ." On July 5, 1989, 2 Live Crew's manager informed Acuff-Rose that 2 Live Crew had written a parody of "Oh, Pretty Woman," that they would afford all credit for ownership and authorship of the original song to Acuff-Rose, Dees, and Orbison, and that they were willing to pay a fee for the use they wished to make of it. Enclosed with the letter were a copy of the lyrics and a recording of 2 Live Crew's song. Acuff-Rose's agent refused permission, stating that "I am aware of the success enjoyed by 'The 2 Live Crews,' but I must inform you that we cannot permit the use of a parody of 'Oh, Pretty Woman.'" Nonetheless, in June or July 1989, 2 Live Crew released records, cassette tapes, and compact discs of "Pretty Woman" in a collection of songs entitled "As Clean As They Wanna Be." The albums and compact discs identify the authors of "Pretty Woman" as Orbison and Dees and its publisher as Acuff-Rose.

Almost a year later, after nearly a quarter of a million copies of the recording had been sold, Acuff-Rose sued 2 Live Crew and its record company, Luke Skywalker Records, for copyright infringement. The District Court granted summary judgment for 2 Live Crew, reasoning that the commercial purpose of 2 Live Crew's song was no bar to fair use; that 2 Live Crew's version was a parody, which "quickly degenerates into a play on words, substituting predictable lyrics with shocking ones" to show "how bland and banal the Orbison song" is; that 2 Live Crew had taken no more than was necessary to "conjure up" the original in order to parody it; and that it was "extremely unlikely that 2 Live Crew's song could adversely affect the market for the original." The District Court weighed these factors and held that 2 Live Crew's song made fair use of Orbison's original.

The Court of Appeals for the Sixth Circuit reversed and remanded. 972 F.2d 1429, 1439 (1992). Although it assumed for the purpose of its opinion that 2 Live Crew's song was a parody of the Orbison original, . . . the court concluded that its "blatantly commercial purpose . . . prevents this parody from being a fair use."

We granted certiorari to determine whether 2 Live Crew's commercial parody could be a fair use.

II

It is uncontested here that 2 Live Crew's song would be an infringement of Acuff-Rose's rights in "Oh, Pretty Woman," under the Copyright Act of 1976, 17 U.S.C. §106, but for a finding of fair use through parody. From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright's very purpose, "to promote the Progress of Science and useful Arts. . . ." U.S. CONST., Art. I, §8, cl. 8. For as Justice Story explained, "in truth, in literature, in science and in art, there are, and can be, few, if any, things, which in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before." *Emerson v. Davies*, 8 F. Cas. 615, 619 (No. 4,436) (CCD Mass. 1845). Similarly, Lord Ellenborough expressed the inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it when he wrote, "while I shall think myself bound to secure every man in the enjoyment of his copyright, one must not put manacles upon science." *Carey v. Kearsley*, 4 Esp. 168, 170, 170 Eng. Rep. 679, 681 (K.B. 1803). In copyright cases brought under the Statute of Anne of 1710, English courts held that in some instances "fair abridgements" would not infringe an author's rights, *see* W. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* 6–17 (1985) (hereinafter Patry); Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1105 (1990) (hereinafter Leval), and although the First Congress enacted our initial copyright statute, Act of May 31, 1790, 1 Stat. 124, without any explicit reference to "fair use," as it later came to be known, the doctrine was recognized by the American courts nonetheless. . . .

A

The first factor in a fair use enquiry is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." §107(1). This factor draws on Justice Story's formulation, "the nature and objects of the selections made." *Folsom v. Marsh*, 9 F. Cas., at 348. The enquiry here may be guided by the examples given in the preamble to §107, looking to whether the use is for criticism, or comment, or news reporting, and the like, *see* §107. The central purpose of this investigation is to see, in Justice Story's words, whether the new work merely "supersedes the objects" of the original creation, *Folsom v. Marsh, supra*, at 348; *accord, Harper & Row, supra*, at 562 ("supplanting" the original), or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is "transformative." Leval 1111. Although such transformative use is not

absolutely necessary for a finding of fair use, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright, and the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.

[P]arody has an obvious claim to transformative value, as Acuff-Rose itself does not deny. Like less ostensibly humorous forms of criticism, it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one. We thus line up with the courts that have held that parody, like other comment or criticism, may claim fair use under §107.

The germ of parody lies in the definition of the Greek *parodeia*, quoted in Judge Nelson's Court of Appeals dissent, as "a song sung alongside another." 972 F.2d, at 1440, quoting 7 *ENCYCLOPEDIA BRITANNICA* 768 (15th ed. 1975). Modern dictionaries accordingly describe a parody as a "literary or artistic work that imitates the characteristic style of an author or a work for comic effect or ridicule," or as a "composition in prose or verse in which the characteristic turns of thought and phrase in an author or class of authors are imitated in such a way as to make them appear ridiculous." For the purposes of copyright law, the nub of the definitions, and the heart of any parodist's claim to quote from existing material, is the use of some elements of a prior author's composition to create a new one that, at least in part, comments on that author's works. If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another's work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger.¹⁴ Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim's (or collective victims') imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.

The fact that parody can claim legitimacy for some appropriation does not, of course, tell either parodist or judge much about where to draw the line. Like a book review quoting the copyrighted material criticized, parody may or may not be fair use, and petitioner's suggestion that any parodic use is presumptively fair has no more justification in law or fact than the equally hopeful claim that any use for news reporting

¹⁴ A parody that more loosely targets an original than the parody presented here may still be sufficiently aimed at an original work to come within our analysis of parody. If a parody whose wide dissemination in the market runs the risk of serving as a substitute for the original or licensed derivatives (*see infra*, discussing factor four), it is more incumbent on one claiming fair use to establish the extent of transformation and the parody's critical relationship to the original. By contrast, when there is little or no risk of market substitution, whether because of the large extent of transformation of the earlier work, the new work's minimal distribution in the market, the small extent to which it borrows from an original, or other factors, taking parodic aim at an original is a less critical factor in the analysis, and looser forms of parody may be found to be fair use, as may satire with lesser justification for the borrowing than would otherwise be required.

The Court of Appeals, however, immediately cut short the enquiry into 2 Live Crew's fair use claim by confining its treatment of the first factor essentially to one relevant fact, the commercial nature of the use. The court then inflated the significance of this fact by applying a presumption ostensibly culled from *Sony*, that "every commercial use of copyrighted material is presumptively . . . unfair. . . ." *Sony*, 464 U.S., at 451. In giving virtually dispositive weight to the commercial nature of the parody, the Court of Appeals erred.

The language of the statute makes clear that the commercial or non profit educational purpose of a work is only one element of the first factor enquiry into its purpose and character. . . . [A]s we explained in *Harper & Row*, *Sony* stands for the proposition that the "fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use." 471 U.S., at 562. But that is all, and the fact that even the force of that tendency will vary with the context is a further reason against elevating commerciality to hard presumptive significance. The use, for example, of a copyrighted work to advertise a product, even in a parody, will be entitled to less indulgence under the first factor of the fair use enquiry than the sale of a parody for its own sake, let alone one performed a single time by students in school.

B

The second statutory factor, "the nature of the copyrighted work," §107(2), draws on Justice Story's expression, the "value of the materials used." *Folsom v. Marsh*, 9 F. Cas., at 348. This factor calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied. *See, e.g., Stewart v. Abend*, 495 U.S., at 237–238 (contrasting fictional short story with factual works); *Harper & Row*, 471 U.S., at 563–564 (contrasting soon-to-be-published memoir with published speech); *Sony*, 464 U.S., at 455, n.40 (contrasting motion pictures with news broadcasts); *Feist*, 499 U.S., at 348–351 (contrasting creative works with bare factual compilations); 3 M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHT §13.05[A][2] (1993); Leval 1116. We agree with both the District Court and the Court of Appeals that use of the Orbison original's creative expression for public dissemination falls within the core of the copyright's protective purposes. This fact, however, is not much help in this case, or ever likely to help much in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works.

C

The third factor asks whether "the amount and substantiality of the portion used in relation to the copyrighted work as a whole," §107(3) (or, in Justice Story's words, "the quantity and value of the materials used," *Folsom v. Marsh, supra*, at 348) are reasonable in relation to the purpose of the copying. Here, attention turns to the persuasiveness of a parodist's justification for the particular copying done, and the enquiry will harken back to the first of the statutory factors, for, as in prior cases, we recognize that the extent of permissible copying varies with the purpose and character

of the use. *See Sony*, 464 U.S., at 449–450 (reproduction of entire work “does not have its ordinary effect of militating against a finding of fair use” as to home videotaping of television programs); *Harper & Row*, 471 U.S., at 564 (“Even substantial quotations might qualify as fair use in a review of a published work or a news account of a speech” but not in a scoop of a soon-to-be-published memoir). The facts bearing on this factor will also tend to address the fourth, by revealing the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives. *See Leval* 1123.

The District Court considered the song’s parodic purpose in finding that 2 Live Crew had not helped themselves overmuch. The Court of Appeals disagreed, stating that “while it may not be inappropriate to find that no more was taken than necessary, the copying was qualitatively substantial. . . . We conclude that taking the heart of the original and making it the heart of a new work was to purloin a substantial portion of the essence of the original.” 972 F.2d, at 1438. . . .

Where we part company with the court below is in applying [this factor] to parody, and in particular to parody in the song before us. Parody presents a difficult case. Parody’s humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. Its art lies in the tension between a known original and its parodic twin. When parody takes aim at a particular original work, the parody must be able to “conjure up” at least enough of that original to make the object of its critical wit recognizable. What makes for this recognition is quotation of the original’s most distinctive or memorable features, which the parodist can be sure the audience will know. Once enough has been taken to assure identification, how much more is reasonable will depend, say, on the extent to which the song’s overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original. But using some characteristic features cannot be avoided.

We think the Court of Appeals was insufficiently appreciative of parody’s need for the recognizable sight or sound when it ruled 2 Live Crew’s use unreasonable as a matter of law. It is true, of course, that 2 Live Crew copied the characteristic opening bass riff (or musical phrase) of the original, and true that the words of the first line copy the Orbison lyrics. But if quotation of the opening riff and the first line may be said to go to the “heart” of the original, the heart is also what most readily conjures up the song for parody, and it is the heart at which parody takes aim. Copying does not become excessive in relation to parodic purpose merely because the portion taken was the original’s heart. If 2 Live Crew had copied a significantly less memorable part of the original, it is difficult to see how its parodic character would have come through.

This is not, of course, to say that anyone who calls himself a parodist can skim the cream and get away scot free. In parody, as in news reporting, context is everything, and the question of fairness asks what else the parodist did besides go to the heart of the original. It is significant that 2 Live Crew not only copied the first line of the original, but thereafter departed markedly from the Orbison lyrics for its own ends. 2 Live Crew not only copied the bass riff and repeated it, but also produced otherwise distinctive

sounds, interposing “scraper” noise, overlaying the music with solos in different keys, and altering the drum beat. This is not a case, then, where “a substantial portion” of the parody itself is composed of a “verbatim” copying of the original. It is not, that is, a case where the parody is so insubstantial, as compared to the copying, that the third factor must be resolved as a matter of law against the parodists.

Suffice it to say here that, as to the lyrics, we think the Court of Appeals correctly suggested that “no more was taken than necessary,” but just for that reason, we fail to see how the copying can be excessive in relation to its parodic purpose, even if the portion taken is the original’s “heart.” As to the music, we express no opinion whether repetition of the bass riff is excessive copying, and we remand to permit evaluation of the amount taken, in light of the song’s parodic purpose and character, its transformative elements, and considerations of the potential for market substitution sketched more fully below.

D

The fourth fair use factor is “the effect of the use upon the potential market for or value of the copyrighted work.” §107(4). It requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also “whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market” for the original. NIMMER §13.05[A][4], p. 13-102.61 (footnote omitted); accord *Harper & Row*, 471 U.S., at 569; Senate Report, p. 65; *Folsom v. Marsh*, 9 F. Cas., at 349. The enquiry “must take account not only of harm to the original but also of harm to the market for derivative works.” *Harper & Row, supra*, at 568.

Since fair use is an affirmative defense, its proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets. In moving for summary judgment, 2 Live Crew left themselves at just such a disadvantage when they failed to address the effect on the market for rap derivatives, and confined themselves to uncontroverted submissions that there was no likely effect on the market for the original. They did not, however, thereby subject themselves to the evidentiary presumption applied by the Court of Appeals. In assessing the likelihood of significant market harm, the Court of Appeals quoted from language in *Sony* that “‘if the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.’” 972 F.2d, at 1438, quoting *Sony*, 464 U.S., at 451. The court reasoned that because “the use of the copyrighted work is wholly commercial, . . . we presume a likelihood of future harm to Acuff-Rose exists.” In so doing, the court resolved the fourth factor against 2 Live Crew, just as it had the first, by applying a presumption about the effect of commercial use, a presumption which as applied here we hold to be error.

No “presumption” or inference of market harm that might find support in *Sony* is applicable to a case involving something beyond mere duplication for commercial purposes. *Sony*’s discussion of a presumption contrasts a context of verbatim copying of the original in its entirety for commercial purposes, with the non-commercial context

Although 2 Live Crew submitted uncontroverted affidavits on the question of market harm to the original, neither they, nor Acuff-Rose, introduced evidence or affidavits addressing the likely effect of 2 Live Crew's parodic rap song on the market for a non-parody, rap version of "Oh, Pretty Woman." . . . It is impossible to deal with the fourth factor except by recognizing that a silent record on an important factor bearing on fair use disentitled the proponent of the defense, 2 Live Crew, to summary judgment. The evidentiary hole will doubtless be plugged on remand.

III

It was error for the Court of Appeals to conclude that the commercial nature of 2 Live Crew's parody of "Oh, Pretty Woman" rendered it presumptively unfair. No such evidentiary presumption is available to address either the first factor, the character and purpose of the use, or the fourth, market harm, in determining whether a transformative use, such as parody, is a fair one. The court also erred in holding that 2 Live Crew had necessarily copied excessively from the Orbison original, considering the parodic purpose of the use. We therefore reverse the judgment of the Court of Appeals and remand for further proceedings consistent with this opinion.

It is so ordered.

APPENDIX A

"Oh, Pretty Woman"

by Roy Orbison and William Dees

Pretty Woman, walking down the street,
 Pretty Woman, the kind I like to meet,
 Pretty Woman, I don't believe you,
 you're not the truth,
 No one could look as good as you Mercy

 Pretty Woman, won't you pardon me,
 Pretty Woman, I couldn't help but see,
 Pretty Woman, that you look lovely as can be
 . . .

APPENDIX B

"Pretty Woman" by 2 Live Crew

Pretty woman walkin' down the street
 Pretty woman girl you look so sweet
 Pretty woman you bring me down to that knee

 Pretty woman you make me wanna beg please
 Oh, pretty woman
 Big hairy woman you need to shave that stuff
 Big hairy woman you know I bet it's tough
 Big hairy woman all that hair it ain't legit
 'Cause you look like 'Cousin It'
 Big hairy woman . . .

COMMENTS AND QUESTIONS

1. *Burden of Proof.* 2 Live Crew was successful in persuading the Supreme Court to reverse the Court of Appeals and reduce the significance of the presumption that commercial uses are unfair. But the Supreme Court did not simply affirm the district court's ruling that 2 Live Crew was entitled to summary judgment. Instead, the Court remanded the case for a determination of the parody's effect on the market for (non-parodic) rap derivatives of "Pretty Woman." Furthermore, the Court assumed that it was

2 Live Crew’s burden to show that its parody had no such effect. Is 2 Live Crew—or any defendant—likely to be able to present such evidence and thus to prevail on summary judgment? Is it appropriate to assign the burden of proof to defendants on this issue? To what extent is *Sony’s* presumption that commercial use is unfair still applicable?

2. *The Rise of Transformativeness.* After *Campbell*, lower courts increasingly focused fair use analysis on the first fair use factor and whether the defendant’s use was “transformative.” They downplayed commerciality—see, e.g., *Cariou v. Prince*, 714 F.3d 694, 708 (2d Cir. 2013) (“Although there is no question that Prince’s artworks are commercial, we do not place much significance on that fact due to the transformative nature of the work.”); *Blanch v. Koons*, 467 F.3d 244, 254 (2d Cir. 2006) (summarily concluding that the defendant’s use was “substantially transformative” to discount its commercial nature)—and increasingly treated *Campbell’s* transformativeness reference as talismanic, construing it expansively and equating *Campbell’s* language with the mere identification of a “different purpose and a different character,” a “different function,” “new expression,” new “message,” new “meaning,” or “new purpose,” see, e.g., *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87, 97 (2d Cir. 2014); *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1176-78 (9th Cir. 2013); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818-19 (9th Cir. 2003); *Cambridge Univ. Press v. Patton*, 769 F.3d 1232, 1262 (11th Cir. 2014). Any alteration could qualify, and there are untold literary critics and art experts who can find transformativeness in the slightest of variations. Moreover, courts increasingly found that transformative use overrode other factors. Transformativeness became the central, and often dispositive, element of fair use analysis:

The Transformative Use Doctrine in Unreversed District Court Preliminary Injunctions, Bench Trials, and Crossed Motions for Summary Judgment			
	1995–2000	2001–2005	2006–2010
(1) Considers Transformativeness	70.45%	77.27%	95.83%
(2) Finds that use is transformative	22.72%	31.81%	50.00%
(3) Defendant wins when court considers transformativeness	32.14%	47.06%	60.87%
(4) Defendant wins when court finds that use is transformative	88.89%	100%	100%
(5) Overall defendant wins	22.73%	40.91%	58.33%

Neil Netanel, *Making Sense of Fair Use*, 15 LEWIS & CLARK L. REV. 715, 755 (2011). A more recent study finds that among the 238 dispositive fair use decisions between 1191 and 2016, 121 found transformative use. See Jiarui Liu, *An Empirical Study of Transformative Use in Copyright Law*, 22 STAN. TECH. L. REV. 163 (2019). Of these decisions, 94% found fair use.

As transformative use became central to fair use, courts began to call various sorts of uses “transformative.” Transformativeness came to encompass not only cases where a use altered the underlying expression of a protected work and adds its own as commentary (as did the alleged parody in *Campbell*) but also those where there is no alteration in the expression but the mere identification of a different purpose, and those where there is minimal alteration with a claim of commentary. This expansive reading of transformativeness effectively denuded the term of meaning, causing one leading treatise to suggest that “we may be better off dropping the label.” 4 WILLIAM F. PATRY, PATRY ON COPYRIGHT §10:21 (2022).

3. *The Growing Tension Between the §106(2) Exclusive Right to Prepare Derivative Works and §107(1) Transformative Fair Use.* During the heyday of transformative use, some courts worried that too broad a reading of the doctrine would swallow the derivative works right. After all, §101 defines a “derivative work” as as “a work based upon one or more preexisting works . . . in which a work may be recast, *transformed*, or adapted. . . .” (Emphasis added). So all derivative works are changed from the original. If any change to the work qualified as a transformative use, and if transformative use were determinative of fair use, all derivative works might end up qualifying as fair use.

Several lower courts identified the growing tension, but did not resolve it. *See, e.g., Dr. Seuss Enterprises, L.P. v. ComicMix LLC*, 983 F.3d 443, 460 (9th Cir. 2020); *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 758 (7th Cir. 2014). The issue reached the Supreme Court in a case involving Andy Warhol’s use of a photograph of the artist Prince.



Andy Warhol Foundation for the Visual Arts v. Goldsmith
Supreme Court of the United States
143 S.Ct. 1258 (2023)

JUSTICE SOTOMAYOR delivered the opinion of the Court.

This copyright case involves not one, but two artists. The first, Andy Warhol, is well known. His images of products like Campbell’s soup cans and of celebrities like Marilyn Monroe appear in museums around the world. Warhol’s contribution to contemporary art is undeniable.

The second, Lynn Goldsmith, is less well known. But she too was a trailblazer. Goldsmith began a career in rock-and-roll photography when there were few women in the genre. Her award-winning concert and portrait images, however, shot to the top. Goldsmith’s work appeared in *Life*, *Time*, *Rolling Stone*, and *People* magazines, not to mention the National Portrait Gallery and the Museum of Modern Art. She captured some of the 20th century’s greatest rock stars: Bob Dylan, Mick Jagger, Patti Smith, Bruce Springsteen, and, as relevant here, Prince.

In 1984, *Vanity Fair* sought to license one of Goldsmith’s Prince photographs for use as an “artist reference.” The magazine wanted the photograph to help illustrate a story about the musician. Goldsmith agreed, on the condition that the use of her photo

be for “one time” only. The artist Vanity Fair hired was Andy Warhol. Warhol made a silkscreen using Goldsmith’s photo, and Vanity Fair published the resulting image alongside an article about Prince. The magazine credited Goldsmith for the “source photograph,” and it paid her \$400.

Warhol, however, did not stop there. From Goldsmith’s photograph, he derived 15 additional works. Later, the Andy Warhol Foundation for the Visual Arts, Inc. (AWF) licensed one of those works to Condé Nast, again for the purpose of illustrating a magazine story about Prince. AWF came away with \$10,000. Goldsmith received nothing.

When Goldsmith informed AWF that she believed its use of her photograph infringed her copyright, AWF sued her. The District Court granted summary judgment for AWF on its assertion of “fair use,” 17 U.S.C. §107, but the Court of Appeals for the Second Circuit reversed. In this Court, the sole question presented is whether the first fair use factor, “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes,” §107(1), weighs in favor of AWF’s recent commercial licensing to Condé Nast. On that narrow issue, and limited to the challenged use, the Court agrees with the Second Circuit: The first factor favors Goldsmith, not AWF.

I

Lynn Goldsmith is a professional photographer. Her specialty is concert and portrait photography of musicians. At age 16, Goldsmith got one of her first shots: an image of the Beatles’ “trendy boots” before the band performed live on The Ed Sullivan Show. S. Michel, *Rock Portraits*, N.Y. TIMES, Dec. 2, 2007, p. G64. Within 10 years, Goldsmith had photographed everyone from Led Zeppelin to James Brown (the latter in concert in Kinshasa, no less). At that time, Goldsmith “had few female peers.” But she was a self-starter. She quickly became “a leading rock photographer” in an era “when women on the scene were largely dismissed as groupies.”

In 1981, Goldsmith convinced Newsweek magazine to hire her to photograph Prince Rogers Nelson, then an “up and coming” and “hot young musician.” Newsweek agreed, and Goldsmith took photos of Prince in concert at the Palladium in New York City and in her studio on West 36th Street. Newsweek ran one of the concert photos, together with an article titled “The Naughty Prince of Rock.” Goldsmith retained the other photos. She holds copyright in all of them.

One of Goldsmith’s studio photographs, a black and white portrait of Prince, is the original copyrighted work at issue in this case.



Figure 1. A black and white portrait photograph of Prince taken in 1981 by Lynn Goldsmith.

In 1984, Goldsmith, through her agency, licensed that photograph to Vanity Fair to serve as an “artist reference for an illustration” in the magazine. 1 App. 85. The terms of the license were that the illustration was “to be published in Vanity Fair November 1984 issue. It can appear one time full page and one time under one quarter page. No other usage right granted.” Goldsmith was to receive \$400 and a source credit.

To make the illustration, Vanity Fair hired pop artist Andy Warhol. Warhol was already a major figure in American art, known among other things for his silkscreen portraits of celebrities.¹ From Goldsmith’s photograph, Warhol created a silkscreen portrait of Prince, which appeared alongside an article about Prince in the November 1984 issue of Vanity Fair. See fig. 2. The article, titled “Purple Fame,” is primarily about the “sexual style” of the new celebrity and his music. VANITY FAIR, Nov. 1984, p. 66. Goldsmith received her \$400 fee, and Vanity Fair credited her for the “source photograph.” Warhol received an unspecified amount.



Figure 2. A purple silkscreen portrait of Prince created in 1984 by Andy Warhol to illustrate an article in *Vanity Fair*

In addition to the single illustration authorized by the *Vanity Fair* license, Warhol created 15 other works based on Goldsmith's photograph: 13 silkscreen prints and two pencil drawings. The works are collectively referred to as the "Prince Series." See Appendix. Goldsmith did not know about the Prince Series until 2016, when she saw the image of an orange silkscreen portrait of Prince ("Orange Prince") on the cover of a magazine published by *Vanity Fair*'s parent company, Condé Nast.



Figure 3. An orange silkscreen portrait of Prince on the cover of a special edition magazine published in 2016 by Condé Nast.

By that time, Warhol had died, and the Prince Series had passed to the Andy Warhol Foundation for the Visual Arts, Inc. AWF no longer possesses the works, but it asserts copyright in them. It has licensed images of the works for commercial and editorial uses. In particular, after Prince died in 2016, Condé Nast contacted AWF about the possibility of reusing the 1984 *Vanity Fair* image for a special edition magazine that would commemorate Prince. Once AWF informed Condé Nast about the other Prince Series images, however, Condé Nast obtained a license to publish Orange Prince instead. The magazine, titled "The Genius of Prince," is a tribute to "Prince Rogers Nelson, 1958–2016." It is "devoted to Prince." Condé Nast paid AWF \$10,000 for the license. Goldsmith received neither a fee nor a source credit.

Remember that Goldsmith, too, had licensed her Prince images to magazines such as *Newsweek*, to accompany a story about the musician, and *Vanity Fair*, to serve as an artist reference. But that was not all. Between 1981 and 2016, Goldsmith's photos of Prince appeared on or between the covers of *People*, *Readers Digest*, *Guitar World*, and *Musician* magazines.

When Goldsmith saw Orange Prince on the cover of Condé Nast’s special edition magazine, she recognized her work. “It’s the photograph,” she later testified. Orange Prince crops, flattens, traces, and colors the photo but otherwise does not alter it.



Figure 6. Warhol’s orange silkscreen portrait of Prince superimposed on Goldsmith’s portrait photograph.

Goldsmith notified AWF of her belief that it had infringed her copyright. AWF then sued Goldsmith and her agency for a declaratory judgment of noninfringement or, in the alternative, fair use. Goldsmith counterclaimed for infringement.

The District Court granted summary judgment for AWF. . . . The Court of Appeals for the Second Circuit reversed and remanded. . . .

This Court granted Certiorari. . . .

II

AWF does not challenge the Court of Appeals’ holding that Goldsmith’s photograph and the Prince Series works are substantially similar. The question here is whether AWF can defend against a claim of copyright infringement because it made “fair use” of Goldsmith’s photograph. 17 U.S.C. §107.

Although the Court of Appeals analyzed each fair use factor, the only question before this Court is whether the court below correctly held that the first factor, “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes,” §107(1), weighs in Goldsmith’s favor. AWF contends that the Prince Series works are “transformative,” and that the first factor therefore weighs in its favor, because the works convey a different meaning or message than the photograph. . . .

But the first fair use factor instead focuses on whether an allegedly infringing use has a further purpose or different character, which is a matter of degree, and the degree of difference must be weighed against other considerations, like commercialism.

Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (1994). Although new expression may be relevant to whether a copying use has a sufficiently distinct purpose or character, it is not, without more, dispositive of the first factor.

Here, the specific use of Goldsmith's photograph alleged to infringe her copyright is AWF's licensing of Orange Prince to Condé Nast. As portraits of Prince used to depict Prince in magazine stories about Prince, the original photograph and AWF's copying use of it share substantially the same purpose. Moreover, the copying use is of a commercial nature. Even though Orange Prince adds new expression to Goldsmith's photograph, as the District Court found, this Court agrees with the Court of Appeals that, in the context of the challenged use, the first fair use factor still favors Goldsmith.

A

The Copyright Act encourages creativity by granting to the author of an original work "a bundle of exclusive rights." . . . That bundle includes the rights to reproduce the copyrighted work, to prepare derivative works, and, in the case of pictorial or graphic works, to display the copyrighted work publicly. 17 U.S.C. §106.

The Act, however, "reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). Copyright thus trades off the benefits of incentives to create against the costs of restrictions on copying. The Act, for example, limits the duration of copyright, §§302–05, as required by the Constitution; makes facts and ideas uncopyrightable, §102; and limits the scope of copyright owners' exclusive rights, §§107–22.

This balancing act between creativity and availability (including for use in new works) is reflected in one such limitation, the defense of "fair use." In 1976, Congress codified the common-law doctrine of fair use in §107 . . .

The fair use doctrine "permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster." *Stewart v. Abend*, 495 U.S. 207, 236 (1990) (internal quotation marks omitted). The Act's fair use provision, in turn, "set[s] forth general principles, the application of which requires judicial balancing, depending upon relevant circumstances." *Google LLC v. Oracle America, Inc.*, 141 S.Ct. 1183, 1197 (2021). Because those principles apply across a wide range of copyrightable material, from books to photographs to software, fair use is a "flexible" concept, and "its application may well vary depending on context." *Id.*, at 1197. For example, in applying the fair use provision, "copyright's protection may be stronger where the copyrighted material . . . serves an artistic rather than a utilitarian function."

1

The first fair use factor is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." §107(1). This factor considers the reasons for, and nature of, the copier's use of an original work. The "central" question it asks is "whether the new work merely 'supersede[s]' the

objects' of the original creation . . . ('supplanting' the original), or instead adds something new, with a further purpose or different character." *Campbell*, 510 U.S. at 579 (quoting *Folsom v. Marsh*, 9 F.Cas. 342, 348 (No. 4,901) (C.C.D. Mass. 1841) (Story, J.), and *Harper & Row*, 471 U.S. at 562). In that way, the first factor relates to the problem of substitution—copyright's *bête noire*. The use of an original work to achieve a purpose that is the same as, or highly similar to, that of the original work is more likely to substitute for, or "supplan[t]," the work.

Consider the "purposes" listed in the preamble paragraph of §107: "criticism, comment, news reporting, teaching . . . , scholarship, or research." Although the examples given are "illustrative and not limitative," they reflect "the sorts of copying that courts and Congress most commonly ha[ve] found to be fair uses," and so may guide the first factor inquiry. *Campbell*, 510 U.S. at 577–78 (quoting §101). As the Court of Appeals observed, the "examples are easily understood," as they contemplate the use of an original work to "serv[e] a manifestly different purpose from the [work] itself." 11 F.4th at 37. Criticism of a work, for instance, ordinarily does not supersede the objects of, or supplant, the work. Rather, it uses the work to serve a distinct end.

Not every instance will be clear cut, however. Whether a use shares the purpose or character of an original work, or instead has a further purpose or different character, is a matter of degree. Most copying has some further purpose, in the sense that copying is socially useful *ex post*. Many secondary works add something new. That alone does not render such uses fair. Rather, the first factor (which is just one factor in a larger analysis) asks "whether *and to what extent*" the use at issue has a purpose or character different from the original. *Campbell*, 510 U.S. at 579 (emphasis added). The larger the difference, the more likely the first factor weighs in favor of fair use. The smaller the difference, the less likely.

A use that has a further purpose or different character is said to be "transformative" *Ibid.* (quoting P. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990) (hereinafter Leval)). As before, "transformativeness" is a matter of degree. See *Campbell*, 510 U.S. at 579. That is important because the word "transform," though not included in §107, appears elsewhere in the Copyright Act. The statute defines derivative works, which the copyright owner has "the exclusive righ[t]" to prepare, §106(2), to include "any other form in which a work may be recast, transformed, or adapted," §101. In other words, the owner has a right to derivative transformations of her work. Such transformations may be substantial, like the adaptation of a book into a movie. To be sure, this right is "[s]ubject to" fair use. §106; see also §107. The two are not mutually exclusive. But an overbroad concept of transformative use, one that includes any further purpose, or any different character, would narrow the copyright owner's exclusive right to create derivative works. To preserve that right, the degree of transformation required to make "transformative" use of an original must go beyond that required to qualify as a derivative.

For example, this Court in *Campbell* considered whether parody may be fair use. In holding that it may, the Court explained that "parody has an obvious claim to transformative value" because "it can provide social benefit, by shedding light on an

earlier work, and, in the process, creating a new one.” 510 U.S. at 579. The use at issue in *Campbell* was 2 Live Crew’s copying of certain lyrics and musical elements from Roy Orbison’s song, “Oh, Pretty Woman,” to create a rap derivative titled “Pretty Woman.” Without a doubt, 2 Live Crew transformed Orbison’s song by adding new lyrics and musical elements, such that “Pretty Woman” had a new message and different aesthetic than “Oh, Pretty Woman.” Indeed, the whole genre of music changed from rock ballad to rap. That was not enough for the first factor to weigh in favor of fair use, however. The Court found it necessary to determine whether 2 Live Crew’s transformation of Orbison’s song rose to the level of parody, a distinct purpose of commenting on the original or criticizing it. See *id.*, at 580–83.

Distinguishing between parody (which targets an author or work for humor or ridicule) and satire (which ridicules society but does not necessarily target an author or work), the Court further explained that “[p]arody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s (or collective victims’) imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.” *Id.*, at 580–81. More generally, when “commentary has no critical bearing on the substance or style of the original composition, . . . the claim to fairness in borrowing from another’s work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger.” *Id.*, at 580; see also *id.*, at 597 (Kennedy, J., concurring).

This discussion illustrates two important points: First, the fact that a use is commercial as opposed to nonprofit is an additional “element of the first factor.” *Id.*, at 584. The commercial nature of the use is not dispositive. *Ibid.*; *Google*, 141 S.Ct. at 1204. But it is relevant. As the Court explained in *Campbell*, it is to be weighed against the degree to which the use has a further purpose or different character. See 510 U.S. at 579 (“[T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use”); see also *id.*, at 580, 585.

Second, the first factor also relates to the justification for the use. In a broad sense, a use that has a distinct purpose is justified because it furthers the goal of copyright, namely, to promote the progress of science and the arts, without diminishing the incentive to create. See *id.*, at 579; *Authors Guild v. Google, Inc.*, 804 F.3d 202, 214 (C.A.2 2015) (Leval, J.) (“The more the appropriator is using the copied material for new, transformative purposes, the more it serves copyright’s goal of enriching public knowledge and the less likely it is that the appropriation will serve as a substitute for the original or its plausible derivatives, shrinking the protected market opportunities of the copyrighted work”). A use that shares the purpose of a copyrighted work, by contrast, is more likely to provide “the public with a substantial substitute for matter protected by the [copyright owner’s] interests in the original wor[k] or derivatives of [it],” *id.*, at 207, which undermines the goal of copyright.

In a narrower sense, a use may be justified because copying is reasonably necessary to achieve the user’s new purpose. Parody, for example, “needs to mimic an original to make its point.” *Campbell*, 510 U.S. at 580–81. Similarly, other commentary or

criticism that targets an original work may have compelling reason to “conjure up” the original by borrowing from it. *Id.*, at 588. An independent justification like this is particularly relevant to assessing fair use where an original work and copying use share the same or highly similar purposes, or where wide dissemination of a secondary work would otherwise run the risk of substitution for the original or licensed derivatives of it. See *id.*, at 580; *Harper & Row*, 471 U.S. at 557. Once again, the question of justification is one of degree. See Leval 1111 (“[I]t is not sufficient simply to conclude whether or not justification exists. The question remains how powerful, or persuasive, is the justification, because the court must weigh the strength of the secondary user’s justification against factors favoring the copyright owner”).

In sum, the first fair use factor considers whether the use of a copyrighted work has a further purpose or different character, which is a matter of degree, and the degree of difference must be balanced against the commercial nature of the use. If an original work and a secondary use share the same or highly similar purposes, and the secondary use is of a commercial nature, the first factor is likely to weigh against fair use, absent some other justification for copying.

2

The fair use provision, and the first factor in particular, requires an analysis of the specific “use” of a copyrighted work that is alleged to be “an infringement.” §107. The same copying may be fair when used for one purpose but not another. See *Campbell*, 510 U.S. at 585 (contrasting the use of a copyrighted work “to advertise a product, even in a parody,” with “the sale of a parody for its own sake, let alone one performed a single time by students in school”); *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 449–451 (1984) (contrasting the recording of TV “for a commercial or profit-making purpose” with “private home use”).

Here, Goldsmith’s copyrighted photograph has been used in multiple ways: After Goldsmith licensed the photograph to *Vanity Fair* to serve as an artist reference, Warhol used the photograph to create the *Vanity Fair* illustration and the other Prince Series works. *Vanity Fair* then used the photograph, pursuant to the license, when it published Warhol’s illustration in 1984. Finally, AWF used the photograph when it licensed an image of Warhol’s Orange Prince to Condé Nast in 2016. Only that last use, however, AWF’s commercial licensing of Orange Prince to Condé Nast, is alleged to be infringing.⁹ We limit our analysis accordingly. In particular, the Court expresses no opinion as to the creation, display, or sale of any of the original Prince Series works.

A typical use of a celebrity photograph is to accompany stories about the celebrity, often in magazines. For example, Goldsmith licensed her photographs of Prince to illustrate stories about Prince in magazines such as *Newsweek*, *Vanity Fair*, and *People*. . . . She even licensed her photographs for that purpose after Prince died in 2016. . . . A photographer may also license her creative work to serve as a reference for an artist, like Goldsmith did in 1984 when *Vanity Fair* wanted an image of Prince created by Warhol to illustrate an article about Prince. As noted by the Court of Appeals, Goldsmith introduced “uncontroverted” evidence “that photographers generally license

others to create stylized derivatives of their work in the vein of the Prince Series.” 11 F.4th at 50. In fact, Warhol himself paid to license photographs for some of his artistic renditions. Such licenses, for photographs or derivatives of them, are how photographers like Goldsmith make a living. They provide an economic incentive to create original works, which is the goal of copyright.

In 2016, AWF licensed an image of Orange Prince to Condé Nast to appear on the cover of a commemorative edition magazine about Prince. The edition, titled “The Genius of Prince,” celebrates the life and work of “Prince Rogers Nelson, 1958–2016.” It is undisputed here that the edition is “devoted to Prince.” In addition to AWF’s image on the cover, the magazine contains numerous concert and studio photographs of Prince. In that context, the purpose of the image is substantially the same as that of Goldsmith’s photograph. Both are portraits of Prince used in magazines to illustrate stories about Prince. Such “environment[s]” are not “distinct and different.” *Google*, 141 S.Ct. at 1203. AWF’s licensing of the Orange Prince image thus “supersede[d] the objects,” *Campbell*, 510 U.S. at 579, i.e., shared the objectives, of Goldsmith’s photograph, even if the two were not perfect substitutes.

The use also “is of a commercial nature.” §107(1). Just as Goldsmith licensed her photograph to Vanity Fair for \$400, AWF licensed Orange Prince to Condé Nast for \$10,000. The undisputed commercial character of AWF’s use, though not dispositive, “tends to weigh against a finding of fair use.” *Harper & Row*, 471 U.S. at 562.

Taken together, these two elements—that Goldsmith’s photograph and AWF’s 2016 licensing of Orange Prince share substantially the same purpose, and that AWF’s use of Goldsmith’s photo was of a commercial nature—counsel against fair use, absent some other justification for copying. That is, although a use’s transformativeness may outweigh its commercial character, here, both elements point in the same direction.

The foregoing does not mean, however, that derivative works borrowing heavily from an original cannot be fair uses. In *Google*, the Court suggested that “[a]n ‘artistic painting’ might, for example, fall within the scope of fair use even though it precisely replicates a copyrighted ‘advertising logo to make a comment about consumerism.’ ” 141 S.Ct. at 1203 (quoting 4 M. NIMMER & D. NIMMER, COPYRIGHT §13.05[A][1][b] (2019), in turn quoting N. Netanel, *Making Sense of Fair Use*, 15 LEWIS & CLARK L. REV. 715, 746 (2011) (some internal quotation marks omitted)). That suggestion refers to Warhol’s works that incorporate advertising logos, such as the Campbell’s Soup Cans series. . . .

Yet not all of Warhol’s works, nor all uses of them, give rise to the same fair use analysis. In fact, Soup Cans well illustrates the distinction drawn here. The purpose of Campbell’s logo is to advertise soup. Warhol’s canvases do not share that purpose. Rather, the Soup Cans series uses Campbell’s copyrighted work for an artistic commentary on consumerism, a purpose that is orthogonal to advertising soup. The use therefore does not supersede the objects of the advertising logo.

Moreover, a further justification for Warhol’s use of Campbell’s logo is apparent. His Soup Cans series targets the logo. That is, the original copyrighted work is, at least

might have meant to determine whether parody “reasonably could be perceived.” But new meaning or message was not sufficient. If it had been, the Court could have made quick work of the first fair use factor. Instead, meaning or message was simply relevant to whether the new use served a purpose distinct from the original, or instead superseded its objects. That was, and is, the “central” question under the first factor. *Id.*, at 579.

...

AWF asserts another, albeit related, purpose, which is to comment on the “dehumanizing nature” and “effects” of celebrity. No doubt, many of Warhol’s works, and particularly his uses of repeated images, can be perceived as depicting celebrities as commodities. But again, even if such commentary is perceptible on the cover of Condé Nast’s tribute to “Prince Rogers Nelson, 1958–2016,” on the occasion of the man’s death, AWF has a problem: The asserted commentary is at *Campbell*’s lowest ebb. Because it “has no critical bearing on” Goldsmith’s photograph,²⁰ the commentary’s “claim to fairness in borrowing from” her work “diminishes accordingly (if it does not vanish).” 510 U.S. at 580. The commercial nature of the use, on the other hand, “loom[s] larger.”

Here, the circumstances of AWF’s 2016 licensing outweigh its diminished claim to fairness in copying under the first factor. Like satire that does not target an original work, AWF’s asserted commentary “can stand on its own two feet and so requires justification for the very act of borrowing.” *Id.*, at 581. Moreover, because AWF’s commercial use of Goldsmith’s photograph to illustrate a magazine about Prince is so similar to the photograph’s typical use, a particularly compelling justification is needed. Yet AWF offers no independent justification, let alone a compelling one, for copying the photograph, other than to convey a new meaning or message. As explained, that alone is not enough for the first factor to favor fair use.

Copying might have been helpful to convey a new meaning or message. It often is. But that does not suffice under the first factor. Nor does it distinguish AWF from a long list of would-be fair users: a musician who finds it helpful to sample another artist’s song to make his own, a playwright who finds it helpful to adapt a novel, or a filmmaker who would prefer to create a sequel or spinoff, to name just a few. As Judge Leval has explained, “[a] secondary author is not necessarily at liberty to make wholesale takings of the original author’s expression merely because of how well the original author’s expression would convey the secondary author’s different message.” *Authors Guild*, 804 F.3d at 215.

...

The dissent’s conclusion—that whenever a use adds new meaning or message, or constitutes creative progress in the opinion of a critic or judge, the first fair use factor

²⁰ At no point in this litigation has AWF maintained that any of the Prince Series works, let alone Orange Prince on the cover of the 2016 Condé Nast special edition, comment on, criticize, or otherwise target Goldsmith’s photograph. That makes sense, given that the photograph was unpublished when Goldsmith licensed it to Vanity Fair, and that neither Warhol nor Vanity Fair selected the photograph, which was instead provided by Goldsmith’s agency.

weighs in its favor—does not follow from its basic premise. Fair use instead strikes a balance between original works and secondary uses based in part on objective indicia of the use's purpose and character, including whether the use is commercial and, importantly, the reasons for copying.

Finally, copyright law is replete with escape valves: the idea-expression distinction; the general rule that facts may not receive protection; the requirement of originality; the legal standard for actionable copying; the limited duration of copyright; and, yes, the defense of fair use, including all its factors, such as whether the amount taken is reasonable in relation to the purpose of the use. These doctrines (and others) provide ample space for artists and other creators to use existing materials to make valuable new works. They account for most, if not all, of the examples given by the dissent, as well as the dissent's own copying (and the Court's, too). If the last century of American art, literature, music, and film is any indication, the existing copyright law, of which today's opinion is a continuation, is a powerful engine of creativity.

III

Lynn Goldsmith's original works, like those of other photographers, are entitled to copyright protection, even against famous artists. Such protection includes the right to prepare derivative works that transform the original. The use of a copyrighted work may nevertheless be fair if, among other things, the use has a purpose and character that is sufficiently distinct from the original. In this case, however, Goldsmith's original photograph of Prince, and AWF's copying use of that photograph in an image licensed to a special edition magazine devoted to Prince, share substantially the same purpose, and the use is of a commercial nature. AWF has offered no other persuasive justification for its unauthorized use of the photograph. Therefore, the "purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes," §107(1), weighs in Goldsmith's favor.

The Court has cautioned that the four statutory fair use factors may not "be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright." *Campbell*, 510 U.S. at 578. AWF does not challenge the Court of Appeals' determinations that the second factor, "the nature of the copyrighted work," §107(2); third factor, "the amount and substantiality of the portion used in relation to the copyrighted work as a whole," §107(3); and fourth factor, "the effect of the use upon the potential market for or value of the copyrighted work," all favor Goldsmith. Because this Court agrees with the Court of Appeals that the first factor likewise favors her, the judgment of the Court of Appeals is

Affirmed.

APPENDIX



JUSTICE GORSUCH, with whom JUSTICE JACKSON joins, concurring.

The question before us is a narrow one of statutory interpretation. It concerns the meaning of one of four factors Congress has instructed courts to consult when a party invokes the affirmative defense of “fair use” to a claim of copyright infringement. The statutory factor in question requires courts to consider “the purpose and character of the use.” §107(1). The parties disagree which “purpose” and “character” counts.

As I see it . . . [n]othing in the copyright statute calls on judges to speculate about the purpose an artist may have in mind when working on a particular project. Nothing in the law requires judges to try their hand at art criticism and assess the aesthetic character of the resulting work. Instead, the first statutory fair-use factor instructs courts to focus on “the purpose and character of the use, including whether *such use is of a commercial nature or is for nonprofit educational purposes.*” §107(1) (emphases added). By its terms, the law trains our attention on the particular use under challenge. And it asks us to assess whether the purpose and character of that use is different from (and thus complements) or is the same as (and thus substitutes for) a copyrighted work. It’s a comparatively modest inquiry focused on how and for what reason a person is

products often differ in material respects and a buyer may find these differences reason to prefer one offering over another. . . . But under the first fair-use factor the salient point is that the purpose and character of the Foundation's use involved competition with Ms. Goldsmith's image. To know that much is to know the first fair-use factor favors Ms. Goldsmith.

It is equally important, however, to acknowledge what this case does not involve and what the Court does not decide. Worried about the fate of artists seeking to portray reclining nudes or papal authorities, or authors hoping to build on classic literary themes? . . . Worry not. This case does not call on us to strike a balance between rewarding creators and enabling others to build on their work. That is Congress's job. See U.S. CONST., ART. I, §8, CL. 8. Nor does this case even call on us to interpret and apply many of the reticulated elements of the Copyright Act that Congress has adopted to balance these competing interests. Our only job today is to interpret and apply faithfully one statutory factor among many Congress has deemed relevant to the affirmative defense of fair use.

That observation points the way to another. The Court today does not even decide whether the Foundation's image of Prince infringes on Ms. Goldsmith's copyright. . . .

Last but hardly least, while our interpretation of the first fair-use factor does not favor the Foundation in this case, it may in others. If, for example, the Foundation had sought to display Mr. Warhol's image of Prince in a nonprofit museum or a for-profit book commenting on 20th-century art, the purpose and character of that use might well point to fair use. But those cases are not this case. Before us, Ms. Goldsmith challenges only the Foundation's effort to use its portrait as a commercial substitute for her own protected photograph in sales to magazines looking for images of Prince to accompany articles about the musician. And our only point today is that, while the Foundation may often have a fair-use defense for Mr. Warhol's work, that does not mean it always will. Under the law Congress has given us, each challenged use must be assessed on its own terms.

JUSTICE KAGAN, with whom THE CHIEF JUSTICE joins, dissenting.

Today, the Court declares that Andy Warhol's eye-popping silkscreen of Prince—a work based on but dramatically altering an existing photograph—is (in copyright lingo) not “transformative.” Still more, the Court decides that even if Warhol's portrait were transformative—even if its expression and meaning were worlds away from the photo—that fact would not matter. For in the majority's view, copyright law's first fair-use factor—addressing “the purpose and character” of “the use made of a work”—is uninterested in the distinctiveness and newness of Warhol's portrait. What matters under that factor, the majority says, is instead a marketing decision: In the majority's view, Warhol's licensing of the silkscreen to a magazine precludes fair use.

You've probably heard of Andy Warhol; you've probably seen his art. You know that he reframed and reformulated—in a word, transformed—images created first by others. Campbell's soup cans and Brillo boxes. Photos of celebrity icons: Marilyn, Elvis, Jackie, Liz—and, as most relevant here, Prince. That's how Warhol earned his

conspicuous place in every college's Art History 101. So it may come as a surprise to see the majority describe the Prince silkscreen as a “modest alteration[]” of Lynn Goldsmith's photograph—the result of some “crop[ping]” and “flatten[ing]”—with the same “essential nature.” (emphasis deleted). Or more generally, to observe the majority's lack of appreciation for the way his works differ in both aesthetics and message from the original templates. In a recent decision, this Court used Warhol paintings as the perfect exemplar of a “copying use that adds something new and important”—of a use that is “transformative,” and thus points toward a finding of fair use. *Google LLC v. Oracle America, Inc.*, 141 S.Ct. 1183, 1202-1203 (2021). That Court would have told this one to go back to school. . . .

What is worse, that refresher course would apparently be insufficient. For it is not just that the majority does not realize how much Warhol added; it is that the majority does not care. In adopting that posture of indifference, the majority does something novel (though in law, unlike in art, it is rarely a good thing to be transformative). Before today, we assessed “the purpose and character” of a copier's use by asking the following question: Does the work “add[] something new, with a further purpose or different character, altering the [original] with new expression, meaning, or message”? *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994); see *Google*, 141 S.Ct. at 1202–03. When it did so to a significant degree, we called the work “transformative” and held that the fair-use test's first factor favored the copier (though other factors could outweigh that one). But today's decision—all the majority's protestations notwithstanding—leaves our first-factor inquiry in shambles. The majority holds that because Warhol licensed his work to a magazine—as Goldsmith sometimes also did—the first factor goes against him. It does not matter how different the Warhol is from the original photo—how much “new expression, meaning, or message” he added. It does not matter that the silkscreen and the photo do not have the same aesthetic characteristics and do not convey the same meaning. It does not matter that because of those dissimilarities, the magazine publisher did not view the one as a substitute for the other. All that matters is that Warhol and the publisher entered into a licensing transaction, similar to one Goldsmith might have done. Because the artist had such a commercial purpose, all the creativity in the world could not save him.

That doctrinal shift ill serves copyright's core purpose . . . “[t]o promote the [p]rogress” of both arts and science. U.S. CONST., ART. I, §8, CL. 8. And for that same reason, the law also protects the fair use of copyrighted material. . . . [A]rtists don't create all on their own; they cannot do what they do without borrowing from or otherwise making use of the work of others. That is the way artistry of all kinds—visual, musical, literary—happens (as it is the way knowledge and invention generally develop). The fair-use test's first factor responds to that truth: As understood in our precedent, it provides “breathing space” for artists to use existing materials to make fundamentally new works, for the public's enjoyment and benefit. In now remaking that factor, and thus constricting fair use's boundaries, the majority hampers creative progress and undermines creative freedom. I respectfully dissent.

. . .

COMMENTS AND QUESTIONS

1. *The Campbell/Warhol Framework.* *Warhol* emphasizes statutory text and legislative history in reconciling the §106(2) right to prepare derivative works with the judicially-created consideration of transformativeness. See Shyamkrishna Balganesh & Peter S. Menell, *Misreading Campbell: Lessons for Warhol*, 72 DUKE L.J. ONLINE 113 (2023); Shyamkrishna Balganesh & Peter S. Menell, *The Warhol Watershed: Reconciling Copyright Law’s Derivative Work Right and Fair Use Doctrine* (draft 2023). While acknowledging that the derivative works right was subject to fair use, the Court nevertheless noted:

[A]n overbroad concept of transformative use, one that includes any further purpose, or any different character, would narrow the copyright owner’s exclusive right to create derivative works. To preserve that right, the degree of transformation required to make “transformative” use of an original must go beyond that required to qualify as a derivative.

Warhol, 143 S.Ct. at 1275. The Court operationalized this “go beyond” standard by explicating the role of purpose and explaining how the transformative character of the use is weighed in relation to commerciality. In emphasizing the importance of the statute’s identification of commerciality in the first factor, the Court brought renewed emphasis to a factor that had been viewed as less significant in the thirty years since *Campbell*.

2. *Unit of Analysis.* An important part of the majority’s analysis in *Warhol* was the Court’s focus on the particular “use” at issue in the infringement claim rather than just the work. Whereas the infringement analysis typically focuses on a comparison of the works, both the majority and concurring opinions in *Warhol* emphasized that fair use required courts to scrutinize a defendant’s allegedly infringing use based on the statutory factors. Consequently, both opinions limited their analysis to the defendant’s commercial licensing of the work, and not to the initial creation of the work itself. Justice Gorsuch’s concurrence, in particular, emphasized that focus on the use was a clear statutory mandate.

This aspect of the *Warhol* decision fundamentally shifts the way courts assess a defendant’s purpose by distancing that purpose from the work itself. A use relating to a work that might not qualify for fair use in its creation (and thus infringe §106(1)) could independently qualify for fair use under another of the plaintiff’s exclusive rights (e.g., §106(3) or §106(5)). And the reverse is also true: an artist’s creation of a derivative work may qualify as a fair use, while the sale of that very work may not so qualify and subject the artist to the risk of liability. Each individual use of the work—whether it be creation, licensing, or sale—merits an independent fair use analysis under the Court’s approach.

Assuming that it was fair use for 2 Live Crew to *record* (i.e., create) *Pretty Woman* (the case settled on remand, so the issue was never finally resolved), would it be fair use under *Warhol* for them to *sell* that song? Doing so would be commercial, and depending on the breadth of the “purpose” a court discerns, it might be the same purpose

as Roy Orbison's *Oh, Pretty Woman* sales (to make money by selling songs about men fantasizing about women). On the other hand, a court could well see the purposes as different: the commercial sale of a parody that comments on constructions of beauty versus the sale of a ballad advancing those very constructions. Thus, much will thus depend on a court's appropriate construction of purpose.

Is there value in being able to create a work even if you're not allowed to sell it? Some countries protect private but not commercial uses, but that is a narrower conception of the fair use doctrine than the U.S. has traditionally had.

3. *Purpose and Judicial Role in Ascertaining Purpose.* Much like *Campbell*, the Court in *Warhol* notes Justice Holmes's admonition that courts should not attempt to evaluate the artistic significance of a work, citing *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903). But is there any way to escape doing so? Recall that *Campbell* believed there to be a way to do so: protecting a parody whether the court thought it a good or a bad one. *Campbell*, 510 U.S. at 582 & n.16. The *Warhol* majority stated that courts can assess what could "reasonably be perceived" as a work's purpose objectively. But how is a court to do so?

Warhol, echoing *Campbell*, downplayed the alleged fair user's intent/state of mind: "whether a work is transformative cannot turn merely on the stated or perceived intent of the artist or the meaning or impression that a critic—or for that matter, a judge—draws from the work." *Warhol*, 143 S.Ct. at 1284 (quoting Second Circuit opinion). The Court also rejected the role of experts in the art field or popular consumer reactions as a basis for determining the artistic significance of the defendant's work, noting that they fail to provide any coherent basis for reconciling the right to prepare derivative works and fair use and conferring "a kind of privilege that has no basis in copyright law." *Id.* at 1284, n.19. But what does that leave as a basis for distinguishing parodies or other legitimate transformative purposes from improper ones?

4. *Parody vs. Satire Again.* Is Warhol's creation of the original art a transformative use in the Court's opinion? The Court seems to go back and forth on that question, especially since the matter was not before the Court and well outside of the statute of limitations. The majority found Warhol's use to be insufficiently transformative on the grounds that by not commenting directly on Goldsmith's photograph or Goldsmith, "the asserted commentary [allegedly "to comment on the 'dehumanizing nature' and 'effects' of celebrity"] is at *Campbell*'s lowest ebb [b]ecause it 'has no critical bearing on' Goldsmith's photograph." Hence, the commentary's 'claim to fairness in borrowing from' her work 'diminishes accordingly (if it does not vanish).' The commercial nature of the use, on the other hand, 'loom[s] larger.'" *Id.* at 1285 (quoting *Campbell*; footnote omitted). By contrast, the Court seemed to think Warhol's paintings of soup cans were more transformative. Is Warhol's comment on soup more critically directed at the brand and design of the soup can than it is at Goldsmith's photograph?

Campbell did *not* say that parody is protectable and satire isn't, although some have misread it that way. Rather, it said that parody "needs to mimic" the original for its very purpose and therefore needs less justification for its borrowing, unlike satire that "can

stand on its own two feet.” But the *Warhol* Court clearly thought it possible that the creation of a work could be transformative and qualify as a fair use even though it didn’t comment on the original. Does *Warhol* implicitly overrule *Campbell* in that regard?

5. *The Transformativeness/Commerciality Balance*. The Court sees a “something more” level of “transformative purpose and character” under §107 as necessary to save §106(2) from being “swallowed.” The concurrence notes concisely that “[w]e aren’t normally in the business of putting a statute “at war with itself.” The Court notes that this weighing reflects *Campbell*’s distinction between parody and satire, the latter of which requires greater justification than the former.

6. *Licensing as a Means to Promote Progress and Fairness*. The legislative history lays bare the drafters’ view that copyright law will best carry out the basic constitutional purpose of copyright law—to promote progress—by stating the author’s rights “in broad terms” and that the

specific limitations on them should not go any further than is shown to be necessary in the public interest. In our opinion it is generally true, as the authors and other copyright owners argue, that if an exclusive right exists under the statute a reasonable bargain for its use will be reached; copyright owners do not seek to price themselves out of a market. But if the right is denied by the statute, the result in many cases would simply be a free ride at the author’s expense.

STAFF OF THE H. COMM. ON THE JUDICIARY, 89TH CONG., COPYRIGHT LAW REVISION, PART 6: SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL 14 (Comm. Print 1965). Thus, the drafters viewed clear and broad rights, in conjunction with market-based licensing, as the engine for promoting expressive creativity. This is an empirical judgment, but it is one that the drafters of the Copyright Act made. Justice Kagan’s dissent questions this policy choice. *But cf. Warhol*, 143 S.Ct. at 1290 (GORSUCH, J., concurring) (“This case does not call on us to strike a balance between rewarding creators and enabling others to build on their work. That is Congress’s job.”)

Congress could not have foreseen remix culture or the rise of user-generated content (“UGC”) in 1976; content was largely created by professionals at that time. Would we have seen the explosion of UGC absent lower courts’ expansive reading of transformativeness following *Campbell*? Should Congress reexamine the balances underlying the right to prepare derivative works and fair use?

7. *Factor One or Factor Four?* The Court’s opinion states that its opinion is limited to the first fair use factor, although the opinion makes some observations about the interplay of the first and fourth factors. In discussing the Court’s conclusion that AWF’s licensing of the Orange Prince for a commemorative edition of Condé Nast “devoted to Prince”—thus for a purpose that is “substantially the same” as the use of “Goldsmith’s photograph and hence “superseded the objects, i.e., shared the objects . . . even if the two were not perfect substitutes”—the Court observes that there is a

a positive association between the two factors: A secondary use that is more different in purpose and character is less likely to usurp demand for the original

work or its derivatives . . . Still, the relationship is not absolute. For example, copies for classroom use might fulfill demand for an original work. The first factor may still favor the copyist, even if the fourth factor is shown not to. At the same time, other forms of straight copying may be fair if a strong showing on the fourth factor outweighs a weak showing on the first.

143 S.Ct. at 1279, n.12.

But does the Court’s emphasis on the commercial nature of the use and the fact that Warhol could in theory have competed with Goldsmith in the magazine cover effectively merge the first and fourth factors? One way in which the Court at times appears to maintain the distinction is by noting that its analysis of commerciality in factor one is in relation to “purpose,” which is an assessment of the objective underlying the putatively fair use, whereas factor four is about “effect,” an inquiry that is empirically grounded. Indeed, recall that the Court in *Campbell* found the factual record sufficient on factor one (commerciality included) but not on factor four.

8. *Fair Use, Appropriation Art, and Social Justice*. Who benefits from the Court’s cutting back on fair use in the art world? On the one hand, some of the appropriation art cases over the past two decades involve well-heeled artists catering to wealthy patrons riding roughshod over the copyright interests of the artists from whom they appropriate art. *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013), is the most extreme version—involving Richard Prince’s seven-figure collages that draw heavily upon Patrick Cariou’s photographs of Rastafarians, competing directly with Cariou’s works with minimal commentary. The Second Circuit held before *Warhol* that many, but not all, of Richard Prince’s works were fair use.

An expansive approach to transformativeness and fair use, which would allow artists to copy from prior works without permission or compensation, could hurt creators and artists from underrepresented minority groups, many of who were historically the target of precisely such unremunerated (and unacknowledged) borrowing. See Brief of Amici Curiae Institute for Intellectual Property and Social Justice and Intellectual-Property Professors in Support of Respondents, *Andy Warhol Foundation for the Visual Arts, Inc., v. Lynn Goldsmith*, U.S. Supreme Court, No. 21-869 (Aug. 15, 2022). In this vision, a licensing/permissions culture serves the interests of historically excluded artist groups who might now have a legitimate claim to fairness in the use of their works.

On the other hand, many artists that draw on prior works are not famous and wealthy. Some are just learning their craft. But the Court is unlikely to view those uses as fair, particularly if the defendant wants to sell their work. Does it really promote social justice to say that the established figures in the art world can decide whether others can transform their works (and if so, at what price?) As we know, however, many artists tolerate and even welcome uses of their works. The *Warhol* decision will also likely expand the role of Creative Commons and other pre-cleared works in appropriation art.

Licensing, 102 CAL. L. REV. 53, 80–81 (2014) (suggesting that such distortion may have been in play in *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006), a case decided shortly before *eBay*).

Should the lower courts prohibit uses like Warhol's? If not, what is the proper remedy? Note that the Court went out of its way to say that its decision did not extend to museums or the wealthy collectors who already hold Warhol's prints (and might want to publicly display or resell them). Why not?

11. *Broader Ramifications*. As a once-in-a-generation fair use decision, *Warhol* will undoubtedly have impacts beyond the particular facts of the case, just as *Sony*, *Harper & Row*, and especially *Campbell* have had. One key emerging area relates to generative AI. We will explore some of those aspects later in Section F(1)(iii)(c).

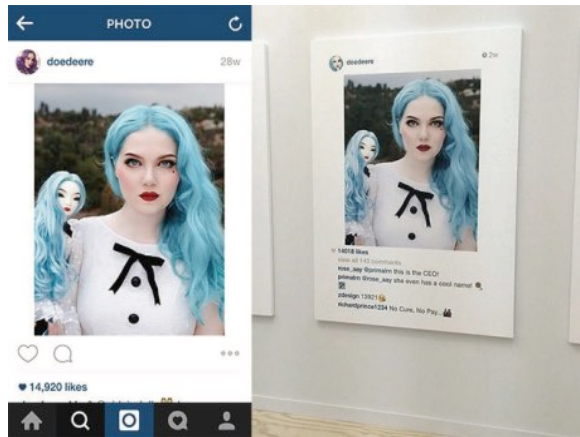
PROBLEMS

Problem IV-47. Recall *Problem IV-36* relating to J.D. Salinger's lawsuit against Fredrik Colting over the novel "60 Years Later: Coming through the Rye." Colting seeks shelter under the fair use doctrine, arguing that his novel is a parody under the *Campbell* decision. How should a court rule?

Problem IV-48. Air Pirates, a publisher of counter-culture adult comic books, developed a series of comic books cynically depicting popular children's cartoon characters, including Mickey and Minnie Mouse, Donald Duck, and Goofy, as promiscuous, drug-dealing rogues. Here is one of the magazine covers:



Should Air Pirates' use be considered fair?



How would you advise doedeere (pictured) regarding a possible copyright infringement claim after *Warhol*? Is Richard Prince’s purpose in displaying these works the same as doedeere’s?

Some of the artists whose Instagram posts Prince used have responded by making their own copies of Richard Prince’s works using their photographs and selling them as “Richard Prince artworks” for a substantially lower price. Would that “re-appropriation” of their images satisfy *Warhol*?

Problem IV-52. Recall *Problem IV-30*, relating to Girl Talk’s mashups of copyrighted musical compositions and sound recordings.

Do Girl Talk’s mashups fall within the scope of the fair use defense?

Problem IV-53. The Coalition for Fair Sampling (CFS) has proposed that Congress adopt the Remix Compulsory License Act (RCLA) modeled on the cover license in §115 of the Copyright Act. Under the RCLA, a remix artist seeking to develop a sound recording that comprises more than 5 existing sound recordings would be eligible for a compulsory license by paying the §115 statutory license rate (currently 9.1¢ for a 5 minute song (or less); with escalations for longer songs) into the RCLA Fund. The basic idea is that the remixer would be building his or her work on both musical composition and sound recording works and hence the baseline for the entire work should be double the musical composition cover license rate. By making the compulsory license rate 100 percent of the baseline for just the musical composition copyright, the remixer would effectively be credited with half of the total value of the remixed work (assuming that the musical composition and sound recording copyrights were treated symmetrically). Thus, by paying 9.1¢, the remixer could clear all sample licenses needed for a mashup of 5 minutes (or less).

In order to obtain the compulsory license, the remix artist would be required to register the remixed work with the Copyright Office along with a detailed, per-second explication of what prior musical compositions and sound recordings were used. The

Copyright Office would, through notice and comment rulemaking, develop a formula for dividing revenue among the musical composition and sound recording owners. (The Copyright Office would also work with the music publishing and sound recording industries to develop a comprehensive database of protected works and tools for identifying owners of tracks that are sampled.) SoundExchange—which administers statutory licenses for sound recording copyrights and allocates revenues—would be responsible for allocating the RCLA Fund to eligible musical composition and sound recording owners.

In order to make this new regime effective, the RCLA would create some categorical fair use safe harbors and limitations. In particular, the RCLA would categorically exempt any sample of less than 5 seconds from liability. Thus, no copyright owner could sue over digital samples (or loops of digital samples) of less than 5 seconds. Such copyright owners would not participate in the distribution of the RCLA Fund. At the same time, the RCLA would categorically exempt from the fair use defense any digital sample of greater than 5 seconds unless the remix artist could establish that such sample was a parody or for political purposes. The purposes of these fair use safe harbors and limitations would be to channel remix artists into the RCLA and to vastly simplify litigation over remix works.

Do you think that this is a constructive approach? Why or why not?

b. Non-Transformative Fair Use

Transformative use claims do not exhaust the scope of fair use. Indeed, a successful assertion of transformativeness (in use) is not essential to fair use, as made clear by the statute. The case below highlights a situation where a plaintiff, albeit unsuccessfully, raised a fair use claim that was not dependent on a transformative use.



American Geophysical Union v. Texaco Inc.
United States Court of Appeals for the Second Circuit
60 F.3d 913 (2d Cir. 1994)

Jon O. NEWMAN, CHIEF JUDGE:

. . . Plaintiffs American Geophysical Union and 82 other publishers of scientific and technical journals (the “publishers”) brought a class action claiming that Texaco’s unauthorized photocopying of articles from their journals constituted copyright infringement. Among other defenses, Texaco claimed that its copying was fair use under section 107 of the Copyright Act. . . .

Although Texaco employs 400 to 500 research scientists, of whom all or most presumably photocopy scientific journal articles to support their Texaco research, the parties stipulated—in order to spare the enormous expense of exploring the photocopying practices of each of them—that one scientist would be chosen at random as the representative of the entire group. The scientist chosen was Dr. Donald H. Chickering, II, a scientist at Texaco’s research center in Beacon, New York. For

consideration at trial, the publishers selected from Chickering's files photocopies of eight particular articles from the JOURNAL OF CATALYSIS. . . .

Chickering, a chemical engineer at the Beacon research facility, has worked for Texaco since 1981 conducting research in the field of catalysis, which concerns changes in the rates of chemical reactions. To keep abreast of developments in his field, Chickering must review works published in various scientific and technical journals related to his area of research. Texaco assists in this endeavor by having its library circulate current issues of relevant journals to Chickering when he places his name on the appropriate routing list.

The copies of the eight articles from CATALYSIS found in Chickering's files that the parties have made the exclusive focus of the fair use trial were photocopied in their entirety by Chickering or by other Texaco employees at Chickering's request. Chickering apparently believed that the material and data found within these articles would facilitate his current or future professional research. The evidence developed at trial indicated that Chickering did not generally use the CATALYSIS articles in his research immediately upon copying, but placed the photocopied articles in his files to have them available for later reference as needed. Chickering became aware of six of the photocopied articles when the original issues of CATALYSIS containing the articles were circulated to him. He learned of the other two articles upon seeing a reference to them in another published article. As it turned out, Chickering did not have occasion to make use of five of the articles that were copied. . . .

I. The Nature of the Dispute

. . .

A. Fair Use and Photocopying

. . . As with the development of other easy and accessible means of mechanical reproduction of documents, the invention and widespread availability of photocopying technology threatens to disrupt the delicate balances established by the Copyright Act. As a leading commentator astutely notes, the advent of modern photocopying technology creates a pressing need for the law "to strike an appropriate balance between the authors' interest in preserving the integrity of copyright, and the public's right to enjoy the benefits that photocopying technology offers." 3 NIMMER ON COPYRIGHT §13.05[E][1], at 13-226.

Indeed, if the issue were open, we would seriously question whether the fair use analysis that has developed with respect to works of authorship alleged to use portions of copyrighted material is precisely applicable to copies produced by mechanical means. The traditional fair use analysis, now codified in section 107, developed in an effort to adjust the competing interests of authors—the author of the original copyrighted work and the author of the secondary work that "copies" a portion of the original work in the course of producing what is claimed to be a new work. Mechanical "copying" of an entire document, made readily feasible and economical by the advent of xerography, is obviously an activity entirely different from creating a work of authorship. Whatever

social utility copying of this sort achieves, it is not concerned with creative authorship. . . .

II. The Enumerated Fair Use Factors of Section 107

. . .

A. First Factor: Purpose and Character of Use

The first factor listed in section 107 is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” §107(1). Especially pertinent to an assessment of the first fair use factor are the precise circumstances under which copies of the eight CATALYSIS articles were made. After noticing six of these articles when the original copy of the journal issue containing each of them was circulated to him, Chickering had them photocopied, at least initially, for the same basic purpose that one would normally seek to obtain the original—to have it available on his shelf for ready reference if and when he needed to look at it. The library circulated one copy and invited all the researchers to make their own photocopies. It is a reasonable inference that the library staff wanted each journal issue moved around the building quickly and returned to the library so that it would be available for others to look at. Making copies enabled all researchers who might one day be interested in examining the contents of an article in the issue to have the article readily available in their own offices. In Chickering’s own words, the copies of the articles were made for “my personal convenience,” since it is “far more convenient to have access in my office to a photocopy of an article than to have to go to the library each time I wanted to refer to it.” Significantly, Chickering did not even have occasion to use five of the photocopied articles at all, further revealing that the photocopies of the eight Catalysis articles were primarily made just for “future retrieval and reference.”

It is true that photocopying these articles also served other purposes. The most favorable for Texaco is the purpose of enabling Chickering, if the need should arise, to go into the lab with pieces of paper that (a) were not as bulky as the entire issue or a bound volume of a year’s issues, and (b) presented no risk of damaging the original by exposure to chemicals. And these purposes might suffice to tilt the first fair use factor in favor of Texaco if these purposes were dominant. For example, if Chickering had asked the library to buy him a copy of the pertinent issue of Catalysis and had placed it on his shelf, and one day while reading it had noticed a chart, formula, or other material that he wanted to take right into the lab, it might be a fair use for him to make a photocopy, and use that copy in the lab (especially if he did not retain it and build up a mini-library of photocopied articles). This is the sort of “spontaneous” copying that is part of the test for permissible nonprofit classroom copying. *See* Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions, quoted in PATRY, *THE FAIR USE PRIVILEGE*, at 308. But that is not what happened here as to the six items copied from the circulated issues.

As to the other two articles, the circumstances are not quite as clear, but they too appear more to serve the purpose of being additions to Chickering’s office “library”

(“The crux of the profit/nonprofit distinction is . . . whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.”).

Consistent with these principles, courts will not sustain a claimed defense of fair use when the secondary use can fairly be characterized as a form of “commercial exploitation,” i.e., when the copier directly and exclusively acquires conspicuous financial rewards from its use of the copyrighted material. . . . Conversely, courts are more willing to find a secondary use fair when it produces a value that benefits the broader public interest. . . . The greater the private economic rewards reaped by the secondary user (to the exclusion of broader public benefits), the more likely the first factor will favor the copyright holder and the less likely the use will be considered fair.

As noted before, in this particular case the link between Texaco’s commercial gain and its copying is somewhat attenuated: the copying, at most, merely facilitated Chickering’s research that might have led to the production of commercially valuable products. Thus, it would not be accurate to conclude that Texaco’s copying of eight particular Catalysis articles amounted to “commercial exploitation,” especially since the immediate goal of Texaco’s copying was to facilitate Chickering’s research in the sciences, an objective that might well serve a broader public purpose. *See Twin Peaks*, 996 F.2d at 1375; *Sega Enterprises*, 977 F.2d at 1522. Still, we need not ignore the for-profit nature of Texaco’s enterprise, especially since we can confidently conclude that Texaco reaps at least some indirect economic advantage from its photocopying. As the publishers emphasize, Texaco’s photocopying for Chickering could be regarded simply as another “factor of production” utilized in Texaco’s efforts to develop profitable products. Conceptualized in this way, it is not obvious why it is fair for Texaco to avoid having to pay at least some price to copyright holders for the right to photocopy the original articles.

2. *Transformative Use*. The District Court properly emphasized that Texaco’s photocopying was not “transformative.” After the District Court issued its opinion, the Supreme Court explicitly ruled that the concept of a “transformative use” is central to a proper analysis under the first factor, *see Campbell*, 114 S.Ct. at 1171–73. The Court explained that though a “transformative use is not absolutely necessary for a finding of fair use, . . . the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.” *Id.* at 1171. . . .

[T]o the extent that the secondary use “adds something new, with a further purpose or different character,” the value generated goes beyond the value that inheres in the original and “the goal of copyright, to promote science and the arts, is generally furthered.” *Campbell*, 114 S.Ct. at 1171; *see also* Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990). It is therefore not surprising that the “preferred” uses illustrated in the preamble to section 107, such as criticism and comment, generally involve some transformative use of the original work. *See* 3 NIMMER ON COPYRIGHT §13.05[A][1][b], at 13-160.

Texaco suggests that its conversion of the individual CATALYSIS articles through photocopying into a form more easily used in a laboratory might constitute a transformative use. However, Texaco's photocopying merely transforms the material object embodying the intangible article that is the copyrighted original work. *See* 17 U.S.C. §§101, 102 (explaining that copyright protection in literary works subsists in the original work of authorship “regardless of the nature of the material objects . . . in which they are embodied”). Texaco's making of copies cannot properly be regarded as a transformative use of the copyrighted material. . . .

On balance, we agree with the District Court that the first factor favors the publishers, primarily because the dominant purpose of the use is “archival.” . . .

B. Second Factor: Nature of Copyrighted Work

The second statutory fair use factor is “the nature of the copyrighted work.” 17 U.S.C. §107(2). . . . Ultimately the manifestly factual character of the eight articles precludes us from considering the articles as “within the core of the copyright's protective purposes,” *Campbell*, 114 S.Ct. at 1175; *see also Harper & Row*, 471 U.S. at 563 (“The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy.”). Thus, in agreement with the District Court, we conclude that the second factor favors Texaco.

C. Third Factor: Amount and Substantiality of Portion Used

The third statutory fair use factor is “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” 17 U.S.C. §107(3). The District Court concluded that this factor clearly favors the publishers because Texaco copied the eight articles from CATALYSIS in their entirety. [The Court of Appeals agreed.]

D. Fourth Factor: Effect Upon Potential Market or Value

The fourth statutory fair use factor is “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. §107(4). Assessing this factor, the District Court detailed the range of procedures Texaco could use to obtain authorized copies of the articles that it photocopied and found that “whatever combination of procedures Texaco used, the publishers' revenues would grow significantly.” The Court concluded that the publishers “powerfully demonstrated entitlement to prevail as to the fourth factor,” since they had shown “a substantial harm to the value of their copyrights” as the consequence of Texaco's copying. . . .

In analyzing the fourth factor, it is important (1) to bear in mind the precise copyrighted works, namely the eight journal articles, and (2) to recognize the distinctive nature and history of “the potential market for or value of” these particular works. Specifically, though there is a traditional market for, and hence a clearly defined value of, journal issues and volumes, in the form of per-issue purchases and journal subscriptions, there is neither a traditional market for, nor a clearly defined value of, individual journal articles. As a result, analysis of the fourth factor cannot proceed as

simply as would have been the case if Texaco had copied a work that carries a stated or negotiated selling price in the market.

Like most authors, writers of journal articles do not directly seek to capture the potential financial rewards that stem from their copyrights by personally marketing copies of their writings. Rather, like other creators of literary works, the author of a journal article “commonly sells his rights to publishers who offer royalties in exchange for their services in producing and marketing the author’s work.” *Harper & Row*, 471 U.S. at 547. In the distinctive realm of academic and scientific articles, however, the only form of royalty paid by a publisher is often just the reward of being published, publication being a key to professional advancement and prestige for the author, *see Weissmann*, 868 F.2d at 1324 (noting that “in an academic setting, profit is ill-measured in dollars. Instead, what is valuable is recognition because it so often influences professional advancement and academic tenure.”). The publishers in turn incur the costs and labor of producing and marketing authors’ articles, driven by the prospect of capturing the economic value stemming from the copyrights in the original works, which the authors have transferred to them. Ultimately, the monopoly privileges conferred by copyright protection and the potential financial rewards therefrom are not directly serving to motivate authors to write individual articles; rather, they serve to motivate publishers to produce journals, which provide the conventional and often exclusive means for disseminating these individual articles. It is the prospect of such dissemination that contributes to the motivation of these authors. . . .

1. Sales of Additional Journal Subscriptions, Back Issues, and Back Volumes. Since we are concerned with the claim of fair use in copying the eight individual articles from CATALYSIS, the analysis under the fourth factor must focus on the effect of Texaco’s photocopying upon the potential market for or value of these individual articles. Yet, in their respective discussions of the fourth statutory factor, the parties initially focus on the impact of Texaco’s photocopying of individual journal articles upon the market for Catalysis journals through sales of CATALYSIS subscriptions, back issues, or back volumes. . . .

On this record [], the evidence is not resounding for either side. The District Court specifically found that, in the absence of photocopying, (1) “Texaco would not ordinarily fill the need now being supplied by photocopies through the purchase of back issues or back volumes . . . [or] by enormously enlarging the number of its subscriptions,” but (2) Texaco still “would increase the number of subscriptions somewhat.” 802 F. Supp. at 19. This moderate conclusion concerning the actual effect on the marketability of journals, combined with the uncertain relationship between the market for journals and the market for and value of individual articles, leads us to conclude that the evidence concerning sales of additional journal subscriptions, back issues, and back volumes does not strongly support either side with regard to the fourth factor. *Cf. Sony*, 464 U.S. at 451–55 (rejecting various predictions of harm to value of copyrighted work based on speculation about possible consequences of secondary use). At best, the loss of a few journal subscriptions tips the fourth factor only slightly toward

the publishers because evidence of such loss is weak evidence that the copied articles themselves have lost any value.

2. *Licensing Revenues and Fees.* The District Court, however, went beyond discussing the sales of additional journal subscriptions in holding that Texaco's photocopying affected the value of the publishers' copyrights. Specifically, the Court pointed out that, if Texaco's unauthorized photocopying was not permitted as fair use, the publishers' revenues would increase significantly since Texaco would (1) obtain articles from document delivery services (which pay royalties to publishers for the right to photocopy articles), (2) negotiate photocopying licenses directly with individual publishers, and/or (3) acquire some form of photocopying license from the Copyright Clearance Center Inc. ("CCC"). See 802 F. Supp. at 19. Texaco claims that the District Court's reasoning is faulty because, in determining that the value of the publishers' copyrights was affected, the Court assumed that the publishers were entitled to demand and receive licensing royalties and fees for photocopying. Yet, continues Texaco, whether the publishers can demand a fee for permission to make photocopies is the very question that the fair use trial is supposed to answer.

It is indisputable that, as a general matter, a copyright holder is entitled to demand a royalty for licensing others to use its copyrighted work, see 17 U.S.C. §106 (copyright owner has exclusive right "to authorize" certain uses), and that the impact on potential licensing revenues is a proper subject for consideration in assessing the fourth factor, see, e.g., *Campbell*, 114 S.Ct. at 1178; *Harper & Row*, 471 U.S. at 568–69.

However, not every effect on potential licensing revenues enters the analysis under the fourth factor. Specifically, courts have recognized limits on the concept of "potential licensing revenues" by considering only traditional, reasonable, or likely to be developed markets when examining and assessing a secondary use's "effect upon the potential market for or value of the copyrighted work." See *Campbell*, 114 S.Ct. at 1178 ("The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop."); *Harper & Row*, 471 U.S. at 568 (fourth factor concerned with "use that supplants any part of the *normal* market for a copyrighted work") (emphasis added) (quoting S. REP. NO. 473, 94th Cong., 1st Sess. 65 (1975)); see also *Mathieson v. Associated Press*, 23 U.S.P.Q.2d 1685, 1690–91 (S.D.N.Y. 1992) (refusing to find fourth factor in favor of copyright holder because secondary use did not affect any aspect of the normal market for copyrighted work). . . .

Though the publishers still have not established a conventional market for the direct sale and distribution of individual articles, they have created, primarily through the CCC, a workable market for institutional users to obtain licenses for the right to produce their own copies of individual articles via photocopying. The District Court found that many major corporations now subscribe to the CCC systems for photocopying licenses. 802 F. Supp. at 25. Indeed, it appears from the pleadings, especially Texaco's counterclaim, that Texaco itself has been paying royalties to the CCC. Since the Copyright Act explicitly provides that copyright holders have the "exclusive rights" to "reproduce" and "distribute copies" of their works, see 17 U.S.C. §106(1) & (3), and

in his field by reviewing specialized scientific and technical journals, and who photocopies individual journal articles in the belief that doing so will facilitate his current or future professional research. 60 F.3d at 915. I agree with the majority that the immediate goal of the photocopying was “to facilitate Chickering’s research in the sciences, an objective that might well serve a broader public purpose.” 60 F.3d at 922–23. The photocopying was therefore integral to ongoing research by a scientist. In my view, all of the statutory factors organize themselves around this fact. The four factors listed in section 107 (and reviewed one by one in the majority opinion) are considerations that bear upon whether a particular use is fair; but those factors are informed by a preamble sentence in section 107 that recites in pertinent part that “the fair use of a copyrighted work, including such use by reproduction in copies . . . for purposes such as . . . scholarship, or research, is not an infringement of copyright.” . . .

Consider what Dr. Chickering actually does with scientific journals. As a research scientist, he routinely sifts through the latest research done by his peers, much of which is printed in journals such as *Catalysis*. He determines which articles potentially assist his specific trains of thought and lines of inquiry, and he photocopies them. Relative to the volume of articles in each issue, his photocopying is insubstantial. He then files the articles for possible future use or study. As the majority observes, “[b]efore modern photocopying, Chickering probably would have converted the original article into a more serviceable form by taking notes, whether cursory or extended; today he can do so with a photocopying machine.” 60 F.3d at 923–24. The majority[] questions whether or not a scholar’s handwritten copy of a full work is “necessarily” a fair use. As the majority adds, however, *Williams & Wilkins* says:

[I]t is almost unanimously accepted that a scholar can make a handwritten copy of an entire copyrighted article for his own use, and in the era before photoduplication it was not uncommon (and not seriously questioned) that he could have his secretary make a typed copy for his personal use and files. These customary facts of copyright-life are among our givens.

Williams & Wilkins, 487 F.2d at 1350. What Dr. Chickering does is simply a technologically assisted form of note-taking, such as has long been customary among researchers: the photocopy machine saves Dr. Chickering the toil and time of recording notes on index cards or in notebooks, and improves the accuracy and range of the data, charts, and formulas he can extract from the passing stream of information; but the note-taking purpose remains the same. . . .

In this case the only harm to a market is to the supposed market in photocopy licenses. The CCC scheme is neither traditional nor reasonable; and its development into a real market is subject to substantial impediments. There is a circularity to the problem: the market will not crystallize unless courts reject the fair use argument that Texaco presents; but, under the statutory test, we cannot declare a use to be an infringement unless (assuming other factors also weigh in favor of the secondary user) there is a market to be harmed. At present, only a fraction of journal publishers have sought to exact these fees. I would hold that this fourth factor decisively weighs in favor

of Texaco, because there is no normal market in photocopy licenses, and no real consensus among publishers that there ought to be one.

COMMENTS AND QUESTIONS

1. Texaco asserted that its use was transformative, especially in light of the *Campbell* decision, which was novel at the time. As should be obvious, this claim did not form the core its fair use argument and the court rightly gave it little attention.

2. Is the majority's reasoning in *Texaco* circular? Isn't the issue to be resolved whether or not Texaco has to pay a license fee in order to photocopy journal articles? The answer to that question depends on whether Texaco's copies constitute a "fair use." But the court hinges the fair use inquiry on whether or not the copyright owners have lost licensing revenue from Texaco. Does this make sense?

The majority suggests that the "vice of circularity" can be avoided by considering "only traditional, reasonable, or likely to be developed markets" when considering a challenged use upon a potential market. Do you agree? See James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882 (2007) (arguing that risk-aversion on the part of potential defendants will cause them to pay even for uses they had a legal right to make).

3. *From Borrowed Passages to Mechanically Reproduced Works*. Judge Newman questions whether the fair use doctrine, which initially developed to allow use of portions of copyrighted material as part of new works, should have been extended to allow copying of entire documents through the use of xerography at all. Does this perspective look too narrowly at creativity, focusing on the output and overlooking the research process? Judge Leval, the district judge in the case (who now sits on the Second Circuit), noted that the effect of requiring permissions would be that Texaco would have to buy more copies of journals it wished to circulate, or at least would have to pay more money to the CCC for permission to make photocopies. Assuming a budget constraint, Texaco will purchase a narrower range of journals, since it must buy more copies of the more widely used journals. Does this promote "the progress of science and the useful arts"? Is it a result the authors of journal articles would applaud? At the least, isn't the loss of information transfer that results from these decisions a factor to be considered in determining the issue of fair use? Alternatively, might Texaco allocate its research acquisition budget more broadly by allowing researchers to acquire articles on a pay-as-you-read/download basis? In the end, determining actual market effects can be quite difficult.

Most people today would agree that making a single photocopy of a single academic article for research purposes—whether by the NIH or by a commercial group—promotes the scholarly enterprise and falls within the fair use privilege. But at what point do such individual fair uses become a collective infringement of copyright? Would a well-functioning licensing market—such as that envisioned by the CCC and encouraged by Judge Newman—serve to promote both primary and cumulative creativity? Or would it simply add another transaction cost to scientific research?

4. *Coursepacks*. Copyright owners have brought a number of cases against “copy shops” that reproduce course readers. See e.g., *Cambridge Univ. Press v. Georgia State University*, 769 F.3d 1232 (11th Cir. 2014) (holding that use of extensive excerpts in course readers was not transformative, but that the first factor favored the non-profit user; that a fixed 10% of the original or one chapter rule is erroneous; and fair use must be done on a work-by-work basis); *Princeton Univ. Press v. Michigan Document Servs.*, 99 F.3d 1381 (6th Cir. 1996) (en banc) (holding as a matter of law that the for-profit copying of academic readers could not be a fair use); *Basic Books v. Kinko’s Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991) (holding photocopier shop liable for printing coursepacks that included excerpts from books); but cf. *Great Minds v. Office Depot, Inc.*, 945 F.3d 1106 (9th Cir. 2019) (holding that school that was licensed to make copies for nonprofit use could contract to make copies for a for-profit company).

5. *Copyright Law Driving Social Change and Market Formation*. Prior to the coursepack decisions, many university teachers and copy shops ignored copyright law. See ROBERT ELLICKSON, *ORDER WITHOUT LAW* 258–64 (1991) (documenting how informal norms among professors “trump” the formal law of copyright as regards photocopying articles for course packets). In less than a decade, the *Texaco* and coursepack decisions swung social practices 180 degrees. Most university bookstores will not distribute unauthorized course readers. As a result, the CCC has become well known and well used. Something similar may happen in other areas, such as photography, where plaintiffs are increasingly bringing and winning suits over the use of their photographs to illustrate online posts and news stories. See *McGucken v. Pub Ocean Ltd.*, 42 F.4th 1149 (9th Cir. 2022) (plaintiff was entitled to summary judgment on fair use where defendant used his photographs to illustrate an online news article without permission).

Does the existence of licensing transactions vindicate Professor Merges’s conjecture about strong property rules producing effective licensing institutions? See Robert P. Merges, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CALIF. L. REV. 1293 (1996). To the extent that licensing markets function well—i.e., producing efficient, low-cost access to scholarly works—is fair use needed? Note that had the court found fair use, it would have deflated the CCC’s sails by making private licensing of these copies unnecessary. Does this one-way ratchet suggest that courts should be cautious in finding fair use? Or has society lost something important by moving from a system under which people were free to make copies for academic research to one in which the ability to make those copies exists only at the collective sufferance of a host of copyright owners?

The rise of the Internet has offered a new model for creating coursepacks. Some professors now use links on course websites to “distribute” course readings. In many cases, these works are freely available, although licensing sometimes plays a role. Should this electronic distribution be illegal absent a license from the CCC? Does *Texaco* compel that result? The Second Circuit backed off of its licensing market holding in *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006), at least where the defendant did more than make an identical copy. Cf. Mark A.

Lemley, *Should a Licensing Market Require Licensing?*, 70 LAW & CONTEMP. PROBS. 185 (2007) (arguing that plaintiffs in such cases should be entitled to actual damages but not punitive damages or an injunction).

6. *Academic Journal Publishing.* The *Texaco* court focuses on the market effects of Texaco's practices on the publication of academic research. Yet the authors of such works—principally university professors and scientists—typically assign their copyrights in exchange for publication and do not receive royalties. Subscription (and licensing) fees go to the publisher. This practice makes sense within the traditional copyright system, since without print journals the spread of knowledge and research would suffer.

The Internet now offers an open source alternative, which is generating pressure on traditional print publishers whose prices have continued to rise, straining the budgets of their principal customers—university libraries. New online publishing markets—such as the Public Library of Science (PLOS), the California Digital Library, the Social Science Research Network (SSRN)—offer zero- or lower-cost alternatives for the distribution of academic research. Google Scholar now offers powerful search tools for identifying research online. Professors are increasingly seeking rights to post their published works in free and open online archives. Until now, most professors have preferred the higher prestige print journals, but that preference is waning as online alternatives develop reputations and speed works into circulation. Will technology ultimately solve the problems raised by *Texaco* by bringing about fundamental change in the organization of academic publishing? Does the existence of a new, low-cost means of distribution of ideas mean that there is less need for economic support of the publishing industry through copyright?

7. *Classroom Guidelines.* In 1975, the House Judiciary Subcommittee considering reform of the Copyright Act urged publishers, educators, librarians, and other interested parties to develop guidelines for reproduction of materials for educational purposes. The meetings resulted in the Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions, available at <http://www.copyright.gov/circs/circ21.pdf> (see pages 6–8). The guidelines do not provide much leeway for the types of customized coursepacks that have become common. For example, prose works are limited to “either a complete article, story or essay of less than 2,500 words” or “an excerpt from any prose work of not more than 1,000 words or 10% of the work, whichever is less, but in any event a minimum of 500 words.”

Section 108 exempts libraries from liability for copies made on their premises as long as they post a copyright warning notice as specified in 37 C.F.R. §201.14. Is there a justification for this difference in treatment between photocopier businesses and libraries?

8. *The Orphan Work Problem.* The CCC regime works reasonably well for licensing the many works available through this licensing clearinghouse. But what about works that are still under copyright for which the owners cannot be located? As universities and copy shops increasingly police the assemblage of coursepacks, it has become more

difficult, and in some cases impossible, to get permissions to copy rare or out-of-print works. The scaling back of formalities in copyright law means that copyright owners have no obligation to maintain contact information in any central repository. Should the fair use standard be lower in such circumstances? What about where a licensor refuses to license or only on exorbitant terms? *Cf.* William F. Patry & Richard A. Posner, *Fair Use and Statutory Reform in the Wake of Eldred*, 92 CAL. L. REV. 1639 (2004). The Copyright Office has initiated a project aimed at studying ways of alleviating the orphan work problem. *See* U.S. Copyright Office, REPORT ON ORPHAN WORKS: A REPORT OF THE REGISTER OF COPYRIGHTS (Jan. 2006); *see also* U.S. Copyright Office, ORPHAN WORKS AND MASS DIGITIZATION (Jun. 2015).

9. *Just the Facts.* The Second Circuit gave short shrift to the second factor, finding that the factual nature of the works copied favored Texaco but that it did not weigh heavily. Elsewhere, the Second Circuit has suggested that the factual nature of the works copied may *never* determine the outcome of a fair use case. *Fox News Network, LLC v. TVEyes, Inc.*, 883 F.3d 169 (2d Cir. 2018). By contrast, the D.C. Circuit held that the verbatim copying of industry standards that had been adopted into law by a public interest group was likely fair use in significant part because of the second factor. *American Soc’y for Testing & Materials v. Public Resource.org*, 896 F.3d 437 (D.C. Cir. 2018).

Should it matter that Dr. Chickering likely cared about the unprotectable facts in the articles he copied, not the copyrighted expression? *See* Mark A. Lemley & Bryan Casey, *Fair Learning*, 99 TEX. L. REV. (2021) (arguing that fair use should encompass “fair learning” by those who copy the expressive works only as a path to getting access to unprotectable facts).

c. Functional/Technological Fair Use

As reflected in the Sony Betamax case, the fair use doctrine plays a critical role in accommodating advances in reproduction and distribution technologies. In the congressional report accompanying the 1976 Act,

Congress recognized the important role that courts play in adapting fair use during periods of rapid technological change. H.R. REP. NO. 94-1476, at 66. The past two decades have witnessed a torrential technological advance. There have been several important pockets of fair use jurisprudence addressing technological change.

Search. Search engines scour and index the Internet so as to provide users with a ranking of the most relevant web sites for text or images. The courts have generally been receptive to these search tools even though they inevitably involve copying of copyrighted works. *See Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 (9th Cir. 2007) (holding that the use of copyrighted thumbnail images in internet search results was transformative because the thumbnail copies served a different function from the original copyrighted images); *accord Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003).

Google's storage of digital copies exposes Plaintiffs to the risk that hackers will make their books freely (or cheaply) available on the Internet, destroying the value of their copyrights; and (5) Google's distribution of digital copies to participant libraries is not a transformative use, and it subjects Plaintiffs to the risk of loss of copyright revenues through access allowed by libraries. We reject these arguments and conclude that the district court correctly sustained Google's fair use defense.

Google's making of a digital copy to provide a search function is a transformative use, which augments public knowledge by making available information about Plaintiffs' books without providing the public with a substantial substitute for matter protected by the Plaintiffs' copyright interests in the original works or derivatives of them. The same is true, at least under present conditions, of Google's provision of the snippet function. Plaintiffs' contention that Google has usurped their opportunity to access paid and unpaid licensing markets for substantially the same functions that Google provides fails, in part because the licensing markets in fact involve very different functions than those that Google provides, and in part because an author's derivative rights do not include an exclusive right to supply information (of the sort provided by Google) about her works. Google's profit motivation does not in these circumstances justify denial of fair use. Google's program does not, at this time and on the record before us, expose Plaintiffs to an unreasonable risk of loss of copyright value through incursions of hackers. Finally, Google's provision of digital copies to participating libraries, authorizing them to make non-infringing uses, is non-infringing, and the mere speculative possibility that the libraries might allow use of their copies in an infringing manner does not make Google a contributory infringer. Plaintiffs have failed to show a material issue of fact in dispute.

We affirm the judgment. . . .

COMMENTS AND QUESTIONS

1. *History of Digitization and Fair Use.* The Google Books decision follows in the wake of *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87 (2d Cir. 2014). Google collaborated with HathiTrust, a consortium of universities, to establish the HathiTrust Digital Library ("HDL"). The HDL repository provides a Boolean searchable catalog to all patrons, full access to copyrighted works to patrons with certified "print disabilities" (blindness or disabilities that prevent a person from holding a book or turning pages), and preservation of copyrighted books. The HDL stores digital copies of the works in four different locations. Drawing on Judge Leval's framework, the Second Circuit concluded that the indexing/search and print disabilities features were fair use. The court emphasized that HDL had effective security measures in place to prevent unauthorized access to the copyrighted works. The court further held that the plaintiffs lacked standing to challenge the preservation function because the plaintiffs had failed to establish a non-speculative risk that the HDL might create replacement copies of their copyrighted works.

2. *Reverse Engineering of Computer Software to Develop Interoperable Products.* Many software companies distribute their products solely in object code to discourage

imitation. Companies seeking to decipher the software so as to build interoperable projects must engage in the tedious and time-consuming process of reverse engineering the code. This typically involves making numerous copies of the object code. Several courts have held that this experimental process to decipher software logic and develop interoperable software products falls within the fair use privilege. *See e.g., Sony Computer Entertainment, Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000); *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992) (basing its conclusion that copying the entirety of a computer program for purposes of deciphering unprotected elements is fair use on the principle that “functional requirements for compatibility with the Genesis [video game console are] aspects of Sega’s programs that are not protected by copyright. 17 U.S.C. §102(b).”); Peter S. Menell, *Rise of the API Copyright Dead?: An Updated Epitaph for Copyright Protection of Network and Functional Features of Computer Software*, 31 HARVARD J. LAW & TECH. 305 (2018); Pamela Samuelson & Suzanne Scotchmer, *The Law and Economics of Reverse Engineering*, 111 YALE L.J. 1575 (2002); *LaST Frontier Conference Report on Copyright Protection of Computer Software*, 30 JURIMETRICS J. 15, 24–25 (1989) (conference consensus statement).

Reverse engineering and intermediate copying are also permissible fair uses where the purpose is to further noninfringing ends like security research into a computer program. *Apple Inc. v. Corellium, Inc.*, 2023 WL 3295671 (11th Cir. May 8, 2023).

3. *Applicability to Training of Generative AI Models?* Does the fair use logic of *Authors Guild* extend to the ingestion and processing of copyrighted works in the training of generative AI models? A recent lawsuit poses this question. Stability AI developed an AI model for generating images from text known as “Stable Diffusion” (SD). In training SD, Stability AI used hundreds of millions of images available on the internet, many of which were under copyright. The process of training involved “diffusing” the pixelation of individual images and then having the model learn to differentiate between the irrelevant content of the image (in relation to a text prompt) and the relevant content. The resulting model learns concepts like “cat” and generates new images of cats in response to user prompts.

Several of the images used in the training process were owned and/or licensed to Getty Images. In a lawsuit, Getty Images alleges that Stability AI’s use of its proprietary images amount to copyright infringement. Assuming that the process of training SD does indeed involve the copying of protected images but that the output of the model is not substantially similar to any Getty image, does Stability AI have a tenable fair use claim?

Stability AI’s newly generated (and generally noninfringing) images may compete with Getty’s images. Should this matter in the fair use analysis? What if the machine learning model were trained to produce outputs, i.e., images in the “style” of the images it is trained on? Given that “style” is an unprotectable element under §102(b), would this impact the fair use analysis? The video game reverse engineering cases suggest that it is permissible to copy a work as an intermediate step to producing an ultimate noninfringing work even if that ultimate work ends up competing with the copyright

owner. They would not, by contrast, justify output of images that were substantially similar to a particular copyrighted work.



Google LLC v. Oracle America, Inc.
Supreme Court of the United States
141 S.Ct. 1183 (2021)

JUSTICE BREYER delivered the opinion of the Court.

Oracle America, Inc., is the current owner of a copyright in Java SE [Standard Edition], a computer program that uses the popular Java computer programming language. Google, without permission, has copied a portion of that program, a portion that enables a programmer to call up prewritten software that, together with the computer's hardware, will carry out a large number of specific tasks. The lower courts have considered (1) whether Java SE's owner could copyright the portion that Google copied, and (2) if so, whether Google's copying nonetheless constituted a "fair use" of that material, thereby freeing Google from copyright liability. The Federal Circuit held in Oracle's favor (i.e., that the portion is copyrightable and Google's copying did not constitute a "fair use"). In reviewing that decision, we assume, for argument's sake, that the material was copyrightable. But we hold that the copying here at issue nonetheless constituted a fair use. Hence, Google's copying did not violate the copyright law.

[*Background:* In the 1990s, Sun Microsystems developed the Java Programming Language with the goal of establishing an interoperable programming environment. It promoted Java as "Write Once, Run Everywhere." Sun made most of its Java implementations available without charge, enabling Java to become a de facto standard. Approximately six million software developers learned the Java language, as well as many of the standardized Java Application Programming Interface (API) packages, to write applications (commonly referred to as "apps") for desktop and laptop computers, tablets, smartphones, and other devices.

In developing an open, developer-friendly, smartphone platform for Android, Google chose to use the widely known Java programming language. It also sought to use 37 of the 166 Java SE API packages to enable programmers familiar with Java to more easily develop Android apps. Google optimized the Android code along several dimensions: size, features, and ease of use for programmers.

Google initially sought to obtain a license from Sun to use the 37 API packages. The negotiations, however, reached an impasse over several issues. Sun insisted that Google use the General Public License (GPL) and ensure total compatibility with Sun's Java SE 7 platform—i.e., implement all 166 API packages. Google declined because it believed that handset makers would want a more permissive license in order to innovate new features and the Android team concluded that including all of the API packages—many of which would have no applicability to smartphones—would undermine the speed, battery usage, and storage capacity of smartphones.

As an alternative to licensing the 37 Java APIs, Google reverse engineered the implementation code in a clean room. It developed millions of lines of new code for the

Android operating system—the implementation of the 37 Java APIs and additional code to support new APIs relating to GPS, camera functions, user preferences, and other smartphone features. To enable programmers familiar with Java to work easily with the Android platform, Google copied roughly 11,500 lines from the Java SE program containing declarations—method calls necessary to achieve interoperability with the 37 Java API packages. The total set of Sun Java API computer code, including implementing code, amounted to 2.86 million lines, of which the copied 11,500 lines were only 0.4 percent.

Google wrote the implementing code for the 37 Java API packages using a clean room process. Nonetheless, due to the common programming language, coding conventions, and functional considerations, Google’s implementation code possessed similarities to the overall structure, sequence, and organization of Sun’s implementation code.

After Oracle Corporation acquired Sun Microsystems in 2010, Oracle sued Google alleging infringement of the Java APIs. On appeal from a district court decision finding for Google, the Federal Circuit reversed, holding that the “structure, sequence and organization” of an API was copyrightable and that even small amounts of literal copying was not de minimis. *Oracle Am., Inc. v. Google Inc.*, 750 F.3d 1339 (Fed. Cir. 2014). The case was remanded for a determination as to whether Google’s use of the Java APIs constituted fair use. (The jury in the first trial deadlocked on that issue.)

At the trial following remand, the jury found that Google’s use was fair, but the Federal Circuit reversed again, holding that Google’s use of Oracle’s APIs was commercial in nature, was not transformative, and adversely affected the market for Oracle’s Java platform, and hence was not fair use. *Oracle America, Inc. v. Google*, 886 F.3d 1179 (Fed. Cir. 2018).]

III

A

Copyright and patents, the Constitution says, are to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Art. I, §8, cl. 8. Copyright statutes and case law have made clear that copyright has practical objectives. It grants an author an exclusive right to produce his work (sometimes for a hundred years or more), not as a special reward, but in order to encourage the production of works that others might reproduce more cheaply. . .

We have described the “fair use” doctrine, originating in the courts, as an “equitable rule of reason” that “permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” *Stewart v. Abend*, 495 U.S. 207, 236 (1990) (internal quotation marks omitted). The statutory provision that embodies the doctrine indicates, rather than dictates, how courts should apply it. . . .

In applying this provision, we, like other courts, have understood that the provision’s list of factors is not exhaustive (note the words “include” and “including”),

is “thin.” See *Feist*, 499 U.S., at 349 (noting that “the copyright in a factual compilation is thin”); see also *Experian Information Solutions, Inc. v. Nationwide Marketing Servs. Inc.*, 893 F.3d 1176, 1186 (C.A.9 2018) (“In the context of factual compilations, . . . there can be no infringement unless the works are virtually identical” (internal quotation marks omitted)).

Generically speaking, computer programs differ from books, films, and many other “literary works” in that such programs almost always serve functional purposes. These and other differences have led at least some judges to complain that “applying copyright law to computer programs is like assembling a jigsaw puzzle whose pieces do not quite fit.” *Lotus Development Corp. v. Borland Int’l, Inc.*, 49 F.3d 807, 820 (C.A.1 1995) (Boudin, J., concurring).

These differences also led Congress to think long and hard about whether to grant computer programs copyright protection. In 1974, Congress established a National Commission on New Technological Uses of Copyrighted Works (CONTU) to look into the matter. After several years of research, CONTU concluded that the “availability of copyright protection for computer programs is desirable.” FINAL REPORT 11 (July 31, 1978). At the same time, it recognized that computer programs had unique features. Mindful of not “unduly burdening users of programs and the general public,” it wrote that copyright “should not grant anyone more economic power than is necessary to achieve the incentive to create.” *Id.*, at 12. And it believed that copyright’s existing doctrines (e.g., fair use), applied by courts on a case-by-case basis, could prevent holders from using copyright to stifle innovation. *Ibid.* (“Relatively few changes in the Copyright Act of 1976 are required to attain these objectives”). Congress then wrote computer program protection into the law.

The upshot, in our view, is that fair use can play an important role in determining the lawful scope of a computer program copyright, such as the copyright at issue here. It can help to distinguish among technologies. It can distinguish between expressive and functional features of computer code where those features are mixed. It can focus on the legitimate need to provide incentives to produce copyrighted material while examining the extent to which yet further protection creates unrelated or illegitimate harms in other markets or to the development of other products. In a word, it can carry out its basic purpose of providing a context-based check that can help to keep a copyright monopoly within its lawful bounds. See H. R. Rep. No. 94–1476, pp. 65–66 (1976) (explaining that courts are to “adapt the doctrine [of fair use] to particular situations on a case-by-case basis” and in light of “rapid technological change”); *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1521–1527 (C.A.9 1992) (holding that wholesale copying of copyrighted code as a preliminary step to develop a competing product was a fair use).

...

V

At the outset, Google argues that “fair use” is a question for a jury to decide; here the jury decided the question in Google’s favor; and we should limit our review to

determining whether “substantial evidence” justified the jury’s decision. The Federal Circuit disagreed. It thought that the “fair use” question was a mixed question of fact and law; that reviewing courts should appropriately defer to the jury’s findings of underlying facts; but that the ultimate question whether those facts showed a “fair use” is a legal question for judges to decide *de novo*.

We agree with the Federal Circuit’s answer to this question. We have said, “[f]air use is a mixed question of law and fact.” *Harper & Row*, 471 U.S., at 560. We have explained that a reviewing court should try to break such a question into its separate factual and legal parts, reviewing each according to the appropriate legal standard. But when a question can be reduced no further, we have added that “the standard of review for a mixed question all depends—on whether answering it entails primarily legal or factual work.” *U. S. Bank N. A. v. Village at Lakeridge, LLC*, 138 S.Ct. 960, 967 (2018).

In this case, the ultimate “fair use” question primarily involves legal work. “Fair use” was originally a concept fashioned by judges. Our cases still provide legal interpretations of the fair use provision. And those interpretations provide general guidance for future cases. *See, e.g., Campbell*, 510 U.S., at 592–593 (describing kinds of market harms that are not the concern of copyright); *Harper & Row*, 471 U.S., at 564 (“scope of fair use is narrower with respect to unpublished works”); *Sony*, 464 U.S., at 451 (wholesale copying aimed at creating a market substitute is presumptively unfair). This type of work is legal work. *U. S. Bank*, 138 S.Ct., at 967 (“When applying the law involves developing auxiliary legal principles for use in other cases[,] appellate courts should typically review a decision *de novo*”).

Applying a legal “fair use” conclusion may, of course, involve determination of subsidiary factual questions, such as “whether there was harm to the actual or potential markets for the copyrighted work” or “how much of the copyrighted work was copied.” . . . In this case the Federal Circuit carefully applied the fact/law principles we set forth in *U. S. Bank*, leaving factual determinations to the jury and reviewing the ultimate question, a legal question, *de novo*.

VI

We turn now to the basic legal question before us: Was Google’s copying of the Sun Java API, specifically its use of the declaring code and organizational structure for 37 packages of that API, a “fair use.” In answering this question, we shall consider the four factors set forth in the fair use statute as we find them applicable to the kind of computer programs before us. . . . For expository purposes, we begin with the second.

A. “The Nature of the Copyrighted Work”

The Sun Java API is a “user interface.” It provides a way through which users (here the programmers) can “manipulate and control” task-performing computer programs “via a series of menu commands.” The API reflects Sun’s division of possible tasks that a computer might perform into a set of actual tasks that certain kinds of computers actually will perform. . . . No one claims that the decisions about what counts as a task are themselves copyrightable—although one might argue about decisions as to how to

label and organize such tasks (e.g., the decision to name a certain task “max” or to place it in a class called “Math.” Cf. *Baker v. Selden*, 101 U.S., 99 (1880)).

[W]e can think of the technology as having three essential parts. First, the API includes “implementing code,” which actually instructs the computer on the steps to follow to carry out each task. Google wrote its own programs (implementing programs) that would perform each one of the tasks that its API calls up.

Second, the Sun Java API associates a particular command, called a “method call,” with the calling up of each task. The symbols `java.lang.`, for example, are part of the command that will call up the program (whether written by Sun or, as here, by Google) that instructs the computer to carry out the “larger number” operation. Oracle does not here argue that the use of these commands by programmers itself violates its copyrights.

Third, the Sun Java API contains computer code that will associate the writing of a method call with particular “places” in the computer that contain the needed implementing code. This is the declaring code. The declaring code both labels the particular tasks in the API and organizes those tasks, or “methods,” into “packages” and “classes.” We [refer] to this organization, by way of rough analogy, as file cabinets, drawers, and files. Oracle does claim that Google’s use of the Sun Java API’s declaring code violates its copyrights.

The declaring code at issue here resembles other copyrighted works in that it is part of a computer program. Congress has specified that computer programs are subjects of copyright. It differs, however, from many other kinds of copyrightable computer code. It is inextricably bound together with a general system, the division of computing tasks, that no one claims is a proper subject of copyright. It is inextricably bound up with the idea of organizing tasks into what we have called cabinets, drawers, and files, an idea that is also not copyrightable. It is inextricably bound up with the use of specific commands known to programmers, known here as method calls (such as `java.lang.Math.max`, etc.), that Oracle does not here contest. And it is inextricably bound up with implementing code, which is copyrightable but was not copied.

Moreover, the copied declaring code and the uncopied implementing programs call for, and reflect, different kinds of capabilities. A single implementation may walk a computer through dozens of different steps. To write implementing programs, witnesses told the jury, requires balancing such considerations as how quickly a computer can execute a task or the likely size of the computer’s memory. One witness described that creativity as “magic” practiced by an API developer when he or she worries “about things like power management” for devices that “run on a battery.” This is the very creativity that was needed to develop the Android software for use not in laptops or desktops but in the very different context of smartphones.

The declaring code (inseparable from the programmer’s method calls) embodies a different kind of creativity. Sun Java’s creators, for example, tried to find declaring code names that would prove intuitively easy to remember. They wanted to attract programmers who would learn the system, help to develop it further, and prove reluctant to use another. . . . The testimony at trial was replete with examples of witnesses drawing

this critical line between the user-centered declaratory code and the innovative implementing code.

These features mean that, as part of a user interface, the declaring code differs to some degree from the mine run of computer programs. Like other computer programs, it is functional in nature. But unlike many other programs, its use is inherently bound together with uncopyrightable ideas (general task division and organization) and new creative expression (Android's implementing code). Unlike many other programs, its value in significant part derives from the value that those who do not hold copyrights, namely, computer programmers, invest of their own time and effort to learn the API's system. And unlike many other programs, its value lies in its efforts to encourage programmers to learn and to use that system so that they will use (and continue to use) Sun-related implementing programs that Google did not copy.

Although copyrights protect many different kinds of writing, we have emphasized the need to “recogni[ze] that some works are closer to the core of [copyright] than others,” *Campbell*, 510 U.S., at 586. In our view, for the reasons just described, the declaring code is, if copyrightable at all, further than are most computer programs (such as the implementing code) from the core of copyright. That fact diminishes the fear, expressed by both the dissent and the Federal Circuit, that application of “fair use” here would seriously undermine the general copyright protection that Congress provided for computer programs. And it means that this factor, “the nature of the copyrighted work,” points in the direction of fair use.

B. “The Purpose and Character of the Use”

In the context of fair use, we have considered whether the copier's use “adds something new, with a further purpose or different character, altering” the copyrighted work “with new expression, meaning or message.” *Id.*, at 579. Commentators have put the matter more broadly, asking whether the copier's use “fulfill[s] the objective of copyright law to stimulate creativity for public illumination.” Leval 1111. In answering this question, we have used the word “transformative” to describe a copying use that adds something new and important. *Campbell*, 510 U.S., at 579. An ““artistic painting”” might, for example, fall within the scope of fair use even though it precisely replicates a copyrighted ““advertising logo to make a comment about consumerism.”” 4 Nimmer on Copyright §13.05[A][1][b] (quoting Netanel, *Making Sense of Fair Use*, 15 LEWIS & CLARK L. REV. 715, 746 (2011)). Or, as we held in *Campbell*, a parody can be transformative because it comments on the original or criticizes it, for “[p]arody needs to mimic an original to make its point.” 510 U.S., at 580–581.

Google copied portions of the Sun Java API precisely, and it did so in part for the same reason that Sun created those portions, namely, to enable programmers to call up implementing programs that would accomplish particular tasks. But since virtually any unauthorized use of a copyrighted computer program (say, for teaching or research) would do the same, to stop here would severely limit the scope of fair use in the functional context of computer programs. Rather, in determining whether a use is

“transformative,” we must go further and examine the copying’s more specifically described “purpose[s]” and “character.” 17 U.S.C. §107(1).

Here Google’s use of the Sun Java API seeks to create new products. It seeks to expand the use and usefulness of Android-based smartphones. Its new product offers programmers a highly creative and innovative tool for a smartphone environment. To the extent that Google used parts of the Sun Java API to create a new platform that could be readily used by programmers, its use was consistent with that creative “progress” that is the basic constitutional objective of copyright itself. *Cf. Feist*, 499 U.S., at 349–350 (“The primary objective of copyright is not to reward the labor of authors, but ‘[t]o promote the Progress of Science and useful Arts’” (*quoting* U. S. CONST., ART. I, §8, CL. 8)).

The jury heard that Google limited its use of the Sun Java API to tasks and specific programming demands related to Android. It copied the API (which Sun created for use in desktop and laptop computers) only insofar as needed to include tasks that would be useful in smartphone programs. And it did so only insofar as needed to allow programmers to call upon those tasks without discarding a portion of a familiar programming language and learning a new one. . . .

The record here demonstrates the numerous ways in which reimplementing an interface can further the development of computer programs. The jury heard that shared interfaces are necessary for different programs to speak to each other. (“We have to agree on the APIs so that the application I write to show a movie runs on your device”). It heard that the reimplementation of interfaces is necessary if programmers are to be able to use their acquired skills. (“If the API labels change, then either the software wouldn’t continue to work anymore or the developer . . . would have to learn a whole new language to be able to use these API labels”). It heard that the reuse of APIs is common in the industry. It heard that Sun itself had used pre-existing interfaces in creating Java. And it heard that Sun executives thought that widespread use of the Java programming language, including use on a smartphone platform, would benefit the company.

[Amici supporting Google have emphasized that: portions of Java SE that Google reimplemented may have helped preserve consistency of use within the larger Java developer community; allowing reasonable fair use of functional code enables innovation that creates new opportunities for the whole market to grow; and reimplementing interfaces fueled widespread adoption of popular programming languages.]

These and related facts convince us that the “purpose and character” of Google’s copying was transformative—to the point where this factor too weighs in favor of fair use.

There are two other considerations that are often taken up under the first factor: commerciality and good faith. The text of §107 includes various noncommercial uses, such as teaching and scholarship, as paradigmatic examples of privileged copying. There is no doubt that a finding that copying was not commercial in nature tips the

scales in favor of fair use. But the inverse is not necessarily true, as many common fair uses are indisputably commercial. For instance, the text of §107 includes examples like “news reporting,” which is often done for commercial profit. So even though Google’s use was a commercial endeavor[,] that is not dispositive of the first factor, particularly in light of the inherently transformative role that the reimplementation played in the new Android system.

As for bad faith, our decision in *Campbell* expressed some skepticism about whether bad faith has any role in a fair use analysis. 510 U.S., at 585, n. 18. We find this skepticism justifiable, as “[c]opyright is not a privilege reserved for the well-behaved.” Leval 1126. We have no occasion here to say whether good faith is as a general matter a helpful inquiry. We simply note that given the strength of the other factors pointing toward fair use and the jury finding in Google’s favor on hotly contested evidence, that factbound consideration is not determinative in this context.

C. “The Amount and Substantiality of the Portion Used”

If one considers the declaring code in isolation, the quantitative amount of what Google copied was large. Google copied the declaring code for 37 packages of the Sun Java API, totaling approximately 11,500 lines of code. Those lines of code amount to virtually all the declaring code needed to call up hundreds of different tasks. On the other hand, if one considers the entire set of software material in the Sun Java API, the quantitative amount copied was small. The total set of Sun Java API computer code, including implementing code, amounted to 2.86 million lines, of which the copied 11,500 lines were only 0.4 percent. App. 212.

The question here is whether those 11,500 lines of code should be viewed in isolation or as one part of the considerably greater whole. We have said that even a small amount of copying may fall outside of the scope of fair use where the excerpt copied consists of the “heart” of the original work’s creative expression. *Harper & Row*, 471 U.S., at 564–565. On the other hand, copying a larger amount of material can fall within the scope of fair use where the material copied captures little of the material’s creative expression or is central to a copier’s valid purpose. *See, e.g., Campbell*, 510 U.S., at 588. . . .

Several features of Google’s copying suggest that the better way to look at the numbers is to take into account the several million lines that Google did not copy. For one thing, the Sun Java API is inseparably bound to those task-implementing lines. Its purpose is to call them up. For another, Google copied those lines not because of their creativity, their beauty, or even (in a sense) because of their purpose. It copied them because programmers had already learned to work with the Sun Java API’s system, and it would have been difficult, perhaps prohibitively so, to attract programmers to build its Android smartphone system without them. Further, Google’s basic purpose was to create a different task-related system for a different computing environment (smartphones) and to create a platform—the Android platform—that would help achieve and popularize that objective. The “substantiality” factor will generally weigh in favor of fair use where, as here, the amount of copying was tethered to a valid, and

As to the likely amount of loss, the jury could have found that Android did not harm the actual or potential markets for Java SE. And it could have found that Sun itself (now Oracle) would not have been able to enter those markets successfully whether Google did, or did not, copy a part of its API. First, evidence at trial demonstrated that, regardless of Android's smartphone technology, Sun was poorly positioned to succeed in the mobile phone market. The jury heard ample evidence that Java SE's primary market was laptops and desktops. It also heard that Sun's many efforts to move into the mobile phone market had proved unsuccessful. . . . When Sun's former CEO was asked directly whether Sun's failure to build a smartphone was attributable to Google's development of Android, he answered that it was not. Given the evidence showing that Sun was beset by business challenges in developing a mobile phone product, the jury was entitled to agree with that assessment.

Second, the jury was repeatedly told that devices using Google's Android platform were different in kind from those that licensed Sun's technology. For instance, witnesses explained that the broader industry distinguished between smartphones and simpler "feature phones." As to the specific devices that used Sun-created software, the jury heard that one of these phones lacked a touchscreen, while another did not have a QWERTY keyboard. For other mobile devices, the evidence showed that simpler products, like the Kindle, used Java software, while more advanced technology, like the Kindle Fire, were built on the Android operating system. This record evidence demonstrates that, rather than just "repurposing [Sun's] code from larger computers to smaller computers," Google's Android platform was part of a distinct (and more advanced) market than Java software.

Looking to these important differences, Google's economic expert told the jury that Android was not a market substitute for Java's software. . . . Taken together, the evidence showed that Sun's mobile phone business was declining, while the market increasingly demanded a new form of smartphone technology that Sun was never able to offer.

Finally, the jury also heard evidence that Sun foresaw a benefit from the broader use of the Java programming language in a new platform like Android, as it would further expand the network of Java-trained programmers. . . .

Oracle presented evidence to the contrary. . . . [T]he jury's fair use determination means that neither Sun's effort to obtain a license nor Oracle's conflicting evidence can overcome evidence indicating that, at a minimum, it would have been difficult for Sun to enter the smartphone market, even had Google not used portions of the Sun Java API.

On the other hand, Google's copying helped Google make a vast amount of money from its Android platform. And enforcement of the Sun Java API copyright might give Oracle a significant share of these funds. It is important, however, to consider why and how Oracle might have become entitled to this money. When a new interface, like an API or a spreadsheet program, first comes on the market, it may attract new users because of its expressive qualities, such as a better visual screen or because of its superior functionality. As time passes, however, it may be valuable for a different

reason, namely, because users, including programmers, are just used to it. They have already learned how to work with it. *See Lotus Development Corp.*, 49 F.3d at 821 (Boudin, J., concurring).

The record here is filled with evidence that this factor accounts for Google's desire to use the Sun Java API. This source of Android's profitability has much to do with third parties' (say, programmers') investment in Sun Java programs. It has correspondingly less to do with Sun's investment in creating the Sun Java API. We have no reason to believe that the Copyright Act seeks to protect third parties' investment in learning how to operate a created work.

Finally, given programmers' investment in learning the Sun Java API, to allow enforcement of Oracle's copyright here would risk harm to the public. Given the costs and difficulties of producing alternative APIs with similar appeal to programmers, allowing enforcement here would make of the Sun Java API's declaring code a lock limiting the future creativity of new programs. Oracle alone would hold the key. The result could well prove highly profitable to Oracle (or other firms holding a copyright in computer interfaces). But those profits could well flow from creative improvements, new applications, and new uses developed by users who have learned to work with that interface. To that extent, the lock would interfere with, not further, copyright's basic creativity objectives. *See Sega Enterprises*, 977 F.2d at 1523–1524 (“An attempt to monopolize the market by making it impossible for others to compete runs counter to the statutory purpose of promoting creative expression”); *Lexmark Int'l*, 387 F.3d at 544 (noting that where a subsequent user copied a computer program to foster functionality, it was not exploiting the programs “commercial value *as a copyrighted work*” (emphasis in original)). After all, “copyright supplies the economic incentive to [both] create and disseminate ideas,” *Harper & Row*, 471 U.S., at 558, and the reimplementing of a user interface allows creative new computer code to more easily enter the market.

The uncertain nature of Sun's ability to compete in Android's market place, the sources of its lost revenue, and the risk of creativity-related harms to the public, when taken together, convince that this fourth factor—market effects—also weighs in favor of fair use.

* * *

The fact that computer programs are primarily functional makes it difficult to apply traditional copyright concepts in that technological world. *See Lotus Development Corp.*, 49 F.3d at 820 (Boudin, J., concurring). In doing so here, we have not changed the nature of those concepts. We do not overturn or modify our earlier cases involving fair use—cases, for example, that involve “knockoff” products, journalistic writings, and parodies. Rather, we here recognize that application of a copyright doctrine such as fair use has long proved a cooperative effort of Legislatures and courts, and that Congress, in our view, intended that it so continue. As such, we have looked to the principles set forth in the fair use statute, §107, and set forth in our earlier cases, and applied them to this different kind of copyrighted work.

We reach the conclusion that in this case, where Google reimplemented a user interface, taking only what was needed to allow users to put their accrued talents to work in a new and transformative program, Google’s copying of the Sun Java API was a fair use of that material as a matter of law. . . .

COMMENTS AND QUESTIONS

1. *A Different Kind of Transformation.* It might seem that the decision in *Warhol* casts *Google* into substantial doubt. Indeed, the *Google* Court only two years before had used Andy Warhol as an example of a clearly transformative work.

In fact, however, perhaps because the decision was only two years old, the *Warhol* majority was careful to say that it was not casting doubt on *Google* or its ilk. The Court distinguished the two sets of cases by saying that *Google*, *Author’s Guild*, and the like involved a transformative *purpose* even though they didn’t transform the underlying work itself. After *Warhol*, transforming the copyrighted work may not help a defendant much in the fair use analysis, but, ironically, using the untransformed work for a different purpose will still be considered transformative.

2. Dissenting Justices Clarence Thomas and Samuel Alito emphasize that the “majority purports to assume, without deciding, that the code is protected. But its fair-use analysis is wholly inconsistent with the substantial protection Congress gave to computer code.” The dissenters note the irony that Java’s very success proved its undoing by affording Google a fair use justification for using Java API’s. They suggest that the decision eviscerates copyright protection for computer software. Do you agree? Do they adequately consider copyright law’s limiting doctrines? other modes of intellectual property and contractual options?

3. *Copyrightability of API Declarations?* The *Lotus v. Borland* decision, excerpted in Section IV(C)(2)(i), concluded that the menu command hierarchy of a spreadsheet program—another type of API—is a method of operation and hence is uncopyrightable under §102(b). Similarly, *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992), based its conclusion that copying the entirety of a computer program for purposes of deciphering unprotected elements is fair use because “functional requirements for compatibility with the Genesis [video game console are] aspects of Sega’s programs that are not protected by copyright. 17 U.S.C. §102(b).”

Although the Supreme Court appears to sidestep the copyrightability of API declarations for purposes of focusing on the fair use question, the Court casts grave doubt on the copyrightability of Java’s declarations and emphasizes that any copyright protection is thin: “the declaring code is, *if copyrightable at all*, further than are most computer programs (such as the implementing code) from the core of copyright.” (emphasis added). The Court further notes that the declaring code “is inextricably bound together with a general system, the division of computing tasks, that no one claims is a proper subject of copyright. It is inextricably bound up with the idea of organizing tasks into what we have called cabinets, drawers, and files, an idea that is also not copyrightable.” This essentially acknowledges that declarations merge idea and expression and are methods of operation. Thus, the Court reinforced *Lotus v. Borland*

or *Sega v. Accolade*. See Peter S. Menell, *Google v Oracle and the Grateful (API) Dead: What a long strange trip it's been*, 127 S.F. DAILY J. No. 69, p. 1 (Apr. 12, 2021); Mark A. Lemley & Pamela Samuelson, *Interfaces and Interoperability After Google v. Oracle*, 100 TEX. L. REV. 1 (2021).

4. *Declarations or Declaring Code*. The Supreme Court refers to the copied material as “declaring code.” Computer programmers, however, do not generally characterize method or function calls as code. “Declarations,” the commonly used term, merely specify the function interface, i.e. what data types go in and come out: the function’s name and type signature (number of operands (objects of mathematical operations), parameter data types, and return type (data type of the value returned from a method)). Does this bear on copyrightability?

5. *A Limited Software Opinion or Fair Use Watershed*. At several points, the Court downplays the breadth of the opinion, noting that it is fact- and technology-specific. Yet it is likely that litigants and courts will mine this decision for fair use insights in the coming years. The decision elevates the role of factor 2—the nature of the copyrighted work—to prominence in technology-related cases. Its discussion of public benefits in assessing factor 4—the “effect” of the copying in the “market for or value of the copyrighted work”—will undoubtedly be referenced by defendants in many future cases. How might the Court’s approach to factor 4 affect prior cases that we have covered?

6. *Network Effects*. *Google v. Oracle* places tremendous emphasis on the network economics in assessing both transformativeness under factor 1 and public benefits under factor 4. The decision recognizes that programmers’ investment in learning a programming language and API declarations can drive social value and rejects the notion that the creator of such tools should “hold the key” to future creativity on the platform. The underlying economics are complex, but generally consistent with the Court’s analysis. See Peter S. Menell, *Economic Analysis of Network Effects and Intellectual Property*, 34 BERKELEY TECH. L.J. 219, 230-42, 245-79 (2019).

7. *Partial Interoperability?* The Federal Circuit rejected Google’s invocation of interoperability, flatly stating that interoperability was not at issue in the case because Android was not fully compatible with Java. Because Android excluded APIs that were not useful for smartphones and added substantial new features, Java programmers could write for Android, but Android phones could not run all Java features. In technical parlance, Google “forked” the standard. Should the law allow and possibly encourage this sort of partial compatibility?

Some commentators worry that allowing powerful companies to build interoperable products threatens to further entrench their market power. The majority worried about Oracle strangling innovation. The dissent viewed Google as the bully. But as the majority noted, “[c]opyright is not a privilege reserved for the well-behaved,” quoting Judge Leval. To what extent should copyright law police such risks? Can antitrust adequately play that role?

In any case, cumulative innovation and competition are critical to expressive and technological progress. The Supreme Court’s decision supports entry, innovation, and competition by all size, manner, and type of enterprises. To have enabled Oracle to dictate the use of a glossary learned by millions of programmers through copyright protection would have upended norms and practices that have long supported robust innovation and competition in the software industry. Had Android not emerged, Apple would have monopolized the smartphone industry. While network effects inevitably reduces the number of competitors, two platforms are likely better than one.

Would the world be better off if Oracle could demand complete compatibility between Java and Android?

8. *Jury Role in Fair Use Determinations.* Both the majority and the dissent agree that the fair use determination is a mixed question of fact and law. Where cases primarily involve “legal work”—such as navigating legal interpretations of the fair use provisions—then appellate courts should typically review the trial court decision *de novo*. Yet as in patent claim construction, such determinations may involve subsidiary factual questions, such as whether there was market harm, to which the factfinders’ determination is entitled to deference. Does the Court’s review of the record of the case provide a clear blueprint for the role of juries in future fair use cases?

PROBLEMS

Problem IV-54. HonorCode.biz has developed and operates an online plagiarism detection service designed to detect plagiarism by high school and college students. Its software scours the web to identify academic articles, term papers, and other materials on topics commonly assigned in high school and college classes. It downloads those materials into a proprietary database. HonorCode.biz offers its service in various packages to high schools, colleges, publishers, film production studios, and others interested in determining the authenticity of written materials.

TermPaper.com sells term papers written by its team of college graduates. It offers a broad range of papers on commonly assigned topics—from Shakespeare to history.

TermPaper.com discovered that some of its term papers have been used to detect plagiarism by HonorCode.biz. HonorCode requires its customers to upload papers submitted for evaluation into HonorCode’s database. Apparently, some of TermPaper.com’s customers have submitted papers to schools utilizing HonorCode’s plagiarism detection service. As a result, papers “purchased” from TermPaper’s archive are now used by HonorCode’s plagiarism detection service.

TermPaper.com sues HonorCode.biz for copyright infringement. Will they win? Should they?

Problem IV-55. TVEyes operates a media-monitoring service enables its subscribers to track when keywords on television or radio. Using speech-to-text recognition technology, TVEyes records the entire content of hundreds of television and radio outlets, including Fox News, and creates a searchable database of that content.

This is how the Daily Show identifies clips from other news outlets for its programming. Many other businesses also subscribe, including Bloomberg, Goldman Sachs, and the Association of Trial Lawyers. The service is also used by the White House, over 100 members of Congress, and police departments.

TVEyes' subscribers gain access to a customized Watch List Page, which monitors all of the subscriber's desired keywords and terms. Subscribers can set up email alerts for specific keywords or terms. TVEyes' responses provide a thumbnail image of the show, a snippet of transcript, and a short video clip beginning 14 seconds before the keyword was used. The TVEyes User Agreement limits use of downloaded clips to internal purposes. When TVEyes users ask how to obtain rights to publicly post or disseminate clips, TVEyes refers the inquirer to the broadcaster.

TVEyes is a for-profit company with annual revenues of \$10 million. Subscribers pay a monthly fee of \$500. TVEyes advertises in its marketing materials that its users can "watch live TV, 24/7;" "monitor Breaking News;" and "download unlimited clips" of television programming in high definition. It also highlights that subscribers can play unlimited clips from television broadcasts, "email unlimited clips to unlimited recipients," "post an unlimited number of clips" to social media, and enjoy "unlimited storage [of clips] on TVEyes servers." TVEyes also advertises that subscribers can edit unlimited radio and television clips and download edited clips to their hard drive or to a compact disk. The TVEyes User Manual states that its Media Snapshot feature "allows you to watch live-streams of everything we are recording. This is great for Crisis Communications, monitoring Breaking News, as well as for Press Conferences."

Fox News is an international television news organization. It makes about 16% of its television broadcast content available online, and is concerned that a broader dissemination would weaken its viewer-base or create a substitute for viewing Fox News on television cable and satellite. Fox News provides clips of segments of its programs within an hour of airing. Visitors to Fox News' websites are shown a pre-reel advertisement, before watching news clips. Visitors to Fox News' websites can also copy and paste URLs of specific clips to share on social media platforms. Fox News also allows website visitors to search the video clip content on its website, and provide keywords for that purpose. Fox News restricts the use of the video clips provided on the websites, requiring that they are to be used for "personal use only and [the content] may not be used for commercial purposes." Visitors to Fox News' websites are not permitted to download any of the video clips. Fox News licenses third party websites, including Yahoo!, Hulu, and YouTube, to store and show video clips of segments of its program on their websites, thereby generating another stream of income by the license fees Fox News charges. Fox News also distributes video clips through its exclusive clip-licensing agent, ITN Source. Overall, Fox News has made approximately \$2 million in licensing fees through ITN Source.

Fox News has sued TVEyes, alleging direct and indirect copyright infringement. TVEyes claims that its service makes fair use of Fox News content. How would you analyze the following TVEyes features:



Viacom Int'l, Inc. v. YouTube
United States Court of Appeals for the Second Circuit
676 F.3d 19 (2d Cir. 2012)

CABRANES, CIRCUIT JUDGE.

. . . The plaintiffs alleged direct and secondary copyright infringement based on the public performance, display, and reproduction of approximately 79,000 audiovisual “clips” that appeared on the YouTube website between 2005 and 2008. They demanded, inter alia, statutory damages pursuant to 17 U.S.C. §504(c) or, in the alternative, actual damages from the alleged infringement, as well as declaratory and injunctive relief.

In a June 23, 2010 Opinion and Order (the “June 23 Opinion”), the District Court held that the defendants were entitled to DMCA safe harbor protection primarily because they had insufficient notice of the particular infringements in suit. In construing the statutory safe harbor, the District Court concluded that the “actual knowledge” or “aware[ness] of facts or circumstances” that would disqualify an online service provider from safe harbor protection under §512(c)(1)(A) refer to “knowledge of specific and identifiable infringements.” The District Court further held that item-specific knowledge of infringing activity is required for a service provider to have the “right and ability to control” infringing activity under §512(c)(1)(B). Finally, the District Court held that the replication, transmittal, and display of videos on YouTube constituted activity “by reason of the storage at the direction of a user” within the meaning of §512(c)(1).

These related cases present a series of significant questions of statutory construction. We conclude that the District Court correctly held that the §512(c) safe harbor requires knowledge or awareness of specific infringing activity, but we vacate the order granting summary judgment because a reasonable jury could find that YouTube had actual knowledge or awareness of specific infringing activity on its website. We further hold that the District Court erred by interpreting the “right and ability to control” provision to require “item-specific” knowledge. . . .

BACKGROUND

A. The DMCA Safe Harbors

“The DMCA was enacted in 1998 to implement the World Intellectual Property Organization Copyright Treaty.” Title II of the DMCA, separately titled the “Online Copyright Infringement Liability Limitation Act” (OCILLA), was designed to “clarif[y] the liability faced by service providers who transmit potentially infringing material over their networks.” S. REP. NO. 105–190 at 2 (1998). But “[r]ather than embarking upon a wholesale clarification” of various copyright doctrines, Congress elected “to leave current law in its evolving state and, instead, to create a series of ‘safe harbors[]’ for certain common activities of service providers.” *Id.* at 19. To that end, OCILLA established a series of four “safe harbors” that allow qualifying service providers to limit their liability for claims of copyright infringement based on (a) “transitory digital network communications,” (b) “system caching,” (c) “information residing on systems

or networks at [the] direction of users,” and (d) “information location tools.” 17 U.S.C. §§512(a)–(d).

To qualify for protection under any of the safe harbors, a party must meet a set of threshold criteria. First, the party must in fact be a “service provider,” defined, in pertinent part, as “a provider of online services or network access, or the operator of facilities therefor.” 17 U.S.C. §512(k)(1)(B). A party that qualifies as a service provider must also satisfy certain “conditions of eligibility,” including the adoption and reasonable implementation of a “repeat infringer” policy that “provides for the termination in appropriate circumstances of subscribers and account holders of the service provider’s system or network.” *Id.* §512(i)(1)(A). In addition, a qualifying service provider must accommodate “standard technical measures” that are “used by copyright owners to identify or protect copyrighted works.” *Id.* §§512(i)(1)(B), (i)(2).

Beyond the threshold criteria, a service provider must satisfy the requirements of a particular safe harbor. In this case, the safe harbor at issue is §512(c), which covers infringement claims that arise “by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.” *Id.* §512(c)(1). The §512(c) safe harbor will apply only if the service provider:

- (A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
 - (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
 - (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
- (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
- (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

Id. §§512(c)(1)(A)–(C). Section 512(c) also sets forth a detailed notification scheme that requires service providers to “designate[] an agent to receive notifications of claimed infringement,” *Id.* §512(c)(2), and specifies the components of a proper notification, commonly known as a “takedown notice,” to that agent, *see id.* §512(c)(3). Thus, actual knowledge of infringing material, awareness of facts or circumstances that make infringing activity apparent, or receipt of a takedown notice will each trigger an obligation to expeditiously remove the infringing material.

With the statutory context in mind, we now turn to the facts of this case.

B. Factual Background

YouTube was founded in February 2005 by Chad Hurley (“Hurley”), Steve Chen (“Chen”), and Jawed Karim (“Karim”), three former employees of the internet company

Paypal. When YouTube announced the “official launch” of the website in December 2005, a press release described YouTube as a “consumer media company” that “allows people to watch, upload, and share personal video clips at www.YouTube.com.” Under the slogan “Broadcast yourself,” YouTube achieved rapid prominence and profitability, eclipsing competitors such as Google Video and Yahoo Video by wide margins. In November 2006, Google acquired YouTube in a stock-for-stock transaction valued at \$1.65 billion. By March 2010, at the time of summary judgment briefing in this litigation, site traffic on YouTube had soared to more than 1 billion daily video views, with more than 24 hours of new video uploaded to the site every minute.

The basic function of the YouTube website permits users to “upload” and view video clips free of charge. Before uploading a video to YouTube, a user must register and create an account with the website. The registration process requires the user to accept YouTube's Terms of Use agreement, which provides, *inter alia*, that the user “will not submit material that is copyrighted . . . unless [he is] the owner of such rights or ha[s] permission from their rightful owner to post the material and to grant YouTube all of the license rights granted herein.” When the registration process is complete, the user can sign in to his account, select a video to upload from the user's personal computer, mobile phone, or other device, and instruct the YouTube system to upload the video by clicking on a virtual upload “button.”

Uploading a video to the YouTube website triggers a series of automated software functions. During the upload process, YouTube makes one or more exact copies of the video in its original file format. YouTube also makes one or more additional copies of the video in “Flash” format, a process known as “transcoding.” The transcoding process ensures that YouTube videos are available for viewing by most users at their request. The YouTube system allows users to gain access to video content by “streaming” the video to the user's computer in response to a playback request. YouTube uses a computer algorithm to identify clips that are “related” to a video the user watches and display links to the “related” clips. . . .

DISCUSSION

...

A. Actual and “Red Flag” Knowledge: §512(c)(1)(A)

The first and most important question on appeal is whether the DMCA safe harbor at issue requires “actual knowledge” or “aware[ness]” of facts or circumstances indicating “specific and identifiable infringements,” *Viacom*, 718 F. Supp. 2d at 523. We consider first the scope of the statutory provision and then its application to the record in this case.

1. The Specificity Requirement

“As in all statutory construction cases, we begin with the language of the statute,” *Barnhart v. Sigmon Coal Co.*, 534 U.S. 438, 450 (2002). . . . As previously noted, the District Court held that the statutory phrases “actual knowledge that the material . . . is

infringing” and “facts or circumstances from which infringing activity is apparent” refer to “knowledge of specific and identifiable infringements.” *Viacom*, 718 F. Supp. 2d at 523. For the reasons that follow, we substantially affirm that holding.

Although the parties marshal a battery of other arguments on appeal, it is the text of the statute that compels our conclusion. In particular, we are persuaded that the basic operation of §512(c) requires knowledge or awareness of specific infringing activity. Under §512(c)(1)(A), knowledge or awareness alone does not disqualify the service provider; rather, the provider that gains knowledge or awareness of infringing activity retains safe-harbor protection if it “acts expeditiously to remove, or disable access to, the material.” 17 U.S.C. §512(c)(1)(A)(iii). Thus, the nature of the removal obligation itself contemplates knowledge or awareness of specific infringing material, because expeditious removal is possible only if the service provider knows with particularity which items to remove. Indeed, to require expeditious removal in the absence of specific knowledge or awareness would be to mandate an amorphous obligation to “take commercially reasonable steps” in response to a generalized awareness of infringement. *Viacom Br. 33*. Such a view cannot be reconciled with the language of the statute, which requires “expeditious[]” action to remove or disable “*the material*” at issue. 17 U.S.C. §512(c)(1)(A)(iii) (emphasis added).

On appeal, the plaintiffs dispute this conclusion by drawing our attention to §512(c)(1)(A)(ii), the so-called “red flag” knowledge provision. *See id.* §512(c)(1)(A)(ii) (limiting liability where, “in the absence of such actual knowledge, [the service provider] is not aware of facts or circumstances from which infringing activity is apparent”). In their view, the use of the phrase “facts or circumstances” demonstrates that Congress did not intend to limit the red flag provision to a particular type of knowledge. The plaintiffs contend that requiring awareness of specific infringements in order to establish “aware[ness] of facts or circumstances from which infringing activity is apparent,” 17 U.S.C. §512(c)(1)(A)(ii), renders the red flag provision superfluous, because that provision would be satisfied only when the “actual knowledge” provision is also satisfied. For that reason, the plaintiffs urge the Court to hold that the red flag provision “requires less specificity” than the actual knowledge provision.

This argument misconstrues the relationship between “actual” knowledge and “red flag” knowledge. It is true that “we are required to ‘disfavor interpretations of statutes that render language superfluous.’” *Conn. ex rel. Blumenthal v. U.S. Dep’t of the Interior*, 228 F.3d 82, 88 (2d Cir. 2000) (quoting *Conn. Nat’l Bank v. Germain*, 503 U.S. 249, 253 (1992)). But contrary to the plaintiffs’ assertions, construing §512(c)(1)(A) to require actual knowledge or awareness of specific instances of infringement does not render the red flag provision superfluous. The phrase “actual knowledge,” which appears in §512(c)(1)(A)(i), is frequently used to denote subjective belief. *See, e.g., United States v. Quinones*, 635 F.3d 590, 602 (2d Cir. 2011) (“[T]he belief held by the defendant need not be reasonable in order for it to defeat . . . actual knowledge.”). By contrast, courts often invoke the language of “facts or circumstances,” which appears in §512(c)(1)(A)(ii), in discussing an objective reasonableness standard. *See, e.g.,*

Maxwell v. City of New York, 380 F.3d 106, 108 (2d Cir. 2004) (“Police officers’ application of force is excessive . . . if it is objectively unreasonable in light of the facts and circumstances confronting them, without regard to their underlying intent or motivation.” (internal quotation marks omitted)).

The difference between actual and red flag knowledge is thus not between specific and generalized knowledge, but instead between a subjective and an objective standard. In other words, the actual knowledge provision turns on whether the provider actually or “subjectively” knew of specific infringement, while the red flag provision turns on whether the provider was subjectively aware of facts that would have made the specific infringement “objectively” obvious to a reasonable person. The red flag provision, because it incorporates an objective standard, is not swallowed up by the actual knowledge provision under our construction of the §512(c) safe harbor. Both provisions do independent work, and both apply only to specific instances of infringement.

The limited body of case law interpreting the knowledge provisions of the §512(c) safe harbor comports with our view of the specificity requirement. Most recently, a panel of the Ninth Circuit addressed the scope of §512(c) in *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022 (9th Cir. 2011), a copyright infringement case against Veoh Networks, a video-hosting service similar to YouTube. As in this case, various music publishers brought suit against the service provider, claiming direct and secondary copyright infringement based on the presence of unauthorized content on the website, and the website operator sought refuge in the §512(c) safe harbor. The Court of Appeals affirmed the district court’s determination on summary judgment that the website operator was entitled to safe harbor protection. With respect to the actual knowledge provision, the panel declined to “adopt[] a broad conception of the knowledge requirement,” *id.* at 1038, holding instead that the safe harbor “[r]equir[es] specific knowledge of particular infringing activity,” *id.* at 1037. The Court of Appeals “reach[ed] the same conclusion” with respect to the red flag provision, noting that “[w]e do not place the burden of determining whether [materials] are actually illegal on a service provider.” *Id.* at 1038 (alterations in original) (quoting *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1114 (9th Cir. 2007)).

Although *Shelter Capital* contains the most explicit discussion of the §512(c) knowledge provisions, other cases are generally in accord. *See, e.g., Capitol Records, Inc. v. MP3tunes, LLC*, 821 F. Supp. 2d 627, 635 (S.D.N.Y. 2011) (“Undoubtedly, MP3tunes is aware that some level of infringement occurs. But, there is no genuine dispute that MP3tunes did not have specific ‘red flag’ knowledge with respect to any particular link. . . .”); *UMG Recordings, Inc. v. Veoh Networks, Inc.*, 665 F. Supp. 2d 1099, 1108 (C.D.Cal.2009) (“UMG II”) (“[I]f investigation of ‘facts and circumstances’ is required to identify material as infringing, then those facts and circumstances are not ‘red flags.’”). While we decline to adopt the reasoning of those decisions in toto, we note that no court has embraced the contrary proposition—urged by the plaintiffs—that the red flag provision “requires less specificity” than the actual knowledge provision.

Based on the text of §512(c)(1)(A), as well as the limited case law on point, we affirm the District Court’s holding that actual knowledge or awareness of facts or

circumstances that indicate specific and identifiable instances of infringement will disqualify a service provider from the safe harbor.

2. The Grant of Summary Judgment

The corollary question on appeal is whether, under the foregoing construction of §512(c)(1)(A), the District Court erred in granting summary judgment to YouTube on the record presented. For the reasons that follow, we hold that although the District Court correctly interpreted §512(c)(1)(A), summary judgment for the defendants was premature.

i. Specific Knowledge or Awareness

The plaintiffs argue that, even under the District Court's construction of the safe harbor, the record raises material issues of fact regarding YouTube's actual knowledge or “red flag” awareness of specific instances of infringement. To that end, the plaintiffs draw our attention to various estimates regarding the percentage of infringing content on the YouTube website. For example, Viacom cites evidence that YouTube employees conducted website surveys and estimated that 75–80% of all YouTube streams contained copyrighted material. The class plaintiffs similarly claim that Credit Suisse, acting as financial advisor to Google, estimated that more than 60% of YouTube's content was “premium” copyrighted content—and that only 10% of the premium content was authorized. These approximations suggest that the defendants were conscious that significant quantities of material on the YouTube website were infringing. *See Viacom Int'l*, 718 F. Supp. 2d at 518 (“[A] jury could find that the defendants not only were generally aware of, but welcomed, copyright-infringing material being placed on their website.”). But such estimates are insufficient, standing alone, to create a triable issue of fact as to whether YouTube actually knew, or was aware of facts or circumstances that would indicate, the existence of particular instances of infringement.

Beyond the survey results, the plaintiffs rely upon internal YouTube communications that do refer to particular clips or groups of clips. The class plaintiffs argue that YouTube was aware of specific infringing material because, *inter alia*, YouTube attempted to search for specific Premier League videos on the site in order to gauge their “value based on video usage.” In particular, the class plaintiffs cite a February 7, 2007 e-mail from Patrick Walker, director of video partnerships for Google and YouTube, requesting that his colleagues calculate the number of daily searches for the terms “soccer,” “football,” and “Premier League” in preparation for a bid on the global rights to Premier League content. On another occasion, Walker requested that any “clearly infringing, official broadcast footage” from a list of top Premier League clubs—including Liverpool Football Club, Chelsea Football Club, Manchester United Football Club, and Arsenal Football Club—be taken down in advance of a meeting with the heads of “several major sports teams and leagues.” YouTube ultimately decided not to make a bid for the Premier League rights—but the infringing content allegedly remained on the website.

especially in the absence of any detailed examination of the extensive record on summary judgment, was premature. . . .

ii. “Willful Blindness”

The plaintiffs further argue that the District Court erred in granting summary judgment to the defendants despite evidence that YouTube was “willfully blind” to specific infringing activity. On this issue of first impression, we consider the application of the common law willful blindness doctrine in the DMCA context.

“The principle that willful blindness is tantamount to knowledge is hardly novel.” *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 110 n. 16 (2d Cir. 2010) (collecting cases); see *In re Aimster Copyright Litig.*, 334 F.3d 643, 650 (7th Cir. 2003) (“Willful blindness is knowledge, in copyright law . . . as it is in the law generally.”). A person is “willfully blind” or engages in “conscious avoidance” amounting to knowledge where the person “was aware of a high probability of the fact in dispute and consciously avoided confirming that fact.” *United States v. Aina-Marshall*, 336 F.3d 167, 170 (2d Cir. 2003) (quoting *United States v. Rodriguez*, 983 F.2d 455, 458 (2d Cir. 1993)); cf. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2070–71 (2011) (applying the willful blindness doctrine in a patent infringement case). Writing in the trademark infringement context, we have held that “[a] service provider is not . . . permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.” *Tiffany*, 600 F.3d at 109.

The DMCA does not mention willful blindness. As a general matter, we interpret a statute to abrogate a common law principle only if the statute “speak[s] directly to the question addressed by the common law.” *Matar v. Dichter*, 563 F.3d 9, 14 (2d Cir. 2009) (internal quotation marks omitted). The relevant question, therefore, is whether the DMCA “speak[s] directly” to the principle of willful blindness. *Id.* (internal quotation marks omitted). The DMCA provision most relevant to the abrogation inquiry is §512(m), which provides that safe harbor protection shall not be conditioned on “a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i).” 17 U.S.C. §512(m)(1). Section 512(m) is explicit: DMCA safe harbor protection cannot be conditioned on affirmative monitoring by a service provider. For that reason, §512(m) is incompatible with a broad common law duty to monitor or otherwise seek out infringing activity based on general awareness that infringement may be occurring. That fact does not, however, dispose of the abrogation inquiry; as previously noted, willful blindness cannot be defined as an affirmative duty to monitor. See *Aina-Marshall*, 336 F.3d at 170 (holding that a person is “willfully blind” where he “was aware of a high probability of the fact in dispute and consciously avoided confirming that fact”). Because the statute does not “speak[] directly” to the willful blindness doctrine, §512(m) limits—but does not abrogate—the doctrine. Accordingly, we hold that the willful blindness doctrine may be applied, in

appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under the DMCA.

The District Court cited §512(m) for the proposition that safe harbor protection does not require affirmative monitoring, *Viacom*, 718 F. Supp. 2d at 524, but did not expressly address the principle of willful blindness or its relationship to the DMCA safe harbors. As a result, whether the defendants made a “deliberate effort to avoid guilty knowledge,” *In re Aimster*, 334 F.3d at 650, remains a fact question for the District Court to consider in the first instance on remand.

B. Control and Benefit: §512(c)(1)(B)

Apart from the foregoing knowledge provisions, the §512(c) safe harbor provides that an eligible service provider must “not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity.” 17 U.S.C. §512(c)(1)(B). The District Court addressed this issue in a single paragraph, quoting from §512(c)(1)(B), the so-called “control and benefit” provision, and concluding that “[t]he ‘right and ability to control’ the activity requires knowledge of it, which must be item-specific.” *Viacom*, 718 F. Supp. 2d at 527. For the reasons that follow, we hold that the District Court erred by importing a specific knowledge requirement into the control and benefit provision, and we therefore remand for further fact-finding on the issue of control.

1. “Right and Ability to Control” Infringing Activity

On appeal, the parties advocate two competing constructions of the “right and ability to control” infringing activity. 17 U.S.C. §512(c)(1)(B). Because each is fatally flawed, we reject both proposed constructions in favor of a fact-based inquiry to be conducted in the first instance by the District Court.

The first construction, pressed by the defendants, is the one adopted by the District Court, which held that “the provider must know of the particular case before he can control it.” *Viacom*, 718 F. Supp. 2d at 527. The Ninth Circuit recently agreed, holding that “until [the service provider] becomes aware of specific unauthorized material, it cannot exercise its ‘power or authority’ over the specific infringing item. In practical terms, it does not have the kind of ability to control infringing activity the statute contemplates.” *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022, 1041 (9th Cir. 2011). The trouble with this construction is that importing a specific knowledge requirement into §512(c)(1)(B) renders the control provision duplicative of §512(c)(1)(A). Any service provider that has item-specific knowledge of infringing activity and thereby obtains financial benefit would already be excluded from the safe harbor under §512(c)(1)(A) for having specific knowledge of infringing material and failing to effect expeditious removal. No additional service provider would be excluded by §512(c)(1)(B) that was not already excluded by §512(c)(1)(A). Because statutory interpretations that render language superfluous are disfavored, *Conn. ex rel. Blumenthal*, 228 F.3d at 88, we reject the District Court's interpretation of the control provision.

The second construction, urged by the plaintiffs, is that the control provision codifies the common law doctrine of vicarious copyright liability. The common law imposes liability for vicarious copyright infringement “[w]hen the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright mono[poly] is being impaired.” *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 407 (2d Cir. 1963); cf. *Metro–Goldwyn–Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 n. 9 (2005). To support their codification argument, the plaintiffs rely on a House Report relating to a preliminary version of the DMCA: “The ‘right and ability to control’ language . . . codifies the second element of vicarious liability. . . . Subparagraph (B) is intended to preserve existing case law that examines all relevant aspects of the relationship between the primary and secondary infringer.” H.R. REP. NO. 105–551(I), at 26 (1998). In response, YouTube notes that the codification reference was omitted from the committee reports describing the final legislation, and that Congress ultimately abandoned any attempt to “embark[] upon a wholesale clarification” of vicarious liability, electing instead “to create a series of ‘safe harbors’ for certain common activities of service providers.” S. REP. NO. 105–190, at 19.

Happily, the future of digital copyright law does not turn on the confused legislative history of the control provision. The general rule with respect to common law codification is that when “Congress uses terms that have accumulated settled meaning under the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of those terms.” *Neder v. United States*, 527 U.S. 1, 21 (1999) (ellipsis and internal quotation marks omitted). Under the common law vicarious liability standard, “[t]he ability to block infringers’ access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise.” *Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124, 157 (S.D.N.Y.2009) (alteration in original) (quoting *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir. 2001)). To adopt that principle in the DMCA context, however, would render the statute internally inconsistent. Section 512(c) actually presumes that service providers have the ability to “block . . . access” to infringing material. *Id.* at 157; see *Shelter Capital*, 667 F.3d at 1042–43. Indeed, a service provider who has knowledge or awareness of infringing material or who receives a takedown notice from a copyright holder is required to “remove, or disable access to, the material” in order to claim the benefit of the safe harbor. 17 U.S.C. §§512(c)(1)(A)(iii) & (C). But in taking such action, the service provider would—in the plaintiffs’ analysis—be admitting the “right and ability to control” the infringing material. Thus, the prerequisite to safe harbor protection under §§512(c)(1)(A)(iii) & (C) would at the same time be a disqualifier under §512(c)(1)(B).

Moreover, if Congress had intended §512(c)(1)(B) to be coextensive with vicarious liability, “the statute could have accomplished that result in a more direct manner.” *Shelter Capital*, 667 F.3d at 1045.

It is conceivable that Congress . . . intended that [service providers] which receive a financial benefit directly attributable to the infringing activity would

not, under any circumstances, be able to qualify for the subsection (c) safe harbor. But if that was indeed their intention, it would have been far simpler and much more straightforward to simply say as much.

Id. (alteration in original) (quoting *Ellison v. Robertson*, 189 F. Supp. 2d 1051, 1061 (C.D. Cal. 2002), *aff'd in part and rev'd in part on different grounds*, 357 F.3d 1072 (9th Cir. 2004)).

In any event, the foregoing tension—elsewhere described as a “predicament” and a “catch22”—is sufficient to establish that the control provision “dictates” a departure from the common law vicarious liability standard, *Neder*, 527 U.S. at 21. Accordingly, we conclude that the “right and ability to control” infringing activity under §512(c)(1)(B) “requires something more than the ability to remove or block access to materials posted on a service provider's website.” *MP3tunes, LLC*, 2011 WL 5104616, at *14; *accord Wolk v. Kodak Imaging Network, Inc.*, 821 F. Supp. 2d at 645. The remaining—and more difficult—question is how to define the “something more” that is required.

To date, only one court has found that a service provider had the right and ability to control infringing activity under §512(c)(1)(B). In *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002), the court found control where the service provider instituted a monitoring program by which user websites received “detailed instructions regard[ing] issues of layout, appearance, and content.” *Id.* at 1173. The service provider also forbade certain types of content and refused access to users who failed to comply with its instructions. *Id.* Similarly, inducement of copyright infringement under *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), which “premises liability on purposeful, culpable expression and conduct,” *Id.* at 937, might also rise to the level of control under §512(c)(1)(B). Both of these examples involve a service provider exerting substantial influence on the activities of users, without necessarily—or even frequently—acquiring knowledge of specific infringing activity.

In light of our holding that §512(c)(1)(B) does not include a specific knowledge requirement, we think it prudent to remand to the District Court to consider in the first instance whether the plaintiffs have adduced sufficient evidence to allow a reasonable jury to conclude that YouTube had the right and ability to control the infringing activity and received a financial benefit directly attributable to that activity.

C. “By Reason of” Storage: §512(c)(1)

The §512(c) safe harbor is only available when the infringement occurs “by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.” 17 U.S.C. §512(c)(1). In this case, the District Court held that YouTube's software functions fell within the safe harbor for infringements that occur “by reason of” user storage, noting that a contrary holding would “confine[] the word ‘storage’ too narrowly to meet the statute’s purpose.” *Viacom*, 718 F. Supp. 2d at 526. For the reasons that follow, we affirm that holding with respect to three of the challenged software functions—the conversion (or “transcoding”)

generalized encouragement of infringement that would strip Vimeo of §512(m)'s "no duty to monitor" limitation.

4. "*At the Direction of the User.*" Some social media platforms invite users to develop their own channels or thematic communities. Do unpaid "moderators" bring such websites outside of the §512(c) safe harbor? How should courts determine whether web-postings are "at the direction of the user" as opposed to the OSP? *See Mavrix Photographs, LLC v. LiveJournal, Inc.*, 853 F.3d 1020 (9th Cir. 2017) (applying common law agency principles to assess whether unpaid website moderators who ran thematic communities and made discretionary judgments about what to post were agents of the LiveJournal platform); *cf. Ventura Content, Ltd. v. Motherless, Inc.*, 885 F.3d 597 (9th Cir. 2018) (holding that review of uploaded material uploaded solely for compliance with legal requirements (and without any discretionary judgment) does not bar access to the §512(c) safe harbor on the ground that the material is not posted at the direction of users).

5. *Reconciling Vicarious Liability with §512(c)(1)(B).* The court concludes that the "right and ability to control" infringing activity under §512(c)(1)(B) must "require[] something more than the ability to remove or block access to materials posted on a service provider's website." Otherwise it would be coextensive with common law vicarious liability, making its inclusion in the statute superfluous. But what is the something more?

6. *Volition Requirement: Does §512 Codify or Supplant Netcom?* Although an early draft of the DMCA safe harbor provisions incorporated "*Netcom's* protections," *see CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 554 n.* (4th Cir. 2004) (citing legislative history), the §512 provisions ultimately enacted differentiate among four distinct protected activities, each with their own eligibility requirements. *See* NIMMER ON COPYRIGHT §12B.06[B]. The statute expressly contemplates volition in the transmission (§512(a)) and caching (§512(b)) activities, but does not discuss volition as it applies to the storage (§512(c)) and linking (§512(d)) safe harbors. Thus, the continuing applicability of *Netcom's* volitional requirement as a shield to OSP liability for storing infringing material and linking to infringing material is open to question. *See* Robert C. Denicola, *Volition and Copyright Infringement*, 37 CARDOZO L. REV. 1259, 1270–84 (2016). But courts have treated volition as an element of copyright infringement, which must be shown for liability whether or not the safe harbor applies. *See, e.g., Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657 (9th Cir. 2017). Under this logic, a company not engaged in volitional acts is not infringing copyright and does not need a safe harbor.

The issue had direct bearing on *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008), where motion picture copyright owners alleged that Cablevision, a cable television provider, directly infringed their works by storing copies on a server-based (remote storage) digital video recorder system (RS-DVR). Cablevision offered customers the option of recording television programs for later viewing in its cloud-based storage system. It defended the infringement action on the ground that the system was automated and hence the content owners could not establish

volition on Cablevision's part.³⁸ The Second Circuit agreed: "We do not believe that an RS-DVR customer is sufficiently distinguishable from a VCR user to impose liability as a direct infringer on a different party for copies that are made automatically upon that customer's command . . . [V]olitional conduct is an important element of direct liability." 536 F.3d at 131.

More recently, the operator of a photograph-sharing website (Polyvore.com) asserted that it could not be held liable for direct copyright infringement of celebrity photographs posted by users on the ground that it did not act "volitionally": the images appear on "Polyvore's website 'without any interaction by Polyvore's employees' and that '[a]ny subsequent indexing, storage or display . . . is the result of an automated process that stems from the user's initial upload.'" The district court granted Polyvore's motion for summary judgment based on lack of volition under *Cartoon Network*. On appeal, the Second Circuit vacated the district court's decision on the ground there remained dispute whether Polyvore created multiple copies of the plaintiff's photographs that were not requested by Polyvore users. See *BWP Media USA Inc. v. Polyvore, Inc.*, 922 F.3d 42, 44 (2d Cir. 2019). The panel grappled with but ultimately sidestepped whether volition is a separate requirement for direct copyright infringement or an aspect of a causation inquiry. Each panel member filed a concurring opinion discussing the volition issue.

Judge Jon O. Newman framed the question as follows:

The ultimate issue on this appeal, of increasing importance in the age of digital transmissions, concerns the circumstances under which a developer or operator of a computer system or program, activated by its customers, can be liable for direct infringement of a copyright. . . .

An initial issue posed by *Netcom*'s "volition or causation" phrase is whether the words "volition" and "causation" are synonyms or alternatives. Long before *Netcom*, there was no doubt that when the identity of a person liable for direct infringement was disputed, it was necessary to prove who caused the infringement. Infringement is a tort, as this Court long ago recognized, see *American Code Co. v. Bensinger*, 282 F. 829, 834 (2d Cir. 1922); *Ted Browne Music Co. v. Fowler*, 290 F. 751, 754 (2d Cir. 1923), and no person may be held liable for any tort unless that person (alone or with others) has caused the injury for which a claim is made. "Volition" in Judge Whyte's phrase is best understood to mean a concept essentially reflecting tort law causation. See 4 NIMMER ON COPYRIGHT §13.08[C][1], at 13-290.6 ("*Netcom* simply stands for the unremarkable proposition that proximate causation historically underlines copyright infringement liability no less than other torts."). . . . [A]s the NIMMER treatise makes clear, "causation," in the context of copyright infringement, is tort law "proximate cause," rather than "but for" causation. See *id.*; Robert C. Denicola, *Volition and Copyright Infringement*, 37 CARDOZO L. REV. 1259,

³⁸ *Cartoon Network* did not allege indirect infringement out of concern that a court might rule that consumers were insulated from liability by the *Sony* staple article of commerce doctrine.

1268 (2016). However, in this context, “[u]nlike ‘legal’ or ‘proximate’ cause, ‘causation’ is not invoked in *Netcom* to evaluate the connection between the tort and the plaintiff’s harm, but instead to analyze the connection between the defendant’s actions and the commission of the tort. Judge Whyte was concerned with whether the defendants ‘caused’ the infringement, not whether the infringement ‘caused’ the plaintiff’s injury.” *Id.* at 1269. . . .

[T]here is language in *Cartoon Network* that I question: “In determining who actually ‘makes’ a copy, a significant difference exists between making a request to a human employee, who then volitionally operates the copying system to make the copy, and issuing a command directly to a system, which automatically obeys commands and engages in no volitional conduct.” *Id.* at 131 (emphasis added). I agree there is a difference, but the stark alternatives posed by this sentence create the risk that it will be overread to mean that only a human being who operates a copying system, for example, in a copy shop, can satisfy the volition/causation requirement and render the copy shop liable for infringement, and that the person or entity that designs and or operates a system that makes one or more copies when it “automatically obeys commands” cannot be liable for infringement. . . .

Pertinent to the possible infringement liability of the operator of a system that facilitates automatic copying, the legislative history of the 1976 Copyright Act recognized that “where the work was infringed by two or more tort feorsors [*sic*], the bill would make them jointly and severally liable.” “There is no rule of copyright law that would preclude the imposition of direct liability on both parties [i.e., the system operator and the user].” Denicola, 37 *CARDOZO L. REV.* at 1273.

However, tort law principles of causation do not necessarily apply in the copyright field exactly as they apply with respect to torts generally or joint tortfeasor liability in particular. In addition to assuring protection for the rights of copyright owners in order to promote creativity, copyright law, especially in the digital age, must avoid such an expansive regime of protection that developers of computer programs and system operators are unduly deterred from making socially useful contributions to widespread access to information.

The caselaw has not yet developed clear principles for determining when the developer or operator of a system, activated automatically by a user, is jointly liable with the user for direct infringement. . . .

I disagree with Judge Walker’s opinion when it appears to indicate that all developers or operators of systems that make copies, at a customer’s keystroke command, of copyrighted materials selected by the customer should be insulated from direct liability for infringement. Selection by the customer may well be relevant to determining whether system developers or operators share direct liability with a customer, but is not necessarily determinative.

BWP Media USA Inc. v. Polyvore, Inc., 922 F.3d 42, 61-67 (2d Cir. 2019) (Newman, J., concurring).

Judge John Walker defended the volition requirement in his concurrence. He noted that volition has textual underpinnings in the Copyright Act, *see id.* at 53 (citing *Aereo*, 573 U.S. at 453 (Scalia, J., dissenting)), and emphasized that “direct liability is not the only avenue for recovery against an ISP for copyright infringement. Secondary liability exists precisely to impose liability on defendants who, while not directly responsible for infringing conduct, still should be held liable.” *Id.* He noted that “[t]he distinction between direct and secondary liability would collapse if there were not a clear rule for determining whether the defendant committed the infringing act. The volitional-conduct requirement supplies that rule; its purpose is not to excuse defendants from accountability, but to channel the claims against them into the correct analytical track.” *Id.* at 54 (quoting *Aereo*, 573 U.S. at 455 ((Scalia, J., dissenting))). Judge Rosemary Pooler opined that “volitional-conduct analysis must enter the landscape of multiple devices, mindful of both our copy-shop past and the realities of functional website design in our present.”

7. *Volitional Machines?* Can a computer act on its own volition? At least one court has said yes. In *Williams Sonoma Inc. v. Amazon.com* 2020 U.S. Dist. LEXIS 163066 (N.D. Cal. Aug. 17 2020), Williams Sonoma alleged that Amazon engaged in copyright infringement by showing images of Williams Sonoma products in conjunction with sales of those products. Williams Sonoma does not sell its own products on Amazon, but as we will see in Chapter V(E)(2) (and analogous to copyright law’s first-sale doctrine), Amazon is free to resell legitimate Williams Sonoma goods and to accurately tell consumers who made them. The images were submitted by third parties and no human at Amazon was involved in displaying them. But where third parties submitted multiple pictures, Amazon’s computers, using artificial intelligence (AI) software, selected the image that best represented the product and automatically displayed that image. The court held that Williams Sonoma could state a claim that the AI itself was a volitional actor potentially liable for direct infringement. *Compare VHT, Inc. v. Zillow Group*, 918 F.3d 723 (9th Cir. 2019) (holding that a real estate website did not engage in volitional conduct by having automated software tag user-uploaded photos and evaluate them for copyright status).

8. *User-Generated Content Principles.* Several content owners and UGC sites jointly announced the Principles for UGC Services as a voluntary, market-based approach to limiting online piracy in 2007. *See* PRINCIPLES FOR USER GENERATED CONTENT SERVICES <http://www.ugcprinciples.com>. This set of best practices includes the use of “effective content identification technology (“Identification Technology”) with the goal of eliminating from . . . infringing user-uploaded audio and video content for which Copyright Owners have provided Reference Material.” Although Google did not formally join this initiative, the ContentID system that it implemented for YouTube largely follows the UGC Principles model. For this reason, the *Viacom* lawsuit did not seek prospective relief, although they were seeking roughly \$10 billion in statutory

users' rights, the OSP must promptly notify users that material has been blocked or removed. The user may then provide a "counter notification" stating that the material may properly be stored, which the OSP must promptly pass along to the copyright owner. If the user provides a counter notification contesting the takedown request, the OSP is required to replace the disputed content unless the copyright owner sues the uploader within 14 days of the counter notification. If the copyright owner does not file suit against the uploader within a designated period, the OSP must restore the material. It may replace the disputed material after 10 days if the copyright owner has not filed a lawsuit but is required to restore it within 14 business days of the counter notification if no lawsuit is filed against the uploader. §512(g)(2). In practice, however, an OSP may disregard the counter notification and instead rely on its terms of service to shield itself from liability to its customer.

10. *False or Erroneous Takedown Notices*—§512(f). The DMCA has aroused concern that copyright owners might use overly aggressive tactics or misrepresentations to suppress free speech or other legal activities. See Jennifer M. Urban, Joe Karaganis and Brianna L. Schofield, *Notice and Takedown in Everyday Practice* (Mar. 29, 2016), (noting "surprisingly high percentages of [takedown] notices of questionable validity, with mistakes made by both 'bots' and humans"). To deter such misuse of the takedown procedure, §512(f) provides for damages, including costs and attorney's fees, for knowing misrepresentation that material or activity is infringing. Courts apply a subjective standard for determining whether a takedown notice was propounded in "good faith." *Rossi v. Motion Picture Association of America*, 391 F.3d 1000, 1004 (9th Cir. 2004); *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195 (N.D. Cal. 2004) (finding "knowing misrepresentation" in takedown request and awarding damages and attorney's fees pursuant to §512(f)). A copyright owner must consider whether the use is fair under §107 before filing a takedown request. See *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150 (9th Cir. 2015). Liability for misrepresentation turns on the copyright owner's subjective good faith belief that the use is not fair, not an objective "reasonableness" standard. See *id.*

PROBLEM IV-56

Real Estate Net offers local independent real estate agents an inexpensive means for posting real estate listings to a large searchable online database. To post a listing, subscribers fill out an online form and agree to "Terms and Conditions" that include a promise not to post copies of photographs without authorization. The subscriber then transmits the text of the listing and any applicable photographs to Real Estate Net. The text gets posted immediately, while the photograph goes into a temporary folder. Within 48 hours, a Real Estate Net employee reviews the photograph to determine whether the photograph in fact depicts commercial real estate and to identify any obvious evidence, such as a copyright notice, that the photograph may have been copyrighted by another. If the photograph fails either one of these criteria, the employee deletes the photograph

and notifies the subscriber. Otherwise, the employee clicks an “accept” button that uploads the photograph to Real Estate Net’s website.

National Realtors, Inc. (NRI) maintains a large online database of real estate information, including photographs to which it holds copyright. NRI’s online customers agree not to post its photographs on other websites. Notwithstanding such agreements, NRI discovered approximately 100 of its copyrighted photographs among the nearly 50,000 photographs posted on Real Estate Net’s website. With regard to 25 of the photographs in question, NRI has sent letters to Real Estate Net demanding that the specific works be removed, to which Real Estate Net has promptly complied. NRI has also made general allegations of infringement and mentioned the names of several real estate agents that have posted photographs without authorization.

Please advise Real Estate Net on any potential copyright liability based on the above facts. In addition, please identify any steps that Real Estate Net might take to reduce its exposure to liability in the future.

3. Other Defenses

In addition to statutory defenses (§§108–18) and the fair use doctrine (§107), there are a number of other defenses against a claim of copyright infringement. Many of these are straightforward, and the reader has no doubt encountered similar defenses elsewhere in the law. The most significant defenses include:

i. Independent Creation

A defendant may present evidence to prove that he or she created the work independently.

ii. Consent/License

A defendant may defend a copyright action on the ground that he or she has the copyright owner’s permission to make use of the protected material. Note that §204 requires transfers of copyright ownership to be executed in writing and signed by the copyright owner. Nonexclusive licenses, however, need not be in writing.

iii. Inequitable Conduct

Closely related to copyright invalidity, the inequitable conduct doctrine parallels the patent law defense of inequitable conduct discussed in Chapter III. Inequitable conduct occurs when a copyright owner obtains a copyright through fraud or other deceptive conduct on the Copyright Office—for example, by failing to disclose the owner’s own plagiarism of a prior work. Circumstances that give rise to inequitable conduct generally also render copyrights invalid, but the defense is distinct because some of the consequences may be different.

iv. Copyright Misuse

As copyright has expanded into the realm of technological products—most notably, computer software—courts have become increasingly sensitive to the ways in which copyright protection may be leveraged to undermine free competition. In 1990, a court held that a software licensing agreement that prohibited a licensee from developing any

kind of computer-assisted die-making software for a term of 99 years constituted misuse, rendering the copyright unenforceable until the improper effects of the overreaching had been purged. *See Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990); *see also DSC, Inc. v. DGI, Inc.*, 81 F.3d 597 (5th Cir. 1996); *Practice Management Info. Corp. v. American Medical Ass'n*, 121 F.3d 516 (9th Cir. 1997); *Alcatel v. DGI Technologies*, 166 F.3d 772 (5th Cir. 1999); *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640 (7th Cir. 2003); *but see Bellsouth Advertising & Pub. Corp. v. Donnelley Information Pub., Inc.*, 933 F.2d 952, 961 (11th Cir. 1991) (declining to follow *Lasercomb*). Copyright misuse is a blend of antitrust policies and copyright-specific policies against the improper extension of copyrights.

v. Immoral/Illegal/Obscene Works

Although some early cases refused to enforce copyrights in obscene or otherwise antisocial works, the modern trend rejects such a defense. *See Mitchell Bros. Film Group v. Adult Cinema Theater*, 604 F.2d 852 (9th Cir. 1980) (pornography); *Belcher v. Tarbox*, 486 F.2d 1087 (9th Cir. 1973) (racing forms).

vi. Statute of Limitations

Section 507 provides a three-year statute of limitations “after the claim accrued.” The Supreme Court held in *Petrella v. MGM Inc.*, 134 S.Ct. 1962 (2014) that the doctrine of laches does not generally bar copyright actions, notwithstanding an 18-year delay in filing suit. Therefore, a copyright owner can bring an action for a continuing infringement at any time and recover injunctive relief and damages for three years. The Court noted, however, laches may, “in extraordinary circumstances,” curtail the award of equitable relief. The Court cited *Chirco v. Crosswinds Communities, Inc.*, 474 F.3d 227 (6th Cir. 2007), where owners of a copyrighted architectural design, although aware of an allegedly infringing housing project, delayed suit until the project was substantially constructed and partially occupied. An order mandating destruction of the project in those circumstances would not be tolerable. The *Petrella* decision rekindles the potential for many copyright infringement actions previously thought barred by laches.

G. REMEDIES

Copyright law provides for injunctive relief, monetary remedies, and attorney’s fees. In 2020, Congress passed the Copyright Alternative in Small-Claims Enforcement (CASE) Act. Furthermore, copyright law includes criminal penalties for intentional acts of infringement for financial gain.

1. Injunctions

The Copyright Act authorizes courts to issue “temporary” (or preliminary) injunctions and permanent injunctions “on such terms as [they] may deem reasonable to prevent or restrain infringement of a copyright.” §502(a). Furthermore, courts may order the seizure or impoundment of allegedly infringing articles while a copyright case is pending under the authority of §503(a) (in civil cases) or 18 U.S.C. §2323 (civil and

criminal cases). Those articles may be destroyed or forfeited to the United States after judgment.

Until 2006, courts routinely granted injunctive relief in copyright cases. Preliminary injunctions were generally granted as a matter of course where a plaintiff convinced the court that a finding of infringement was likely. Courts typically presumed the inadequacy of legal remedies on the theory that it would be difficult to “close the door” after an infringing work has been publicly distributed.

This relatively automatic approach to injunctive relief in copyright cases has been replaced by an equitable balancing framework after *eBay*. The Supreme Court pointed in this direction a century ago in affirming a decision refusing to award injunctive relief. See *Dun v. Lumbermen’s Credit Ass’n*, 209 U.S. 20, 23–24 (1908). The Supreme Court’s decision in *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994), emphasized the discretionary nature of injunctive remedies in copyright cases:

Because the fair use enquiry often requires close questions of judgment as to the extent of permissible borrowing in cases involving parodies (or other critical works), courts may also wish to bear in mind that the goals of the copyright law, “to stimulate the creation and publication of edifying matter,” Leval[, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105,] 1134 [(1990)], are not always best served by automatically granting injunctive relief when parodists are found to have gone beyond the bounds of fair use. See 17 U.S.C. §502(a) (court “may . . . grant . . . injunctions on such terms as it may deem reasonable to prevent or restrain infringement”) (emphasis added); Leval 1132 (while in the “vast majority of cases, [an injunctive] remedy is justified because most infringements are simple piracy,” such cases are “worlds apart from many of those raising reasonable contentions of fair use” where “there may be a strong public interest in the publication of the secondary work [and] the copyright owner’s interest may be adequately protected by an award of damages for whatever infringement is found”); *Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988) (finding “special circumstances” that would cause “great injustice” to defendants and “public injury” were injunction to issue), *aff’d sub nom. Stewart v. Abend*, 495 U.S. 207 (1990).

510 U.S. at 578 n.10. The Supreme Court reinforced this approach in *New York Times Co., Inc. v. Tasini, Inc.*, 533 U.S. 483, 505 (2001) (noting that “it hardly follows from today’s decision that an injunction against the inclusion of these Articles in the Databases (much less all freelance articles in any databases) must issue”); see also *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1, 4–6, 10–12 (1979) (recounting history of blanket music licensing regimes and consent decrees governing their operation); *Silverstein v. Penguin Putnam, Inc.*, 368 F.3d 77, 80 (2d Cir. 2004) (“Even if Silverstein’s creative contribution to the selection of Mrs. Parker’s previously uncollected poems is non-trivial, and even if Penguin’s appropriation of it was deliberate, enforcement of his rights by a preliminary or permanent injunction that stops publication of Complete Poems is an abuse of discretion.”).

483, 505 (2001) (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578, n.10 (1994)); *Dun v. Lumbermen's Credit Assn.*, 209 U.S. 20, 23–24 (1908). *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391–92 (2006); see also *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976, 981 (9th Cir. 2011) (concluding that the circuit's “longstanding rule that ‘[a] showing of a reasonable likelihood of success on the merits in a copyright infringement claim raises a presumption of irreparable harm’ ‘is clearly irreconcilable with the reasoning’ of the [Supreme] Court's decision in *eBay* and has therefore been ‘effectively overruled’” in favor of the traditional four-factor framework (citations omitted)); *Salinger v. Colting*, 607 F.3d 68, 75, 79 (2d Cir. 2010) (same); *TD Bank v. Hill*, 928 F.3d 259 (3d Cir. 2019) (same).

As in the patent field, the Supreme Court's *eBay* decision has produced a sea change in the consideration of requests for injunctive relief in the copyright field. See Richard Dannay, *Copyright Injunctions and Fair Use: Enter eBay—Four-Factor Fatigue or Four-Factor Freedom?*, 55 J. COPYRIGHT SOC'Y U.S.A. 449 (2008). This does not mean, however, that injunctive relief will become the exception in copyright cases. Injunctions will remain readily available in “simple piracy” cases, although less likely where there the defendant contributes transformative creativity or engages in political or social commentary. This may be especially true where the copyright owner refuses to license his or her work.

PROBLEMS

Problem IV-57. Lebbeus, a writer and artist, writes a surrealist novel that features an elaborate, futuristic torture chamber with a distinctive chair attached to moving rails on a wall. He draws a picture of the chair and uses it to illustrate the cover of his novel. Pinnacle Entertainment, a major movie studio, releases *Seven Apes*, a science-fiction movie whose plot is entirely unlike Lebbeus's novel, but which in one 90-second scene features a chair on rails strikingly similar to the one on the book cover. Assume that the court determines that Pinnacle has copied the chair from Lebbeus, and that it has no legal defense. What is the appropriate remedy? Should Lebbeus be entitled to enjoin distribution of *Seven Apes*? How would a court determine the appropriate share of profits from the movie?

Problem IV-58. Recall *Problem IV-31* addressing alleged infringement of J.D. Salinger's letters by biographer, Ian Hamilton. Suppose that the court found the biography to infringe Salinger's letters. Salinger steadfastly refused to license use of the letters. How should a court rule on Salinger's request for a permanent injunction barring publication of Hamilton's biography in the aftermath of the *eBay* decision?

Problem IV-59. Suppose that a documentary filmmaker finds a photograph for use in her project. After painstaking efforts to identify the copyright owner prove unsuccessful, she incorporates the image in her film. It provides the backdrop for critical elements of the work. Upon release of the film, which draws critical acclaim, the

photographer surfaces and sues to enjoin use of the image. Assuming that the use is found to be infringing and not a fair use, what remedy should be ordered? Does your analysis or conclusion change if the filmmaker made no effort to identify the copyright owner?

2. Damages

Not all aspects of copyright law follow the property rule model. As we have seen, the fair use doctrine absolves the defendant of any responsibility to compensate the copyright owner, although the amount of harm plays a role in determining whether the defense succeeds. As we also have discussed, there are a number of other provisions for compulsory licensing in copyright law.

Where injunctions are replaced by a liability rule, or where the defendant has infringed before an injunction can be entered, copyright law authorizes the copyright owner to collect either actual damages and profits (defined as the loss to the copyright holder plus additional profits made by the infringer) or statutory damages. §504.

i. Actual Damages and Profits

Actual damages can include lost revenue and indirect damage attributable to the infringing conduct, both of which can be difficult to prove. As a result, copyright owners often seek to disgorge the defendants' profits or, where the work has been timely registered, elect statutory damages. The following case lays out the principal framework and burdens in establishing the infringer's profits.



Sheldon v. Metro-Goldwyn Pictures Corp.
Supreme Court of the United States
309 U.S. 390 (1940)

MR. CHIEF JUSTICE HUGHES delivered the opinion of the Court.

The questions presented are whether, in computing an award of profits against an infringer of a copyright, there may be an apportionment so as to give to the owner of the copyright only that part of the profits found to be attributable to the use of the copyrighted material as distinguished from what the infringer himself has supplied, and, if so, whether the evidence affords a proper basis for the apportionment decreed in this case.

Petitioners' complaint charged infringement of their play "Dishonored Lady" by respondents' motion picture "Letty Lynton," and sought an injunction and an accounting of profits. The Circuit Court of Appeals, reversing the District Court, found and enjoined the infringement and directed an accounting. 81 F.2d 49. Thereupon the District Court confirmed with slight modifications the report of a special master which awarded to petitioners all the net profits made by respondents from their exhibitions of the motion picture, amounting to \$587,604.37. 26 F. Supp. 134, 136. The Circuit Court of Appeals reversed, holding that there should be an apportionment and fixing petitioners' share of the net profits at one-fifth. 106 F.2d 45, 51. In view of the

importance of the question, which appears to be one of first impression in the application of the copyright law, we granted certiorari. December 4, 1939.

Petitioners' play "Dishonored Lady" was based upon the trial in Scotland, in 1857, of Madeleine Smith for the murder of her lover,—a *cause celebre* included in the series of "Notable British Trials" which was published in 1927. The play was copyrighted as an unpublished work in 1930, and was produced here and abroad. Respondents took the title of their motion picture "Letty Lynton" from a novel of that name written by an English author, Mrs. Belloc Lowndes, and published in 1930. That novel was also based upon the story of Madeleine Smith and the motion picture rights were bought by respondents. There had been negotiations for the motion picture rights in petitioners' play, and the price had been fixed at \$30,000, but these negotiations fell through.

As the Court of Appeals found, respondents in producing the motion picture in question worked over old material; "the general skeleton was already in the public demesne. A wanton girl kills her lover to free herself for a better match; she is brought to trial for the murder and escapes." [106 F.2d 50.] But not content with the mere use of that basic plot, respondents resorted to petitioners' copyrighted play. They were not innocent offenders. From comparison and analysis, the Court of Appeals concluded that they had "deliberately lifted the play"; their "borrowing was a deliberate plagiarism." It is from that standpoint that we approach the questions now raised.

Respondents contend that the material taken by infringement contributed in but a small measure to the production and success of the motion picture. They say that they themselves contributed the main factors in producing the large net profits; that is, the popular actors, the scenery, and the expert producers and directors. Both courts below have sustained this contention.

The District Court thought it "punitive and unjust" to award all the net profits to petitioners. The court said that, if that were done, petitioners would receive the profits that the "motion picture stars" had made for the picture "by their dramatic talent and the drawing power of their reputations." "The directors who supervised the production of the picture and the experts who filmed it also contributed in piling up these tremendous net profits." The court thought an allowance to petitioners of 25 percent of these profits "could be justly fixed as a limit beyond which complainants would be receiving profits in no way attributable to the use of their play in the production of the picture." But, though holding these views, the District Court awarded all the net profits to petitioners, feeling bound by the decision of the Court of Appeals in *Dam v. Kirk La Shelle Co.*, 175 F. 902, 903, a decision which the Court of Appeals has now overruled.

The Court of Appeals was satisfied that but a small part of the net profits was attributable to the infringement, and, fully recognizing the difficulty in finding a satisfactory standard, the court decided that there should be an apportionment and that it could fairly be made. The court was resolved "to avoid the one certainly unjust course of giving the plaintiffs everything, because the defendants cannot with certainty compute their own share." The court would not deny "the one fact that stands undoubted," and, making the best estimate it could, it fixed petitioners' share at one-

fifth of the net profits, considering that to be a figure “which will favor the plaintiffs in every reasonable chance of error.”

Petitioners stress the provision for recovery of “all” the profits, but this is plainly qualified by the words “which the infringer shall have made from such infringement.” This provision in purpose is cognate to that for the recovery of “such damages as the copyright proprietor may have suffered due to the infringement.” The purpose is thus to provide just compensation for the wrong, not to impose a penalty by giving to the copyright proprietor profits which are not attributable to the infringement.

Prior to the Copyright Act of 1909, there had been no statutory provision for the recovery of profits, but that recovery had been allowed in equity both in copyright and patent cases as appropriate equitable relief incident to a decree for an injunction. *Stevens v. Gladding*, 17 How. 447, 455. That relief had been given in accordance with the principles governing equity jurisdiction, not to inflict punishment but to prevent an unjust enrichment by allowing injured complainants to claim “that which, *ex aequo et bono*, is theirs, and nothing beyond this.” *Livingston v. Woodworth*, 15 How. 546, 560. See *Root v. Railway Co.*, 105 U.S. 189, 194, 195. Statutory provision for the recovery of profits in patent cases was enacted in 1870. The principle which was applied both prior to this statute and later was thus stated in the leading case of *Tilghman v. Proctor*, 125 U.S. 136, 146:

The infringer is liable for actual, not for possible gains. The profits, therefore, which he must account for, are not those which he might reasonably have made, but those which he did make, by the use of the plaintiff’s invention; or, in other words, the fruits of the advantage which he derived from the use of that invention, over what he would have had in using other means then open to the public and adequate to enable him to obtain an equally beneficial result. If there was no such advantage in his use of the plaintiff’s invention, there can be no decree for profits, and the plaintiff’s only remedy is by an action at law for damages. . . .

Petitioners stress the point that respondents have been found guilty of deliberate plagiarism, but we perceive no ground for saying that in awarding profits to the copyright proprietor as a means of compensation, the court may make an award of profits which have been shown not to be due to the infringement. That would be not to do equity but to inflict an unauthorized penalty. To call the infringer a trustee *ex maleficio* merely indicates “a mode of approach and an imperfect analogy by which the wrongdoer will be made to hand over the proceeds of his wrong.” *Larson Co. v. Wrigley Co.*, 277 U.S. 97, 99, 100. He is in the position of one who has confused his own gains with those which belong to another. *Westinghouse Co. v. Wagner Co.*, *supra*, p. 618. He “must yield the gains begotten of his wrong.” *Duplicate Corp. v. Triplex Co.*, 298 U.S. 448, 457. Where there is a commingling of gains, he must abide the consequences, unless he can make a separation of the profits so as to assure to the injured party all that justly belongs to him. When such an apportionment has been fairly made, the copyright proprietor receives all the profits which have been gained through the use of the infringing material and that is all that the statute authorizes and equity sanctions.

Both courts below have held in this case that but a small part of the profits were due to the infringement, and, accepting that fact and the principle that an apportionment may be had if the evidence justifies it, we pass to the consideration of the basis of the actual apportionment which has been allowed.

The controlling fact in the determination of the apportionment was that the profits had been derived, not from the mere performance of a copyrighted play, but from the exhibition of a motion picture which had its distinctive profit-making features, apart from the use of any infringing material, by reason of the expert and creative operations involved in its production and direction. In that aspect the case has a certain resemblance to that of a patent infringement, where the infringer has created profits by the addition of non-infringing and valuable improvements. And, in this instance, it plainly appeared that what respondents had contributed accounted for by far the larger part of their gains. . . .

COMMENTS AND QUESTIONS

1. Does *Sheldon* unfairly prevent copyright owners from prohibiting access to their works? Consider the case of private diaries that are published. Might not the injury to the author in some cases exceed the profits of the publisher? Section 504(a) attempts to take care of this problem by allowing the copyright owner to recover both his actual losses and any additional profits incurred by the infringer, so long as the copyright owner does not thereby obtain a “double recovery.”

2. Is it reasonable to draw a distinction between “counterfeiting” a work—that is, copying it in its entirety for profit—and infringing the copyright through another means (say, by writing a substantially similar screenplay)? Should counterfeiting be punished more severely than other forms of infringement? In 1982, Congress passed the Piracy and Counterfeiting Amendments Act, 18 U.S.C. §§2318–19. The Act makes it a felony to “knowingly traffic” in counterfeit phonorecords or audiovisual works and sets fines of up to \$250,000 and prison terms of up to five years.

3. *Imputed License Fee/Reasonable Royalty*. As we saw earlier, the Patent Act sets a lower bound for damages at a reasonable royalty. 35 U.S.C. §284. The Copyright Act contains no analogous provision. Yet in cases where the copyright owner could not adequately prove actual damages or gain to the infringer and the copyright owner did not timely register the work (and hence could not elect statutory damages), they have sought to recover an imputed license fee. The court in *Deltak, Inc. v. Advanced Systems, Inc.*, 767 F.2d 357 (7th Cir. 1985), interpreted actual damages to include the “value of use” to the defendant so as to avoid the harsh result of no recovery. The Second Circuit, after initially questioning that theory, see *Business Trends Analysts, Inc. v. Freedomia Group, Inc.*, 887 F.2d 399 (2d Cir. 1989), has now approved it, see *Davis v. The Gap, Inc.*, 246 F.3d 152, 161 (2d Cir. 2001). The Ninth Circuit in *Mackie v. Rieser*, 296 F.3d 909 (9th Cir. 2002), held that the market value at the time of infringement is determined by answering the hypothetical query concerning “what a willing buyer would have been reasonably required to pay to a willing seller” for the infringed work. See also *Oracle Corp. v. SAP AG*, 765 F.3d 1081 (9th Cir. 2014) (rejecting argument that the plaintiff

must show that the copyright holder would have agreed to license the work in order to claim a lost licensing fee; noting that “[h]ypothetical-license damages assume rather than require the existence of a willing seller and buyer”); *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 709 (9th Cir. 2004) (sustaining a jury verdict of \$315,000 in lost license fees, renewal fees, and lost profits as within the range of reasonable market value where the infringer declined to pay the copyright owner a fee of \$37,500 for video footage).

Recall the problems that have arisen in the calculation of reasonable royalties in the patent context. See Chapter III(G)(ii)(2). Does determination of reasonable royalties in copyright cases pose the same sorts of problems?

4. *Who Measures Defendants’ Profits?* While *Feltner* holds that statutory damages are tried to a jury under the Seventh Amendment, awards of defendants’ profits are not. As an equitable monetary remedy—disgorgement—profits were traditionally awarded by judges, not juries. *Navarro v. Procter & Gamble Co.*, 2021 WL 1169084 (S.D. Ohio 2021); *Fair Isaac Corp. v. Fed. Ins. Co.*, 408 F. Supp. 3d 1019, 1023-25 (D. Minn. 2019).

5. *Punitive Damages.* Almost all courts have held that punitive damages are not available for copyright infringement. Such a requirement goes beyond the restitutionary nature of copyright law. See *Bucklew v. Hawkins, Ash, Baptie & Co.*, 329 F.3d 923, 931–32 (7th Cir. 2003). “The public policy rationale for punitive damages of punishing and preventing malicious conduct can be properly accounted for in the provisions for increasing a maximum statutory damage award” in cases of willful infringement. *Id.* at 177. The one case to leave open the possibility of punitive damages, *TVT Records v. Island Def Jam Music Group*, 262 F. Supp. 2d 185, 187 (S.D.N.Y. 2003), rests on a questionable foundation. But in some cases the availability of statutory damages may have the same effect, since a plaintiff can recover up to \$150,000 per work infringed even if the work in question was worth only a few dollars and was copied only once.

ii. Statutory Damages

From the nation’s founding, Congress has provided for the award of statutory damages for copyright infringements. As Congress explained in the lead-up to the 1976 Copyright Act, the “need for this special remedy arises from the acknowledged inadequacy of actual damages and profits in many cases” due to the inherent difficulties of detecting and proving copyright damages. See U.S. Copyright Office, REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 102 (July 1961). Congress focused on the challenges faced by music composers and publishers in enforcing their public performance rights. See *id.* at 103 (“[i]n many cases, especially those involving public performances, the only direct loss that could be proven is the amount of a license fee. An award of such an amount would be an invitation to infringe with no risk to the infringer.”) The threat of statutory damages motivated public performance venues to obtain ASCAP, BMI, and SESAC blanket licenses.

STATUTORY DAMAGES: COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY 85–94 (Jan. 2016) (recommending (1) incorporating a list of factors for courts and juries to consider when determining the amount of a statutory damages award; (2) expanding eligibility for the lower “innocent infringement” statutory damages awards; and (3) affording courts wider discretion in cases involving non-willful secondary liability for online services offering a large number of works).

2. *The Teacher-Librarian-Broadcaster Exception*. Section 504(d) of the Copyright Act exempts teachers, librarians, and broadcasters from statutory damages if they believed, and had reasonable grounds for believing, that their infringing conduct constituted fair use. Why not extend that exemption to anyone with a reasonable belief their conduct was legal?

3. *Constitutionality?* In *TransUnion v. Ramirez*, 141 S.Ct. 2190 (2021), the Supreme Court held that Congress could not create a right to sue by creating a new cause of action for which plaintiffs were entitled to statutory damages. Despite the intent of Congress to allow a recovery, the Court held that Article III requires a plaintiff to prove that they have been injured in a way the law traditionally recognized. Does that suggest that a plaintiff who can’t show that they lost anything as a result of copyright infringement is not entitled to sue solely for statutory damages? See Thomas Cotter, *Standing, Nominal Damages, and Nominal Damages “Workarounds” in Intellectual Property Law After TransUnion*, 56 U.C. DAVIS L. REV. 1085 (2023).

PROBLEM

Problem IV-60. Like thousands of other Internet users, Jammie Thomas-Rasset received a cease-and-desist letter and settlement offer from the RIAA alleging that she was engaging in unauthorized sharing of copyrighted sound recordings. After Ms. Thomas-Rasset refused to settle, several record companies brought suit for copyright infringement. At trial, plaintiffs presented evidence that the defendant had shared over 1,000 sound recordings. They sought statutory damages for 24 particular recordings. Other evidence at trial indicated that the defendant had destroyed her hard drive just prior to her deposition, that her distinctive online alias was associated with the sharing of the files in question, and that she had changed her story on several occasions. The jury found that the defendant had knowingly infringed the plaintiff’s worked and assessed \$80,000 per song, resulting in a total award of \$1.92 million.

1. You are the trial judge. The defendant seeks to overturn this verdict as grossly excessive and hence in violation of the Due Process Clause of the U.S. Constitution. Her counsel relies upon *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996), where the Supreme Court struck down as grossly excessive a punitive damage award of \$2 million for a distributor’s failure to disclose that an automobile had been repainted after being damaged prior to delivery. The Court emphasized the low level of reprehensibility of conduct and 500 to 1 ratio between the award and the actual harm suffered. How would you rule? What factors guide your determination? To what extent should deterrence and the difficulty of detecting online infringers affect your analysis?

2. You are a legislator. Does this verdict indicate that the statutory damage provision of the Copyright Act requires reform for the Internet age? If so, what adjustments would you make?

3. Attorney's Fees and Costs

Section 505 of the Copyright Act authorizes the award of attorney's fees in the discretion of the court to "prevailing parties." This provision bars courts from awarding attorney's fees "as a matter of course." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533 (1994). It must use its reasoned discretion in making an award of attorney's fees. Furthermore, courts must treat prevailing plaintiffs and defendants on an equal basis. *Id.* at 527. The Supreme Court identified several nonexclusive factors to be considered in weighing a fee award: frivolousness, motivation, objective unreasonableness, and the need in particular circumstances to advance considerations of compensation and deterrence. *Id.* at 534, n.19. In *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S.Ct. 1979 (2016), the Court identified objective reasonableness of a party's position as substantial factor in assessing the need for a fee award, but cautioned that it is not the only or controlling factor. Rather, courts should consider the range of pertinent factors in a particular case and could award fees against a party asserting a reasonable position where, for example, it engages in litigation misconduct or overaggressive assertion of copyright protection.

The Supreme Court's reasoning in rejecting a "dual standard" that favored plaintiffs in *Fogerty v. Fantasy* is instructive on the issue of appropriate copyright incentives:

[T]he policies served by the Copyright Act are more complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement. . . .

Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible. To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement. In the case before us, the successful defense of "The Old Man Down the Road" increased public exposure to a musical work that could, as a result, lead to further creative pieces. Thus a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim by the holder of a copyright.

510 U.S. at 526–27.

Section 505 of the Copyright Act also authorizes the award of "full costs" in the court's discretion. The Supreme Court ruled in *Rimini Street, Inc. v. Oracle USA, Inc.*, 139 S.Ct. 873 (2019), however, that "[a] statute awarding 'costs' will not be construed as authorizing an award of litigation expenses beyond the six categories listed in [28 U.S.C.] §§1821 and 1920, absent an explicit statutory instruction to that effect." *Id.* at

878. As a result, the Court excluded recovery of expert witness fees, e-discovery expenses, and jury consultant fees.

4. Small Claims Enforcement

As an alternative to pursuing copyright infringement actions in federal court, which is often expensive and time-consuming, Congress enacted the Copyright Alternative in Small-Claims Enforcement Act (the CASE Act) in 2020, codified at 15 U.S.C. §§1501-11. The CASE Act authorizes the establishment of the Copyright Claims Board (CCB) to decide copyright infringement claims filed by any copyright holder, declarations of non-infringement brought by users, and misrepresentation claims (under the Digital Millennium Copyright Act). The Board will be made up of three attorneys, two of which must be knowledgeable in copyright law. They are required to apply federal copyright law. The tribunal began operations in June 2022.

The small claims alternative is voluntary. Respondents have 60 days to opt-out after a claim is filed. Congress has structured the process to motivate parties to take advantage of the CCB. The streamlined process can be handled without hiring an attorney. In addition, discovery is much more limited than district court litigation. Congress has capped damages, thereby reducing the exposure of district court proceedings. For registered works, the CASE Act caps statutory damage award at \$15,000 per work and \$30,000 per claim. Unregistered copyrighted works can also be pursued, but are subject to half of these cap levels. Furthermore, the CCB lacks authority to issue injunctions, but can order a party to cease infringement if the parties agree.

The CASE Act also includes safeguards to prevent abusive behavior. The CCB is authorized to: award attorneys' fees of up to \$5,000, or more in extraordinary circumstances; prohibit the bad faith actor from filing a case for one year; and dismiss all pending cases filed by the bad faith actor. In addition, the CASE Act allows the Copyright Office to issue regulations preventing any one person or entity from bringing a certain number of cases in a year.

Following a determination, the parties will have 30 days to request reconsideration by the CCB and another 30 days to request review by the Register of Copyrights. After reconsideration and review or the deadlines have passed, the losing party has a limited right of to appeal the decision in federal district court. The prevailing party also has recourse to federal district court to enforce the CCB's judgment.

The CCB became operational in June 2022. In the year 2022 a total of 281 cases were filed in the CCB, of which a 134 were dismissed. In nearly 30% of the filed cases, the plaintiffs were represented by legal counsel. *See* Riddhi Setty, *New Copyright Venue Fields Hundreds of Claims, Evoking Optimism*, BLOOMBERG LAW, Jan. 13, 2023, <https://news.bloomberglaw.com/ip-law/new-copyright-venue-fields-hundreds-of-claims-evoking-optimism>.

5. Criminal Enforcement

Throughout most of its history, copyright's enforcement regime has centered on private enforcement. In many contexts, the principal impacts of copyright infringement

affected one or a few copyright owners and the law used tort-based remedies as the enforcement driver. Where there were economies of scale and scope in enforcement, as in the case of musical compositions, authors and publishers joined forces to police violations and enforce copyright protection. See Robert P. Merges, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CAL. L. REV. 1293 (1996) (discussing the emergence of ASCAP as a collective enforcement institution).

Nonetheless, criminal copyright law provisions date back more than a century. See generally Peter S. Menell, *This American Copyright Life: Reflections on Re-Equilibrating Copyright for the Internet Age*, 61 J. COPYRIGHT SOC'Y U.S.A. 235, 317–39 (2014) (tracing the history of public enforcement of copyright law and recommending ways to better tailor public enforcement for the Internet Age). Congress established criminal liability for willful, commercial exploitation of dramatic and musical compositions in 1897 to address the difficulty of enforcement of copyright protection against traveling performers. Congress expanded criminal liability to all willful copyright infringements for profit in the 1909 Act, but criminal copyright prosecutions were only rarely pursued. Congress included criminal penalties in the Sound Recording Act of 1971, and largely carried the 1909 Act's criminal enforcement provisions to the 1976 Act with increased sanctions. Section 506 provides for criminal enforcement and penalties for copyright infringement. Criminal enforcement targets willful infringement for commercial advantage or private financial gain.

As advances in digital technology in the 1990s greatly expanded the scale, modalities, and complexity of copyright infringement, Congress expanded criminal copyright liability to deal with the threats. At the urging of the computer software industry, Congress passed the Copyright Felony Act of 1992, significantly expanding criminal sanctions for willful infringement of all copyrighted works.

In one of the first criminal Internet copyright infringement cases, *United States v. LaMacchia*, 871 F. Supp. 535 (D. Mass. 1994), the government sought to use the wire fraud statute, 18 U.S.C. §1343 (2012), rather than the Copyright Act to pursue the operator of a computer bulletin board service distributing copies of copyrighted software. The reason for this strategy was that the defendant lacked a profit motive. The court characterized David LaMacchia, a twenty-one year old MIT student, as a computer hacker—implying that he was merely following a hacker credo of sharing code. Prior to the Internet, such Robin Hood-type activity could not reach a global audience. Judge Stearns sensed that such behavior posed a serious threat to the copyright system.

Nonetheless, the court granted the defendant's motion to dismiss the case, relying on the Supreme Court's decision in *Dowling v. United States*, 473 U.S. 207 (1985), holding that the wire fraud statute could not be interpreted to encroach on copyright's domain without clear indication that Congress so intended.³⁹ While praising the

³⁹ The Supreme Court in *Dowling* rejected an attempt by the government to prosecute copyright infringement as transportation of stolen property. The Court reasoned that the specific statutory scheme of

government's purpose in prosecuting LaMacchia, Judge Stearns nonetheless noted that the government's interpretation of the wire fraud statute would "criminalize the conduct of not only persons like LaMacchia, but also the myriad of home computer users who succumb to the temptation to copy even a single software program for private use." He invited Congress to address this issue, observing that "[c]riminal as well as civil penalties should probably attach to willful, multiple infringements of copyrighted software even absent a commercial motive on the part of the infringer. One can envision ways that the copyright law could be modified to permit such prosecution. But, "[i]t is the legislature, not the Court which is to define a crime, and ordain its punishment."

Notwithstanding concerns about bringing the activities of college pranksters within the felony realm, Congress closed the "LaMacchia loophole" in the No Electronic Theft Act of 1997. Pub. L. No. 105-147, 111 Stat. 2678–80 (codified as amended at 17 U.S.C. §506, 18 U.S.C. §2319, and 28 U.S.C. §994). This so-called "NET Act" extended criminal infringement to willful "reproduction or distribution [of copyrighted works], including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of more than \$1,000," which removes any mens rea (motive) component. It also stiffened the criminal penalties applicable to copyright infringement committed through electronic means. Congress viewed prosecutorial discretion in whether to pursue the matter and judicial restraint in sentencing as critical to achieving appropriate enforcement.

In the first NET Act prosecution, completed in November 1999, federal prosecutors proceeded against a college student who had posted MP3 files, movie clips, and software on his website. Although a plea bargain kept the student out of jail, the case received substantial publicity. The more general problem of computer crime—fraud and the spreading of computer viruses—has led the United States Department of Justice to establish specialized cybercrime units throughout the nation. In December 2001, federal agents carried out raids in 27 cities as part of effort to break up a particularly notorious software piracy ring known by the name "DrinkorDie."

In response to the growing availability of movies on peer-to-peer networks soon after (and in some cases, even before) their theatrical release, Congress passed the Artists' Rights and Theft (ART) Prevention Act of 2005. The ART Act prohibits the unauthorized, knowing use or attempted use of a video camera or similar device to transmit or make a copy of a motion picture in movie theaters. The so-called camcorder law authorizes movie theater employees to detain those suspected of committing an offense in a reasonable manner and imposes imprisonment and stiff fines for violations. Several states also ban cameras and other recording devices such as image-capturing cell phones in theaters. The ART Act also establishes criminal penalties for willful copyright infringement by the distribution of a computer program, musical work, motion picture or other audiovisual work, or sound recording being prepared for commercial distribution by making it available on a computer network accessible to

§506 was meant to replace, not supplement, general laws that were not written with intellectual property in mind.

members of the public if the person knew or should have known that the work was intended for commercial distribution. On the civil side, the ART Act provides for preregistration of a work that is being prepared for commercial distribution to allow copyright owners to recover statutory damages and attorney's fees for infringement of works in the production pipeline.

Congress added additional criminal provisions in the Prioritizing Resources and Organization for Intellectual Property Act of 2008. The PRO-IP Act provides stiffer penalties for piracy and counterfeiting activities, harmonizes forfeiture procedures for intellectual property offenses, makes it illegal to export counterfeit goods, and eliminates loopholes that might prevent enforcement of otherwise validly registered copyrights.

The PRO-IP Act established an Intellectual Property Enforcement Coordinator (IPEC) office within the Executive Office of the President to coordinate anti-piracy efforts across relevant Federal agencies (Department of Justice, Office of Management and Budget, Department of Homeland Security, Federal Bureau of Investigation (FBI), Immigration and Custom Enforcement (ICE), Customs and Border Protection, the Patent and Trademark Office, the Office of the U.S. Trade Representative, and the U.S. Copyright Office), foreign governments, private companies, and public interest groups to implement the best strategies to foster and protect invention and creativity. The IPEC has been responsible for developing and implementing a Joint Strategic Plan to combat counterfeiting and piracy.

As part of these efforts, the IPEC coordinated "Operation in Our Sites," leading the ICE and the Department of Homeland Security to seize hundreds of websites alleged to traffic in unauthorized copyright content and counterfeit goods. *See* Karen Kopel, *Operation Seizing Our Sites: How the Federal Government Is Taking Domain Names Without Prior Notice*, 28 BERKELEY TECH. L.J. 859 (2013). The seizure of domains containing allegedly infringing copyrighted materials proceeds according to the following steps: (1) ICE agents download or stream suspicious content; (2) ICE agents then check with rights holders to verify that the content is protected; (3) ICE and NIPRCC present this evidence to the Department of Justice, which determines whether there is adequate basis to obtain a seizure order for the website in question; (4) investigators determine whether the domain name is registered in the United States; (5) ICE and NIPRCC present affidavits to a federal magistrate judge; (6) the federal magistrate judge determines whether there is probable cause to support infringement; (7) the magistrate judge grants a seizure order that is served on the domain name registry (as opposed to the website operator); (8) the domain name registry must restrain and lock the domain name pending completion of the forfeiture proceeding and transfer the domain name's title, rights, and interests to the U.S. government; and (9) the registry must redirect the domain to a web page operated by the U.S. government displaying a plaque stating that the website has been seized. Among the factors that the Department of Justice considers in determining whether to seize a website are the popularity of the site, whether it is commercial in nature, whether it is profitable, and whether seizure would have a substantial impact on piracy.

This near-global copyright protection has not always been the case. Our purpose in this section is to provide a concise history of U.S. involvement in the international copyright system and survey the principal contours of international copyright law. Students interested in delving more deeply into the subject should consult one of the comprehensive international copyright treatises. *See* NIMMER ON COPYRIGHT chs. 17, 18; PAUL GOLDSTEIN & P. BERNT HUGENHOLZ, *INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE* (3d ed. 2012); LIONEL BENTLY, *INTERNATIONAL COPYRIGHT LAW AND PRACTICE* (2015).

1. Evolution of the International Copyright System and U.S. Participation

Early copyright laws did not afford protection to the works of foreign nationals. As printing businesses grew and literacy expanded, nations came to recognize the common interest in affording protection to authors from other nations. Without protection for works of foreign authors, publishers of domestic authors would have to compete with publishers of foreign works without any royalty obligations. Furthermore, domestic authors lost out on foreign royalty streams unless they could obtain protection abroad. As a solution, by the mid-nineteenth century, several European countries entered into bilateral treaties or passed legislation affording the works of foreign nationals protection on a reciprocal basis (i.e., where works of that nation's authors were afforded protection in the courts of the foreign national's home country). This movement eventually led most of the nations of Western Europe, as well as a few other nations, to adopt the Berne Convention for the Protection of Literary and Artistic Works in 1886. In order to join the convention, a nation's copyright law had to meet specified minimum criteria for protection. Authors from signatory nations obtained "national treatment"—i.e., the same rights as domestic authors—in each member nation. Over the course of the next century, most nations of the world would join this treaty.

The United States long took an isolationist position in the development of international copyright law. *See generally* Hamish R. Sandison, *The Berne Convention and the Universal Copyright Convention: The American Experience*, 11 COLUM.-V.L.A. J.L. & ARTS 89 (1986). This in part reflected the relatively undeveloped nature of the arts in the early republic and the protectionist political influences of American publishers. England produced many of the popular English-language authors well into the nineteenth century, and U.S. publishers had much to gain from being able to copy the works of British novelists and poets. During a visit to the United States in 1842, Charles Dickens bemoaned "the exquisite [in]justice of never deriving sixpence from an enormous American sale of all my books" and castigated American publishers for undermining the flourishing of native literary talent. As aptly noted by a later commentator, "American readers were less inclined to read the novels of Cooper or Hawthorne for a dollar when they could buy a novel of Scott or Dickens for a quarter." Max Kampelman, *The United States and International Copyright*, 41 AM. J. INT'L L. 406, 413 (1947). To the disappointment of Dickens, as well as many foreign and U.S. authors at the time, domestic publishers successfully blocked protection for foreign works until the late nineteenth century.

The United States grudgingly yielded to protection for works of foreign authors with the passage of the International Copyright Act of 1891 (the Chace Act). The U.S. insisted upon compliance with U.S. notice, registration, and deposit requirements and erected a further protectionist measure: a requirement that any printed book or periodical in the English language, as well as any printed book or periodical of domestic origin in any language, had to be printed from type set in the United States. This manufacturing clause continued until July 1, 1986. By complying with these requirements, foreign authors whose nations provided reciprocal protection to American nationals could obtain protection for their works in the United States. Following the Chace Act, the United States also began to enter into bilateral copyright reciprocity agreements with a growing number of nations. As an alternative to Berne, from which the U.S. was barred by its formalities and protectionist policies, the United States became a charter member of the less demanding, but also less widely adopted, Universal Copyright Convention (U.C.C.) in 1955. For the next three decades, the U.C.C. and bilateral treaties afforded American authors the ability to enforce their copyrights in much of the world. Furthermore, U.S. copyright owners could obtain “back door” protection for their works under the Berne Convention by publishing their works simultaneously in the United States and a Berne signatory nation.

Nonetheless, by the mid-1980s, as the global content marketplace expanded to unprecedented levels and piracy of copyrighted works in many corners of the world increased, the U.S. government came to believe that Berne membership was essential if the U.S. was to persuade other nations to join the international copyright system and exert its influence on the reform of global copyright protection. Notwithstanding reluctance to jettison formalities and revise its domestic copyright system to satisfy Berne’s minimum criteria, the United States joined the Berne Convention in 1989. (We have discussed throughout this chapter the myriad changes aimed at achieving Berne compliance—including eliminating formalities for foreign authors, creating moral rights, expanding protection for architectural works, and restoring copyrights for foreign works that were lost as a result of failure to comply with U.S. formalities.) In so doing, U.S. copyright proprietors gained the ability to protect their works directly in two dozen additional nations and the United States gained a seat at the Berne negotiation table. The Berne Convention now includes over 150 nations.

Soon thereafter, the United States and other developed nations elevated the role of intellectual property on the global stage by placing the formation of a new, more readily enforceable treaty mandating minimum intellectual property standards on the agenda for the ongoing multilateral trade negotiations as part of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) (reconstituted in 1995 as the World Trade Organization (WTO)).⁴⁰ These negotiations resulted in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), a treaty signed by more than

⁴⁰ In addition, the United States, Canada, and Mexico entered into the North American Free Trade Agreement (NAFTA) in 1993. This agreement mandates that each of the member nations afford minimum standards for protection, most notably the availability of preliminary injunctive relief, and provides an enforcement mechanism for addressing disputes among the member nations.

100 nations that entered into force on January 1, 1995. That treaty set minimum standards for copyright protection required of each member nation, and also for the first time set expectations regarding enforcement of those legal rules. Developed nations had one year to bring their domestic laws into compliance; developing nations and ex-communist states were afforded an additional grace period of up to ten years.

Rapid advances in digital technology fueled continuing international negotiations over copyright standards. In 1996, under the auspices of the World Intellectual Property Organization (WIPO), an arm of the United Nations which administers the Berne Convention, national representatives reached agreement on two supplementary agreements—the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. These treaties strengthen copyright protection along several dimensions. Of most significance (and controversy) were provisions aimed at protecting copyrights in the digital age. It was pursuant to these treaties that the United States adopted the anticircumvention, protection of copyright management information, and online service provider safe harbor provisions of the Digital Millennium Copyright Act. These treaties entered into force in 2002, upon ratification by 30 nations, although their implementation awaits domestic action in many WIPO nations.

2. International Copyright Treaties

This section summarizes the main features of the Berne Convention and the TRIPs treaty, the principal international copyright conventions operating today.⁴¹

i. Berne Convention for the Protection of Literary and Artistic Works

The Berne Convention has undergone several revisions over its long history. The latest text, to which most Berne signatories adhere, was negotiated in Paris in 1971. The Berne Convention was structured so that members were not required to adhere to revisions as a condition of membership. As a result, several nations still adhere to prior versions, such as the Rome (1928) or Brussels (1948) text. With China's and the Russian Federation's accession in 1992 and 1995, respectively, the Berne Convention includes all of the most significant economies in the world.

The Berne Convention is built upon two pillars: (1) national treatment—member nations must afford works of nationals of other Berne member nations the same protections as works of domestic authors (Article 5(1)); and (2) minimum standards—the copyright laws of member nations must satisfy the following minimum criteria:

Works Covered (Article 2). The convention covers “literary and artistic works,” which is defined broadly to include “every production in the literary, scientific and artistic domain, whatever may be the mode or form of expression.” It also includes derivative works and collective works, but excludes newsworthy facts. Although initially considered outside of the copyright domain, recent developments such as the E.C. Software Directive, TRIPs, and the WIPO Copyright Treaty indicate that computer

⁴¹ The Universal Copyright Convention and bilateral agreements have a continuing role with regard to the protection of U.S. works published prior to U.S. entry into Berne or TRIPs in countries that are not Berne signatories.

programs are to be protected as “literary works” within the meaning of the Berne Convention. By contrast, commentary and national practice suggest that the Berne Convention does not extend to phonograms (sound recordings), which are commonly accorded rights outside the United States under the rubric of “neighboring” rights. Several other treaties apply to these works.⁴²

Limitations on Formalities (Article 5(2)). “The enjoyment and the exercise of [copyright] shall not be subject to any formality . . . other than in the country of origin of the work.” Thus, Berne prohibits only those formalities that would operate to preclude copyright protection for works from other member states. A Berne member may impose formalities upon works of its own authors and may impose formalities as a condition to certain types of remedies (e.g., statutory damages, attorneys’ fees), compulsory licenses, or exemptions.

Duration (Article 7). Berne members must afford protection for no less than life of the author plus 50 years or 50 years from publication in the case of motion pictures and anonymous or pseudonymous works. Photographic works and applied art shall receive no less than 25 years of protection from the time of creation.

Exclusive Rights (Articles 8, 9, 11, 12, and 14). The Berne Convention requires that member nations afford exclusive rights to make and authorize translation, reproduction, public performance, and adaptation of their works. Any exceptions to Berne’s right of reproduction must meet a three-step test: “It shall be a matter for legislation in the countries of the Union [1] to permit the reproduction of such works in certain special cases, provided that such reproduction [2] does not conflict with a normal exploitation of the work and [3] does not unreasonably prejudice the legitimate interests of the author.” Art. 9(2). In contrast to U.S. law, the Berne Convention does not include display and distribution among the exclusive rights that must be accorded.

Moral Rights (Article 6*bis*). The Berne Convention provides:

Independently of the author’s economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.

The rights granted to the author in accordance with the preceding paragraph shall, after his death, be maintained, at least until the expiry of the economic rights . . .

The means of redress for safeguarding the rights granted by this Article shall be governed by the legislation of the country where protection is claimed.

⁴² See International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961) (Rome Convention); Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms (1971) (Geneva Phonograms Convention); Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite (1974) (Brussels Satellite Convention); WIPO Performances and Phonogram Treaty (1996).

nearly universal reach of the Berne Convention in combination with the World Trade Organization's formal dispute resolution mechanism have brought about a reasonably well-coordinated system for the protection of copyrights throughout the world. Given the challenges facing copyright owners in the digital age, it could be said that these developments could not have come about at a more opportune time.

2. *Political Economy of International Copyright Law and Policy.* Political economists and advocates for the public domain tend to view international developments in the copyright arena somewhat more cynically. See MICHAEL P. RYAN, KNOWLEDGE DIPLOMACY: GLOBAL COMPETITION AND THE POLITICS OF INTELLECTUAL PROPERTY (1998); Pamela Samuelson, *The Copyright Grab*, WIRED 4.01 (Jan. 1996). They see the TRIPs Agreement and the WIPO Copyright Treaties as the product of well-coordinated content industry lobbyists seeking ever stronger protection, quite possibly at the expense of lesser developed nations and the public at large. Are these industries using their superior organizational skills and political influence unjustly, or are they rightly concerned to be advocating for enhanced protections in the face of digital technologies that threaten to undermine the legal institutions supporting creative expression? Is it possible that both are true? Have new interest groups formed in the global arena to counterbalance the protectionist bias?

iii. Other Copyright Treaties

WIPO adopted the Beijing Treaty on Audiovisual Performances at the Beijing Diplomatic Conference in 2012. The Beijing Treaty grants performers four kinds of economic rights for audiovisual fixations of performances, such as motion pictures: (i) the right of reproduction; (ii) the right of distribution; (iii) the right of rental; and (iv) the right of making available. It also grants performers three kinds of economic rights in unfixed (live) performances: (i) the right of broadcasting (except in the case of rebroadcasting); (ii) the right of communication to the public (except where the performance is a broadcast performance); and (iii) the right of fixation. The Beijing Treaty also grants performers several moral rights: (i) the right to claim to be identified as the performer (except where such an omission would be dictated by the manner of the use of the performance); and (ii) the right to object to any distortion, mutilation or other modification that would be prejudicial to the performer's reputation, taking into account the nature of the audiovisual fixations. Article 13 of the Beijing Treaty incorporates the so-called "three-step" test to determine limitations and exceptions, as provided for in Article 9(2) of the Berne Convention, extending its application to all rights. The Beijing Treaty will enter into force three months after 30 eligible parties have deposited their instruments of ratification or accession.

WIPO adopted the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled in 2013. It requires contracting parties to introduce a standard set of limitations and exceptions to copyright rules in order to permit reproduction, distribution and making available of published works in formats designed to be accessible to visually impaired and otherwise print disabled persons, and to permit exchange of these works across borders by

organizations that serve those beneficiaries. Its entry into force requires the deposit of 20 instruments of ratification or accession by eligible parties.

The United States has also negotiated a series of bilateral and multilateral trade agreements with particular blocks of nations that include copyright provisions. Those agreements often compel U.S. trading partners to more aggressively enforce copyrights. The Trans-Pacific Partnership (TPP), signed in 2015, is the latest example. Many of these agreements have proved controversial, as much for the secrecy with which they were negotiated as for the substantive provisions they contain.

3. Protection of U.S. Works Against Infringement Abroad

International copyright law incorporates the doctrine of “territoriality.” This doctrine embodies three precepts. First, a nation’s laws apply only within its territorial boundaries. Second, nations may exercise jurisdiction over those within its boundaries. And third, principles of comity caution against any nation state applying its laws in such a way as to interfere with the sovereignty interests of other nations. Stated another way, U.S. copyright law does not apply extraterritorially. *See Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (9th Cir. 1994) (en banc) (noting “eighty years of consistent jurisprudence”).

As a result, U.S. copyright owners must look to the law of the nation in which infringement occurs to obtain redress. This poses the question whether a U.S. copyright owner possesses enforceable rights in another nation, which turns on whether the nation is party to a multi-lateral treaty (such as TRIPs, Berne, or U.C.C.) or whether a bilateral agreement with the United States which confers protection upon U.S. copyright owners or the nation extends protection to foreign copyright owners on some other basis.⁴³ Just a few decades ago, analysis of the complexity of international accords arose with some frequency. The nearly universal reach of Berne today makes 1989, the year in which the U.S. joined this convention, an historic dividing point in the protection U.S. copyright interests enjoy abroad.

Due to the widespread adoption of Berne, U.S. works—both post-1989 and pre-1989—receive national treatment in most nations of the world. That does not, however, ensure that an enforcement action by a U.S. copyright owner can proceed in a foreign court. A threshold question of standing arises: does the foreign country (commonly referred to as the “protecting country”) recognize the party seeking to enforce a copyright interest as the owner of rights in the work? The proper test depends upon choice of law rules, which determine whether U.S. law or the law of the protecting country governs. United States courts apply the law of the state with the “most significant relationship” to the work to determine ownership. *See Itar-Tass Russian News Agency v. Russian Kurrier*, 153 F.3d 82 (2d Cir. 1998) (finding that some of the plaintiffs lacked standing because they were not owners of an exclusive right under Russian copyright law). Other nations may apply their own law. If the putative U.S.

⁴³ Germany and France, for example, extend protection universally. U.S. copyright law protects all unpublished works irrespective of the author’s nationality.

copyright owner is not recognized as such by the protecting state, then it will not be permitted to proceed.

Once the standing hurdle is cleared, there remains the determination whether and to what extent the foreign country protects the work for which enforcement is sought. Although the Berne Convention (now augmented by TRIPs) establishes minimum standards for protection, U.S. copyright protection extends beyond these limits in several respects (and arguably falls short in other areas, such as protection of moral rights). For example, whereas the United States protects sound recordings under copyright law, many other countries treat such works under neighboring rights regimes that fall outside of the Berne Convention. Lastly, liability and remedies must be determined. Reflecting the territoriality doctrine, most nations, including the United States, apply the conflicts principle of *lex loci delicti* (“the law of the place where the tort or other wrong was committed”) to infringement analysis and determination of remedies.

Furthermore, there is an important exception to national treatment relating to duration of copyright protection for works of foreign origin. Under Article 7(8) of the Berne Convention, the duration of protection may be the shorter of the duration as between the protecting country and the country of origin, unless the law of the protecting country chooses otherwise. The rule of the shorter term applies in most countries of the world. The E.C. Term Directive requires that member countries adhere to the rule of the shorter term.

COMMENTS AND QUESTIONS

1. *The Rule of the Shorter Term and Duration of U.S. Copyrights Under the 1909 Act.* Under the Berne Convention, what is the duration of U.S. copyright protection for pre-1976 Act U.S. works which lost (or never received) copyright protection for failure to comply with required formalities (publication with proper notice)? What about those works for which renewal was not sought or successfully attained? In an “informal” advisory opinion, a WIPO official took the position that in the case of “those works, which, due to the non-compliance with formalities (such as the requirement of publication of notice), have never been protected, it is clear that they have not fallen into the public . . . through the expiry of the term of protection since there has been no term of protection applicable for them.” For works that received only one term of protection under the 1909 Act, the WIPO official opined that the term should be ninety-five years from publication, the term which would had been available had renewal been successfully obtained (and applicable term extensions been added), because this is the duration that the owner would have enjoyed had formalities “been fulfilled (or would not have existed).” See Letter of Shozo Uemura, Deputy Director General, World Intellectual Property Organization, reprinted in 47 J. COPYRIGHT OFF. SOC’Y 91 (1999). It can certainly be argued, however, that U.S. works for which no renewal registration was made fell into the public domain through the “expiry of the term of protection.”

2. *Protection of U.S. Works Outside of Berne/TRIPs Member Nations.* In one of the relatively few nations not party to Berne or TRIPs, a U.S. copyright owner can enforce

its rights only if that nation extends protection to foreign copyright owners directly or if that nation is party to a bilateral agreement with the United States conferring copyright protection upon each nation's copyright owners. If a basis for protection is identified, the U.S. copyright owner's standing to sue and substantive rights would be determined under the protecting nation's copyright and choice of law regime.

3. *Combating Foreign Infringing Activities in U.S. Courts.* Notwithstanding the territoriality doctrine, U.S. copyright owners can pursue remedies in U.S. courts for foreign infringement in several circumstances:

- Where an "act" of infringement occurs within the United States even though the infringement is completed abroad, the copyright owner can sometimes pursue remedies under U.S. copyright law. *See Ortman v. Stanray Corp.*, 163 U.S.P.Q. 331 (N.D. Ill. 1969). Nonetheless, a defendant cannot be held liable under U.S. law for merely authorizing conduct that occurred overseas that would constitute copyright infringement if it occurred in the United States. *See Subafilms, Ltd. v. M.G.M.-Pathe Communications*, 24 F.3d 1088 (9th Cir. 1994) (en banc).
- Sections 602 and 603 of the U.S. Copyright Act prohibit the importation of infringing articles. *See also* 19 U.S.C. §337 (providing for exclusion of infringing articles through an International Trade Commission proceeding).
- A U.S. copyright owner, or any copyright owner for that matter, may be able to sue for infringement occurring elsewhere in the world if personal jurisdiction over the defendant can be obtained in an American court under a theory that copyright infringement constitutes a transitory cause of action. *Cf.* Curtis Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 VA. J. INT'L L. 505 (1997). 28 U.S.C. §1332(a)(2) confers jurisdiction in federal court where there is diversity of citizenship (including citizens of a State and subjects of a foreign state) and at least \$75,000 in dispute. The U.S. court would apply the law of the country in which the alleged infringement occurred. *See London Film Prods. Ltd. v. Intercontinental Communications, Inc.*, 580 F. Supp. 47 (S.D.N.Y. 1984). There are, however, potential legal and practical impediments to such a course of action. The defendant may persuade the court to dismiss the action under the *forum non conveniens* doctrine. *See, e.g., Murray v. British Broad. Corp.*, 81 F.3d 287 (2d Cir. 1996); *but cf. Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998) (overturning dismissal of an action under this doctrine); *Armstrong v. Virgin Records, Ltd.*, 91 F. Supp. 2d 628, 637–38 (S.D.N.Y. 2000). Furthermore, to the extent that the plaintiff seeks injunctive or other relief that is available only in the nation in which the infringement is occurring, then she will still have to pursue enforcement abroad.
- If copyright infringement occurs within the United States, the plaintiff can recover the defendant's profits from overseas sales or use of infringing works. *See Los Angeles News Service v. Reuters Television, Int'l*, 149 F.3d 987 (9th

friction among nations. See Peter P. Swire, *Elephants and Mice Revisited: Law and Choice of Law on the Internet*, 153 U. PA. L. REV. 1975 (2005) (suggesting that such conflict has not yet manifested on a large scale due to technology's ability to trump law, lack of jurisdiction over defendants, harmonization of substantive law, and the existence of self-regulatory and other systems that suppress choice-of-law conflicts for transactions); see generally *Symposium: Copyright's Long Arm: Enforcing U.S. Copyrights Abroad*, 24 LOY. L.A. ENT. L. REV. 45 (2004); Paul Schiff Berman, *The Globalization of Jurisdiction*, 151 U. PA. L. REV. 311 (2002). As the problem of unauthorized distribution of copyrighted works on the Internet escalates and nations' legal decisions and legislation diverge, will we see an increase in conflicts of law problems or will copyright owners direct their efforts toward enforcement within separate countries in combination with efforts to harmonize legal regimes through multilateral treaty negotiations?

4. Protection of Foreign Works Against Infringement in the United States

The framework for analyzing protection for foreign works in the United States mirrors the framework applied to the protection of U.S. works abroad. The United States affords protection for all works of Berne and TRIPs members for which copyright subsists in their country of origin, irrespective of when such nations joined these treaties. See §§104(a), 104A (restoration of copyright in works of foreign origin). The United States does not apply the rule of the shorter term, and therefore foreign copyright owners may obtain the full benefit of the U.S. term of copyright protection even if protection has expired in the country of origin. Works receiving the benefit of Berne protection that would otherwise have fallen into the public domain in the United States on the basis of a notice defect may be enforced.



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A. INTRODUCTION

1. Historical Background

Trademarks have existed for almost as long as trade itself. Once human economies progressed to the point where a merchant class specialized in making goods for others, the people who made and sold clothing or pottery began to “mark” their wares with a word or symbol to identify the maker. Such marks—often no more than the name of the maker—have been discovered on goods from China, India, Persia, Egypt, Rome, Greece, and elsewhere, and date back as much as 4,000 years. *See* WILLIAM H. BROWNE, *A TREATISE ON THE LAW OF TRADEMARKS* 1–14 (1885). These early marks served several purposes. First, they were a form of advertising, allowing makers to get their name in front of potential customers. Second, they may have been used to prove that the goods were sold by a particular merchant, thus helping to resolve ownership disputes. Third, the marks served as a guarantee of quality, since a merchant who identifies herself with her goods puts her reputation on the line.

These functions coalesced in modern practice, where trademarks are widely viewed as devices that help to reduce information and transaction costs by allowing customers to estimate the nature and quality of goods before purchase.

Consumers rely most on trademarks when it is difficult to inspect a product quickly and cheaply to determine its quality. Many products fit this description: cars, computers, electronic equipment, even food and toys. In precisely these cases, unscrupulous competitors may be tempted to copy the trademark of a rival producer known for superior quality. After all, it is easier to copy a trademark than to duplicate production techniques, quality assurance programs, and the like. Early trademark cases reflect an awareness of the need to provide a legal remedy against counterfeiting. *See, e.g., Sykes v. Sykes*, 107 Eng. Rep. 834 (1824) (entitling first user of a trademark to prevent subsequent use of the same mark by others selling the same types of goods).

In the United States, federal statutory trademark protection emerged later than patent and copyright protection. This reflected the gradual path of economic development.

[T]rademark law . . . was relatively undeveloped in [the early nineteenth century]. No trademark infringement case was decided in the United States before 1825. Joseph Story granted the first injunction for trademark infringement, in 1844, to protect the makers of “Taylor’s Persian Thread.” Congress provided neither guidance nor any machinery for registration. Legal protection for designers of trademarks had to be forged in the rough mills of the courts. The economy was still deeply rooted in land and its produce. Intellectual property, despite the name, was not valued for intellectual reasons at all, but because of mercantile and industrial applications. As such, this property was not a central concern of the law until the full-blown factory age.

LAWRENCE FRIEDMAN, *A HISTORY OF AMERICAN LAW* 257 (2d ed. 1985).

that “the meaning of the [Act’s] text has been transformed by federal courts over the past few decades.” *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 776 (1992) (Stevens, J., concurring).

Courts have generally eschewed reliance on pure textualism in interpreting the Lanham Act. Even when they look to the text, other pragmatic considerations enter the fray, reflecting the common law origins of the field and the reality that the Act is “in essence a delegating statute.” See Graham B. Dinwoodie, *Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 100, 138, 137-8 (2009) (“Trademarks exist as a matter of common law; the Lanham Act is primarily a device by which to facilitate federal registration and federal enforcement of rights recognized at common law.”).

2. Trademark Theory

Trademarks differ in fundamental ways from the other types of intellectual property protection we have studied thus far. Patents, copyrights, and trade secrets are designed to protect and/or reward something new, inventive, or creative, whether it be an idea, discovery, or expressive work. A trademark, by contrast, does not “depend upon novelty, invention, discovery, or any work of the brain. It requires no fancy or imagination, no genius, no laborious thought.” *Trade-Mark Cases*, 100 U.S. at 94. Rather, trademark protection is awarded to those who were the first to use a distinctive mark in commerce. In trademark parlance, the senior (that is, first) user of a mark may prevent junior (subsequent) users from employing the same or a similar mark where there is a “likelihood of confusion” between the two marks.

Traditionally, there has been nothing in trademark law analogous to the desire to encourage invention or creation that underlies (at least in part) patent and copyright law. There is no explicit federal policy to encourage the creation of more trademarks. Rather, the fundamental principles of trademark law have essentially been ones of tort: unfair competition and the tort of deception of the consumer.¹ See Mark McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839 (2007). In this sense, trademarks may not be thought of as analogous to property rights at all. See, e.g., *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916), and cases cited therein. Rather, they are rights acquired with the use of a trademark in commerce, and they continue only so long as that use continues. Nonetheless, some aspects of trademark law and some recent trends in the law are best explained by thinking of trademarks as akin to property rights.

Early cases (and statutes) took a narrow view of trademark protection. Trademark infringement originally was limited to the use of a name or mark identical to the trademark in the sale of identical goods, where the infringer’s use was intended to deceive consumers. These cases were essentially an extension of common law misrepresentation principles that allowed a consumer to sue.

¹ These are two very different interests held by different parties, both protected by a trademark granted to one of the parties. This combination of producer and consumer interests in trademark protection is significant, and this theme runs throughout the chapter.

Consumers are not the only ones injured when a company passes its goods off as being made by another. The authentic source of the goods is hurt too. One reading of trademark law is that it conflates these discrete harms into a single cause of action—one that can only be brought by the competitor, not the consumer. Doing so increased the likelihood that these causes of action would be brought in the first place. Individual consumers are isolated, and each one generally purchases only a few of a given trademarked item. An individual consumer has very little incentive to police trademark infringements. The difficulty of forming a class for purposes of class action remedies is simply too great. This is an example of the collective action problem.

Competitors have a much greater incentive to police misuse of their marks. In this view, the legitimate trademark user's lower transaction costs in policing the mark are harnessed to the original, fundamental consumer protection rationale to obtain the modern trademark infringement suit. Trademark "ownership," in this view, essentially begins as something like a legal fiction that gives the trademark owner a cause of action he would not otherwise have, in order to benefit consumers and the competitive process.

Giving the originator of a mark the right to police counterfeiting also serves to protect investment in advertising and promoting the product in association with the mark and product-related investments such as high-quality raw materials, production equipment, and quality assurance techniques. This theory is closer to a traditional IP story, but unlike patents and copyrights, the investment the law is protecting is not in the thing being protected—the mark itself.

3. The Basic Economics of Trademarks and Advertising

Economic analysis of seller-provided information (advertising and trademarks) grows out of several fields of economic research and has evolved significantly over the past century. Early industrial organization economists were critical of advertising (and hence branding) on the ground that such activities "unnaturally" stimulated demand, thereby fostering and perpetuating oligopoly through "artificial" product differentiation. Edward Chamberlin viewed trademarks as a means for reinforcing monopoly power by differentiating products and thereby excluding others from using the differentiating characteristic, even if only a mark. *See* EDWARD CHAMBERLIN, *THE THEORY OF MONOPOLISTIC COMPETITION* (1933). By generating a downward sloping demand curve for its brand, trademark owners could generate monopoly rents (and resulting deadweight loss). Drawing on this literature, Professor Ralph Brown tied the analysis of trade symbols to the larger context of commercial advertising, which he considered to serve both useful (informative) and wasteful (persuasive—intended to suggest that one product is superior to a similar if not identical alternative) ends. *See* Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 47 *YALE L.J.* 1165 (1948). This led him to approach trademark protection with skepticism.

There is something to this concern. Certainly, advertising may have the effect of artificially differentiating in the minds of consumers products that are in fact similar or

identical. The result of this brand differentiation may be that the trademark owner obtains some power over price. An example is over-the-counter drugs, where brand-name drugs regularly sell for twice the price of their “generic” equivalents, even though the two drugs are chemically identical. In this sense advertising hurts rather than helps consumers.

Nonetheless, the information economics literature of the 1960s and 1970s offered a more positive view of advertising and trademarks. See Jack Hirshleifer, *Where Are We in the Theory of Information?*, 63 AMER. ECON. REV. 31 (1973); Phillip Nelson, *Advertising as Information*, 82 J. POL. ECON. 729 (1974); George J. Stigler, *The Economics of Information*, 69 J. POL. ECON. 213 (1961). They reasoned that trademarks, as a concise and unequivocal indicator of the source (e.g., Apple) and nature (e.g., iPhone) of particular goods, facilitate consumer search. Consumers can readily assess observable product characteristics, such as price, color, shape. Experience characteristics, such as taste or durability, are more difficult to assess. By communicating the source of the goods, trademarks signal product reliability and quality characteristics associated with the reputation of the manufacturer. Thus, they can counteract the “market for lemons” problem—the unreliability of some goods—by communicating to consumers the enterprise which is responsible for the goods and, in some cases, the specifications of the goods. See George A. Akerlof, *The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism*, 84 Q.J. ECON. 488 (1970).

The brand name Coca-Cola, for example, informs the consumer of the maker of the soft drink beverage as well as the taste that they can expect. If the product lives up to or exceeds expectations, then the trademark owner gains a loyal customer who will be willing to pay a premium in future transactions; if the product disappoints, then the trademark owner will have more difficulty making future sales to that consumer (or will have to offer a discount to attract their business). In this way, trademarks implicitly communicate unobservable characteristics about the quality of branded products, thereby fostering incentives for firms to invest in product quality, even when such attributes are not directly observable prior to a purchasing decision. Sellers who enter the high quality segment of the market must initially invest in building a strong reputation. Only after consumers become acquainted with the attributes of their brand can they recoup these costs. In equilibrium, therefore, high quality items sell for a premium above their costs of production to compensate for the initial investment in reputation. Trademarks also facilitate efficient new business models, such as franchising, which generate economies of scale and scope in marketing and facilitate rapid business diffusion across vast geographic areas.

The branding of products also creates incentives for disreputable sellers to pass off their own wares as the goods of better respected manufacturers. Trademark law (as well as false advertising and unfair competition laws more generally) harnesses the incentives of sellers in the marketplace to police the use of marks and advertising claims of competitors. Sellers often have the best information about the quality of products in the marketplace; they also have a direct stake in preventing competitors from free riding on

their brand, reputation, and consumer loyalty. By creating private causes of action, trademark and false advertising law take advantage of this informational base and incentive structure as well as the vast decentralized enforcement resources of trademark owners to regulate the informational marketplace, effectively in the name of consumers.

Under this now widely accepted view of consumer information economics, trademarks economize on consumer search costs. Consumers benefit from concise and effective designations of the source of products.

Notwithstanding the general benefits afforded by trademarks, protection entails several types of costs. Protection of generic or descriptive terms as trademark can increase search costs and impair competition by raising the marketing costs of competitors. For example, if a cookie manufacturer were to obtain a trademark on the word “cookie,” then other companies interested in selling cookies would have a much more difficult time communicating the nature of their goods to consumers. If, however, the trademark was to “Mrs. Fields Cookies” and any protection for “cookies” was disclaimed, then potential competitors would be able to describe their products in the most easily recognized manner and would be able to develop their own marks—such as “ACME Cookies.” At a minimum, trademark protection for descriptive terms significantly reduces the effective range of terms that may be used by others.

A complicating factor in the protection of trademarks is that the meaning of terms and symbols can change over time. Even a distinctive term can become “generic” (common) if consumers come to associate marks with a particular product (as opposed to its manufacturer). The evolution of the use of the term “thermos” illustrates this phenomenon. At the turn of the twentieth century, the original manufacturer of vacuum-insulated flasks selected the term “Thermos”—derived from the word Greek word “therme” meaning “heat”—to brand its product. At the time that it was adopted, Thermos was distinctive and not associated with any particular product. The American Thermos Bottle Company, which acquired the U.S. patent rights for this technology, undertook advertising and educational campaigns that popularized “thermos” as the most recognizable term for vacuum-insulated flasks. After the patents expired, other manufacturers began using this term to describe their own vacuum insulated flasks, ultimately resulting in the loss of the “Thermos” trademark through genericide. *King-Seeley Thermos Co. v. Aladdin Industries, Inc.*, 321 F.2d 577 (2d Cir. 1963).

Trademark law has been expanding in recent decades. Trade dress, anti-dilution protection, anti-cybersquatting protection, and other developments are all part of the trend. This expansion has moved trademark’s conceptual center of gravity well beyond its traditional moorings in “consumer confusion.”

[M]any courts and commentators succumbed to “property mania”—the belief that expanded trademark protection was necessarily desirable so long as the result could be characterized as “property.” The result has been a radical and ongoing expansion of trademark protection, both in terms of what can be owned as a trademark and in terms of what trademark ownership entails. This expan-

COMMENTS AND QUESTIONS

1. Do you think advertising (1) communicates valuable price/quality information; (2) artificially creates demand for nonessential product features and product “image”; or (3) some combination of the two? *See* Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020 (2005) (arguing that people’s views of trademark law largely depend on inconsistent assumptions about whether advertising helps or manipulates consumers).

2. Why is a legal remedy necessary for false representations about the origins of consumer goods? If you hire a carpenter to fix your roof and he does a bad job, you will not hire him again. What are the differences between this scenario and products purchased less often from more diverse sources? *See* Akerlof, *supra* (observing that under some conditions markets for goods such as used cars may not function effectively because buyers find it difficult to test the quality of the goods offered, giving sellers an incentive to sell poor quality items, with a resultant diminution of activity across the entire market). Akerlof concludes that one way to stop the “market for lemons” dynamic, where bad (low quality) sellers drive out good ones, is through the use of brand names.

Brand names not only indicate quality but also give the consumer means of retaliation if the quality does not meet expectations. For the consumer will then curtail future purchases. Often too, new products are associated with old brand names. This ensures the prospective consumer of the quality of the product.

Id. Akerlof identifies other institutions that serve the same purpose: guarantees; chain stores; and government licensing, as of doctors. Could all trademark law be eliminated by mandatory warranty terms? Would consumers necessarily trust them? Would such terms lower search costs as much as brand names? How about government certification programs—e.g., “U.S. Grade A Refrigerators”? If the idea is that consumers need certification of quality levels, why wouldn’t they prefer independent, third party certification? Under what circumstances do consumers demand just that? Do they do so, e.g., for airlines, doctors, lawyers? Why in some cases and not others? (Consider the costs of a bad product choice.)

Alternatively, private organizations might be expected to spring up to provide unbiased evaluation of products for a fee. Such organizations exist. Groups like Consumers Union sell their evaluations of products, and their reputation depends on continued accuracy and integrity in product investigation. Other examples of private, third-party certification include Good Housekeeping magazine and Underwriters Laboratories, both of which give “seals of approval” to certain products and services that meet their quality standards.

3. Brands are increasingly valued as commodities in themselves, not merely as indicators of source of the underlying product. *See* Section D(3)(ii), (iv)(b). But what economic justification is there for giving exclusive rights to brands disassociated from any products? *See* Barton Beebe, *Intellectual Property Law and the Sumptuary Code*, 123

HARV. L. REV. 809 (2010) (arguing that brands as property serve as a sort of “sumptuary code” distinguishing the haves from the have-nots).

B. WHAT CAN BE PROTECTED AS A TRADEMARK?

As noted above, the first trademarks were simply names or identifying symbols attached to goods. Names, symbols, and logos remain important trademarks, but they have been joined by a host of other sorts of trademarks. Company names now exist alongside product names. Slogans or phrases qualify for protection as trademarks. The design of a product itself or its packaging may be distinctive “trade dress” entitled to protection under the Lanham Act.

As with patent and copyright law, various doctrines restrict what terms and symbols are eligible for trademark protection. Suppose, for example, that Ford owned the exclusive right to describe its products as “cars” or “automobiles.” Customers looking for automated means of ground transportation offered by other companies might encounter difficulty in knowing what to ask for. *See* Kenneth L. Port, *Foreword: Symposium on Intellectual Property Law Theory*, 68 CHI.-KENT L. REV. 585, 596–98 (1993).

To avoid this problem, only some terms and symbols are eligible for trademark protection. Whether an identifying name or phrase may be protected as a trademark, and the degree of protection accorded to it, both depend on the “strength” of the mark. This in turn depends on, among other things, the “classification” of the term as either (1) arbitrary or fanciful, (2) suggestive, (3) descriptive, or (4) generic. An arbitrary or fanciful mark is a word or phrase that bears no relationship whatsoever to the product it describes. “Exxon” is a good example of a fanciful mark. Arbitrary and fanciful marks are the strongest, because any value they possess in terms of name recognition obviously comes from the corporate use of the name, rather than the natural association in people’s minds between a name and a product. The other three categories decrease in strength as they increase in natural association: “suggestive” marks suggest a product in people’s minds; “descriptive” terms, including geographic designations and personal names, describe the product or service offered. They only garner trademark protection upon acquiring source-identifying meaning to consumers. “Generic” terms are so associated with a particular product class that they have become the natural way to refer to that type of product, and hence are ineligible for trademark protection.

1. Trademarks, Trade Names, and Service Marks

To the layperson, trademarks are often thought of as the public name of a producer or other business. The Lanham Act distinguishes among several different types of marks. “Trademarks” are the words, phrases, logos, and symbols that producers use to identify their goods:

Trademark. The term “trademark” includes any word, name, symbol, or device, or any combination thereof—

- (1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

Lanham Act §45, 15 U.S.C. §1127. Many of the most powerful trademarks are images, not words, such as McDonald's golden arches, Nike's swoosh, and Apple's bitten apple.

The term "trademark" does not cover another closely associated type of business identifier, the service mark. Service marks serve the same purposes as trademarks, but they are used to identify services rather than goods. They are subject to the same rules as trademarks. Unlike trademarks and service marks, trade names—the names of the businesses themselves rather than the products or services they provide—cannot be registered under the Lanham Act unless they function to identify the source of particular goods or services, rather than merely identifying a company. *See Bell v. Streetwise Records, Ltd.*, 761 F.2d 67, 75 (1st Cir. 1985). State trademark registration offices permit trade name registration even without association with particular goods or services. State and federal common law provide protection against confusingly similar company names, however.

2. Certification and Collective Marks

For the most part, the "source" identified by a trademark is a single company or individual. But for two special types of marks—certification and collective marks—this is not the case.

Certification Mark. The term "certification mark" means any word, name, symbol, or device, or any combination thereof—

(1) used by a person other than its owner, or

(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this chapter,

to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

Lanham Act §45, 15 U.S.C. §1127. Certification marks are generally used by trade associations or other commercial groups to identify a particular type of goods. For example, the city of Roquefort, France, holds a certification mark in "Roquefort" as a sheep's milk cheese cured in the limestone caves of Roquefort, France. *See Community of Roquefort v. William Faehndrich, Inc.*, 303 F.2d 494 (2d Cir. 1962) (enjoining use of the term "Imported Roquefort Cheese" on cheese not made in Roquefort, France). Certification marks cannot be limited to a single producer; they must be open to anyone who meets the standards set forth for certification.

B. WHAT CAN BE PROTECTED AS A TRADEMARK? 941

Certification marks certify conformity with centralized standards. *See, e.g., Levy v. Kosher Overseers Association of America Inc.*, 36 U.S.P.Q.2d 1724 (S.D.N.Y. 1995), *rev'd*, 104 F.3d 38 (2d Cir. 1997) (involving Organized Kashruth Laboratories' well-known kosher certification mark, signified by the "circle K" mark). Many early trademarks grew out of trade guilds, which had much the same quality-control function; hence certification marks were among the first true modern trademarks. *See* FRANK SCHECHTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADEMARKS* 47 (1925).

Certification marks are meant to bear the "seal of approval" of a central organization, so they can be cancelled on the ground that the organization no longer exercises sufficient control over its members to ensure consistent product standards. *See* Lanham Act §14, 15 U.S.C. §1064 (providing that a certification mark may be cancelled if not policed effectively).

Collective Mark. The term "collective mark" means a trademark or service mark—

- (1) used by the members of a cooperative, an association, or other collective group or organization, or
- (2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, and includes marks indicating membership in a union, an association, or other organization.

Lanham Act §45, 15 U.S.C. §1127. Collective marks can be usefully divided into two categories:

Type of Collective Mark	Characteristics	Examples
(1) Identification of Member Goods or Services	<ul style="list-style-type: none"> • The mark is used by collective members to identify that the source is a member of the collective. • The collective neither sells goods nor performs services under the collective mark, but may advertise or otherwise promote the goods or services sold or rendered by its members under the mark. 	<ul style="list-style-type: none"> • National Turkey Federation (advertises under the mark "Turkey. The Perfect Protein."); members use the mark to distinguish their products from those of non-members. • Florists' Transworld Delivery Association (FTD)
(2) Identification of Membership within the Collective Organization	<ul style="list-style-type: none"> • Neither the collective nor its members uses the collective membership mark to identify 	<ul style="list-style-type: none"> • Professional Golf Association (PGA) • American Automobile Association (AAA)

	and distinguish goods or services • The sole function of the mark is to indicate that the person displaying the mark is a member of the organized collective group.	• Members of a fraternal organization display the mark by wearing pins upon which the mark appears or by carrying membership cards bearing the mark.
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A collective group may itself be engaged in the marketing of its own goods or services under a particular mark, in which case the mark is not a collective mark but is rather a trademark for the collective's goods or service mark for the collective's services. For the most part, these types of collective marks are treated the same as conventional trademarks.

3. Trade Dress and Product Configurations

Words or phrases that serve to identify a product are not all that the Lanham Act protects. The act also protects "trade dress," the design and packaging of materials, and even the design and shape of a product itself, if the packaging or the product configuration serve the same source-identifying function as trademarks. It is possible to register both trade dress and product configurations as "trademarks" under the Lanham Act. (Indeed, such a registration was at issue in *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995), excerpted below.) However, because of the complexities of trade dress protection, many companies forgo registration of trade dress and look to §43(a) of the Lanham Act, 15 U.S.C. §1125(a), to enforce their claims.

§ 1125 [Lanham Act §43]. False Designations of Origin and False Descriptions Forbidden

(a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) Is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Section 43(a) is commonly referred to as providing "federal common law" protection for trademarks and related source identifiers.

terms—those deemed not inherently distinctive—the Lanham Act requires proof of an additional element to secure trademark rights: secondary or acquired meaning.

The most important type of word or symbol requiring proof of secondary meaning is a *descriptive* term. A descriptive mark is “[a] word, picture, or other symbol that directly describes something about the goods or services in connection with which it is used as a mark.” J. THOMAS MCCARTHY, MCCARTHY’S DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 119 (2d ed. 1995). Examples include: Tender Vittles for cat food, Arthriticare for arthritis treatment, and Investacorp for financial services.

In addition to descriptive terms, several other types of terms require secondary meaning to acquire legal protection: most notably *geographic* terms (such as Nantucket soft drinks) and *personal names* (such as O’Malley’s beer).²

A descriptive term garners trademark protection when it reaches a threshold of acquired or secondary meaning associated with a single source of products. Thus, the descriptive term “Tender Vittles”—consisting of the adjective “tender” (referring to softness of food) and “vittles” (referring to food)—is protectable as a trademark only once an appreciable number of consumers associate it with a brand of cat food. To be sure, Tender Vittles retains its primary meaning as a product descriptor. But proof that it has acquired a secondary meaning as a source identifier elevates it to trademark status.

It is important to understand the nature of this secondary meaning. It does not mean that buyers need to know the *identity* of the source, only that the product or service comes from a *single* source. The phrase “single source” may thus be understood to mean “single though anonymous source.” See *A.J. Canfield Co. v. Honickman*, 808 F.2d 291 (3d Cir. 1986).



Zatarain’s, Inc. v. Oak Grove Smokehouse, Inc.
United States Court of Appeals for the Fifth Circuit
698 F.2d 786 (5th Cir. 1983)

GOLDBERG, CIRCUIT JUDGE:

This appeal of a trademark dispute presents us with a menu of edible delights sure to tempt connoisseurs of fish and fowl alike. At issue is the alleged infringement of two trademarks, “Fish-Fri” and “Chick-Fri,” held by appellant Zatarain’s, Inc. (“Zatarain’s”). The district court held that the alleged infringers had a “fair use” defense to any asserted infringement of the term “Fish-Fri” and that the registration of the term “Chick-Fri” should be cancelled. We affirm.

I. Facts and Proceedings Below

A. The Tale of the Town Frier

² In addition, the following require proof of secondary meaning: titles of single literary works; descriptive titles of literary series; non-inherently distinctive designs and symbols; non-inherently distinctive trade dress and packaging; and product and container shapes. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §15.01[2].

Zatarain's is the manufacturer and distributor of a line of over one hundred food products. Two of these products, "Fish-Fri" and "Chick-Fri," are coatings or batter mixes used to fry foods. These marks serve as the entree in the present litigation.

Zatarain's "Fish-Fri" consists of 100% corn flour and is used to fry fish and other seafood. "Fish-Fri" is packaged in rectangular cardboard boxes containing twelve or twenty-four ounces of coating mix. The legend "Wonderful FISH-FRI™" is displayed prominently on the front panel, along with the block Z used to identify all Zatarain's products. The term "Fish-Fri" has been used by Zatarain's or its predecessor since 1950 and has been registered as a trademark since 1962.

Zatarain's "Chick-Fri" is a seasoned corn flour batter mix used for frying chicken and other foods. The "Chick-Fri" package, which is very similar to that used for "Fish-Fri," is a rectangular cardboard container labelled "Wonderful CHICK-FRI." Zatarain's began to use the term "Chick-Fri" in 1968 and registered the term as a trademark in 1976.

Zatarain's products are not alone in the marketplace. At least four other companies market coatings for fried foods that are denominated "fish fry" or "chicken fry." Two of these competing companies are the appellees here, and therein hangs this fish tale.

Appellee Oak Grove Smokehouse, Inc. ("Oak Grove") began marketing a "fish fry" and a "chicken fry" in March 1979. Both products are packaged in clear glassine packets that contain a quantity of coating mix sufficient to fry enough food for one meal. The packets are labelled with Oak Grove's name and emblem, along with the words "FISH FRY" or "CHICKEN FRY." Oak Grove's "FISH FRY" has a corn flour base seasoned with various spices; Oak Grove's "CHICKEN FRY" is a seasoned coating with a wheat flour base.

B. Out of the Frying Pan, Into the Fire

Zatarain's first claimed foul play in its original complaint filed against Oak Grove on June 19, 1979, in the United States District Court for the Eastern District of Louisiana. The complaint alleged trademark infringement and unfair competition under the Lanham Act §§ 32(1), 43(a), 15 U.S.C. §§ 1114(1), 1125(a) (1976), and La. Rev. Stat. Ann. §51:1405(A) (West Supp. 1982).

The district court found that Zatarain's trademark "Fish-Fri" was a descriptive term with an established secondary meaning, but held that Oak Grove and Visko's had a "fair use" defense to their asserted infringement of the mark. The court further found that Zatarain's trademark "Chick-Fri" was a descriptive term that lacked secondary meaning, and accordingly ordered the trademark registration cancelled.

Battered, but not fried, Zatarain's appeals from the adverse judgment on several grounds. First, Zatarain's argues that its trademark "Fish-Fri" is a suggestive term and therefore not subject to the "fair use" defense. Second, Zatarain's asserts that even if the "fair use" defense is applicable in this case, appellees cannot invoke the doctrine because their use of Zatarain's trademarks is not a good faith attempt to describe their products. Third, Zatarain's urges that the district court erred in cancelling the trademark

registration for the term “Chick-Fri” because Zatarain’s presented sufficient evidence to establish a secondary meaning for the term. For these reasons, Zatarain’s argues that the district court should be reversed. . . .

III. The Trademark Claims

A. Basic Principles

1. Classifications of Marks

The threshold issue in any action for trademark infringement is whether the work or phrase is initially registerable or protectable. Courts and commentators have traditionally divided potential trademarks into four categories. A potential trademark may be classified as (1) generic, (2) descriptive, (3) suggestive, or (4) arbitrary or fanciful. These categories, like the tones in a spectrum, tend to blur at the edges and merge together. The labels are more advisory than definitional, more like guidelines than pigeon-holes. Not surprisingly, they are somewhat difficult to articulate and to apply. *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1183 (5th Cir. 1980); *Vision Center*, 596 F.2d at 115.

A generic term is “the name of a particular genus or class of which an individual article or service is but a member.” *Vision Center*, 596 F.2d at 115; *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). A generic term connotes the “basic nature of articles or services” rather than the more individualized characteristics of a particular product. *American Heritage*, 494 F.2d at 11. Generic terms can never attain trademark protection. *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528 (1924). Further, if at any time a registered trademark becomes generic as to a particular product or service, the mark’s registration is subject to cancellation. Lanham Act §14, 15 U.S.C. §1064(c) (1976). Such terms as aspirin and cellophane have been held generic and therefore unprotectable as trademarks. *See Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921) (aspirin); *Du Pont Cellophane Co. v. Waxed Products Co.*, 85 F.2d 75 (2d Cir. 1936) (cellophane).

A descriptive term “identifies a characteristic or quality of an article or service,” *Vision Center*, 596 F.2d at 115, such as its color, odor, function, dimensions, or ingredients. *American Heritage*, 494 F.2d at 11. Descriptive terms ordinarily are not protectable as trademarks, Lanham Act §2(e)(1), 15 U.S.C. §1052(e)(1) (1976); they may become valid marks, however, by acquiring a secondary meaning in the minds of the consuming public. *See id.* §2(f), 15 U.S.C. §1052(f). Examples of descriptive marks would include “Alo” with reference to products containing gel of the aloe vera plant, *Aloe Creme Laboratories, Inc. v. Milsan, Inc.*, 423 F.2d 845 (5th Cir. 1970), and “Vision Center” in reference to a business offering optical goods and services, *Vision Center*, 596 F.2d at 117. As this court has often noted, the distinction between descriptive and generic terms is one of degree. *Soweco*, 617 F.2d at 1184; *Vision Center*, 596 F.2d at 115 n.11 (citing 3 R. CALLMAN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES §70.4 (3d ed. 1969)). The distinction has important practical consequences, however; while a descriptive term may be elevated to trademark status with

proof of secondary meaning, a generic term may never achieve trademark protection. *Vision Center*, 596 F.2d at 115 n.11.

A suggestive term suggests, rather than describes, some particular characteristic of the goods or services to which it applies and requires the consumer to exercise the imagination in order to draw a conclusion as to the nature of the goods and services. *Soweco*, 617 F.2d at 1184. A suggestive mark is protected without the necessity for proof of secondary meaning. The term “Coppertone” has been held suggestive in regard to sun tanning products. *See Douglas Laboratories, Inc. v. Copper Tan, Inc.*, 210 F.2d 453 (2d Cir. 1954).

Arbitrary or fanciful terms bear no relationship to the products or services to which they are applied. Like suggestive terms, arbitrary and fanciful marks are protectable without proof of secondary meaning. The term “Kodak” is properly classified as a fanciful term for photographic supplies, *see Eastman Kodak Co. v. Weil*, 137 Misc. 506, 243 N.Y.S. 319 (1930) (“Kodak”); “Ivory” is an arbitrary term as applied to soap. *Abercrombie & Fitch*, 537 F.2d at 9 n.6.

2. Secondary Meaning

As noted earlier, descriptive terms are ordinarily not protectable as trademarks. They may be protected, however, if they have acquired a secondary meaning for the consuming public. The concept of secondary meaning recognizes that words with an ordinary and primary meaning of their own “may [after] long use with a particular product, come to be known by the public as specifically designating that product.” *Volkswagenwerk Aktiengesellschaft v. Rickard*, 492 F.2d 474, 477 (5th Cir. 1974). In order to establish a secondary meaning for a term, a plaintiff “must show that the primary significance of the term in the minds of the consuming public is not the product but the producer.” *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938). The burden of proof to establish secondary meaning rests at all times with the plaintiff; this burden is not an easy one to satisfy, for “[a] high degree of proof is necessary to establish secondary meaning for a descriptive term.” *Vision Center*, 596 F.2d at 118 (quoting 3 R. CALLMAN, *supra*, §77.3, at 359). Proof of secondary meaning is an issue only with respect to descriptive marks; suggestive and arbitrary or fanciful marks are automatically protected upon registration, and generic terms are unprotectable even if they have acquired secondary meaning. *See Soweco*, 617 F.2d at 1185 n.20.

3. The “Fair Use” Defense

Even when a descriptive term has acquired a secondary meaning sufficient to warrant trademark protection, others may be entitled to use the mark without incurring liability for trademark infringement. When the allegedly infringing term is “used fairly and in good faith only to describe to users the goods or services of [a] party, or their geographic origin,” Lanham Act §33(b)(4), 15 U.S.C. §1115(b)(4) (1976), a defendant in a trademark infringement action may assert the “fair use” defense. The defense is available only in actions involving descriptive terms and only when the term is used in its

descriptive sense rather than its trademark sense. *Soweco*, 617 F.2d at 1185; see *Venetianaire Corp. v. A & P Import Co.*, 429 F.2d 1079, 1081–1082 (2d Cir. 1970). In essence, the fair use defense prevents a trademark registrant from appropriating a descriptive term for its own use to the exclusion of others, who may be prevented thereby from accurately describing their own goods. *Soweco*, 617 F.2d at 1185. The holder of a protectable descriptive mark has no legal claim to an exclusive right in the primary, descriptive meaning of the term; consequently, anyone is free to use the term in its primary, descriptive sense so long as such use does not lead to customer confusion as to the source of the goods or services. See 1 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §11.17, at 379 (1973).

4. Cancellation of Trademarks

Section 37 of the Lanham Act, 15 U.S.C. §1119 (1976), provides as follows:

In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent Office, and shall be controlled thereby.

This circuit has held that when a court determines that a mark is either a generic term or a descriptive term lacking secondary meaning, the purposes of the Lanham Act are well served by an order cancelling the mark's registration. *American Heritage*, 494 F.2d at 14.

We now turn to the facts of the instant case.

B. "FISH-FRI"³

1. Classification

Throughout this litigation, Zatarain's has maintained that the term "Fish-Fri" is a suggestive mark automatically protected from infringing uses by virtue of its registration in 1962. Oak Grove and Visko's assert that "fish fry" is a generic term identifying a class of foodstuffs used to fry fish; alternatively, Oak Grove and Visko's argue that "fish fry" is merely descriptive of the characteristics of the product. The district court found that "Fish-Fri" was a descriptive term identifying a function of the product being sold. Having reviewed this finding under the appropriate "clearly erroneous" standard, we affirm. See *Vision Center*, 596 F.2d at 113.

We are mindful that "[t]he concept of descriptiveness must be construed rather broadly." 3 R. CALLMAN, *supra*, §70.2. Whenever a word or phrase conveys an immediate idea of the qualities, characteristics, effect, purpose, or ingredients of a product or service, it is classified as descriptive and cannot be claimed as an exclusive trademark. *Id.* §71.1; see *Stix Products, Inc. v. United Merchants & Manufacturers, Inc.*, 295 F.

³ We note at the outset that Zatarain's use of the phonetic equivalent of the words "fish fry"—that is, misspelling it—does not render the mark protectable. *Soweco*, 617 F.2d at 1186 n.24.

Supp. 479, 488 (S.D.N.Y. 1968). Courts and commentators have formulated a number of tests to be used in classifying a mark as descriptive.

A suitable starting place is the dictionary, for “[t]he dictionary definition of the word is an appropriate and relevant indication ‘of the ordinary significance and meaning of words’ to the public.” *American Heritage*, 494 F.2d at 11 n.5. WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 858 (1966) lists the following definitions for the term “fish fry”: “1. a picnic at which fish are caught, fried, and eaten; . . . 2. fried fish.” Thus, the basic dictionary definitions of the term refer to the preparation and consumption of fried fish. This is at least preliminary evidence that the term “Fish-Fri” is descriptive of Zatarain’s product in the sense that the words naturally direct attention to the purpose or function of the product.

The “imagination test” is a second standard used by the courts to identify descriptive terms. This test seeks to measure the relationship between the actual words of the mark and the product to which they are applied. If a term “requires imagination, thought and perception to reach a conclusion as to the nature of goods,” *Stix Products*, 295 F. Supp. at 488, it is considered a suggestive term. Alternatively, a term is descriptive if standing alone it conveys information as to the characteristics of the product. In this case, mere observation compels the conclusion that a product branded “Fish-Fri” is a prepackaged coating or batter mix applied to fish prior to cooking. The connection between this merchandise and its identifying terminology is so close and direct that even a consumer unfamiliar with the product would doubtless have an idea of its purpose or function. It simply does not require an exercise of the imagination to deduce that “Fish-Fri” is used to fry fish. See *Vision Center*, 596 F.2d at 116–17. Accordingly, the term “Fish-Fri” must be considered descriptive when examined under the “imagination test.”

A third test used by courts and commentators to classify descriptive marks is “whether competitors would be likely to need the terms used in the trademark in describing their products.” *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 379 (7th Cir. 1976). A descriptive term generally relates so closely and directly to a product or service that other merchants marketing similar goods would find the term useful in identifying their own goods. *Vision Center*, 596 F.2d at 116–17. Common sense indicates that in this case merchants other than Zatarain’s might find the term “fish fry” useful in describing their own particular batter mixes. While Zatarain’s has argued strenuously that Visko’s and Oak Grove could have chosen from dozens of other possible terms in naming their coating mix, we find this position to be without merit. As this court has held, the fact that a term is not the only or even the most common name for a product is not determinative, for there is no legal foundation that a product can be described in only one fashion. *Vision Center*, 596 F.2d at 117 n.17. There are many edible fish in the sea, and as many ways to prepare them as there are varieties to be prepared. Even piscatorial gastronomes would agree, however, that frying is a form of preparation accepted virtually around the world, at restaurants starred and unstarred. The paucity of synonyms for the words “fish” and “fry” suggests that a merchant whose batter mix is

Factors such as amount and manner of advertising, volume of sales, and length and manner of use may serve as circumstantial evidence relevant to the issue of secondary meaning. *See, e.g., Vision Center*, 596 F.2d at 119. While none of these factors alone will prove secondary meaning, in combination they may establish the necessary link in the minds of consumers between a product and its source. It must be remembered, however, that “the question is not the extent of the promotional efforts, but their effectiveness in altering the meaning of [the term] to the consuming public.” *Aloe Creme Laboratories*, 423 F.2d at 850.

Since 1950, Zatarain’s and its predecessor have continuously used the term “Fish-Fri” to identify this particular batter mix. Through the expenditure of over \$400,000 for advertising during the period from 1976 through 1981, Zatarain’s has promoted its name and its product to the buying public. Sales of twelve-ounce boxes of “Fish-Fri” increased from 37,265 cases in 1969 to 59,439 cases in 1979. From 1964 through 1979, Zatarain’s sold a total of 916,385 cases of “Fish-Fri.” The district court considered this circumstantial evidence of secondary meaning to weigh heavily in Zatarain’s favor.

In addition to these circumstantial factors, Zatarain’s introduced at trial two surveys conducted by its expert witness, Allen Rosenzweig. In one survey, telephone interviewers questioned 100 women in the New Orleans area who fry fish or other seafood three or more times per month. Of the women surveyed, twenty-three percent specified Zatarain’s “Fish-Fri” as a product they “would buy at the grocery to use as a coating” or a “product on the market that is especially made for frying fish.” In a similar survey conducted in person at a New Orleans area mall, twenty-eight of the 100 respondents answered “Zatarain’s ‘Fish-Fri’” to the same questions. . . .

The authorities are in agreement that survey evidence is the most direct and persuasive way of establishing secondary meaning. *Vision Center*, 596 F.2d at 119; 1 J. MCCARTHY, *supra*, §15.12(D). The district court believed that the survey evidence produced by Zatarain’s, when coupled with the circumstantial evidence of advertising and usage, tipped the scales in favor of a finding of secondary meaning. Were we considering the question of secondary meaning *de novo*, we might reach a different conclusion than did the district court, for the issue is close.

Mindful, however, that there is evidence in the record to support the finding below, we cannot say that the district court’s conclusion was clearly erroneous. Accordingly, the finding of secondary meaning in the New Orleans area for Zatarain’s descriptive term “Fish-Fri” must be affirmed.

3. The “Fair Use” Defense

Although Zatarain’s term “Fish-Fri” has acquired a secondary meaning in the New Orleans geographical area, Zatarain’s does not now prevail automatically on its trademark infringement claim, for it cannot prevent the fair use of the term by Oak Grove and Visko’s. The “fair use” defense applies only to descriptive terms and requires that the term be “used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin.” Lanham Act §33(b), 15 U.S.C. §1115(b)(4)

(1976). The district court determined that Oak Grove and Visko's were entitled to fair use of the term "fish fry" to describe a characteristic of their goods; we affirm that conclusion.

Zatarain's term "Fish-Fri" is a descriptive term that has acquired a secondary meaning in the New Orleans area. Although the trademark is valid by virtue of having acquired a secondary meaning, only that penumbra or fringe of secondary meaning is given legal protection. Zatarain's has no legal claim to an exclusive right in the original, descriptive sense of the term; therefore, Oak Grove and Visko's are still free to use the words "fish fry" in their ordinary, descriptive sense, so long as such use will not tend to confuse customers as to the source of the goods. *See* 1 J. MCCARTHY, *supra*, §11.17.

The record contains ample evidence to support the district court's determination that Oak Grove's and Visko's use of the words "fish fry" was fair and in good faith. Testimony at trial indicated that the appellees did not intend to use the term in a trademark sense and had never attempted to register the words as a trademark. Oak Grove and Visko's apparently believed "fish fry" was a generic name for the type of coating mix they manufactured. In addition, Oak Grove and Visko's consciously packaged and labelled their products in such a way as to minimize any potential confusion in the minds of consumers. The dissimilar trade dress of these products prompted the district court to observe that confusion at the point of purchase—the grocery shelves—would be virtually impossible. Our review of the record convinces us that the district court's determinations are correct. We hold, therefore, that Oak Grove and Visko's are entitled to fair use of the term "fish fry" to describe their products; accordingly, Zatarain's claim of trademark infringement must fail.

C. "CHICK-FRI"

1. *Classification*

Most of what has been said about "Fish-Fri" applies with equal force to Zatarain's other culinary concoction, "Chick-Fri." "Chick-Fri" is at least as descriptive of the act of frying chicken as "Fish-Fri" is descriptive of frying fish. It takes no effort of the imagination to associate the term "Chick-Fri" with Southern fried chicken. Other merchants are likely to want to use the words "chicken fry" to describe similar products, and others have in fact done so. Sufficient evidence exists to support the district court's finding that "Chick-Fri" is a descriptive term; accordingly, we affirm.

2. *Secondary Meaning*

The district court concluded that Zatarain's had failed to establish a secondary meaning for the term "Chick-Fri." We affirm this finding. The mark "Chick-Fri" has been in use only since 1968; it was registered even more recently, in 1976. In sharp contrast to its promotions with regard to "Fish-Fri," Zatarain's advertising expenditures for "Chick-Fri" were mere chickenfeed; in fact, Zatarain's conducted no direct advertising campaign to publicize the product. Thus the circumstantial evidence presented in support of a secondary meaning for the term "Chick-Fri" was paltry.

Allen Rosenzweig's survey evidence regarding a secondary meaning for "Chick-Fri" also "lays an egg." The initial survey question was a "qualifier": "Approximately how many times in an average month do you, yourself, fry fish or other seafood?" Only if respondents replied "three or more times a month" were they asked to continue the survey. This qualifier, which may have been perfectly adequate for purposes of the "Fish-Fri" questions, seems highly unlikely to provide an adequate sample of potential consumers of "Chick-Fri." This survey provides us with nothing more than some data regarding fish friers' perceptions about products used for frying chicken. As such, it is entitled to little evidentiary weight.¹⁰

It is well settled that Zatarain's, the original plaintiff in this trademark infringement action, has the burden of proof to establish secondary meaning for its term. *Vision Center*, 596 F.2d at 118. This it has failed to do. The district court's finding that the term "Chick-Fri" lacks secondary meaning is affirmed.

COMMENTS AND QUESTIONS

1. *Geographic Scope of Secondary Meaning.* Note that in *Zatarain's*, the survey sample is drawn from a relatively small area—the New Orleans metropolitan region. Trademark law limits trademark protection for unregistered descriptive marks to the geographic scope of secondary meaning. Lou Adray opened a discount electronics store in Orange County, bordering Los Angeles County, in 1968. Other members of the family operated other "Adray's" discount electronics stores in Southern California until 1979, when they sold their businesses, including the right to use the "Adray's" name, to Adry-Mart, which has since operated several "Adray's" stores in Los Angeles County. When Adry-Mart opened another "Adray's" store about five miles from Orange County, Lou Adray sought a preliminary injunction. The Ninth Circuit held that the district court was correct in instructing the jury that for Lou to receive damages he must show secondary meaning in the market areas in which Adry-Mart operated its Orange County stores. *Adray v. Adry-Mart, Inc.*, 76 F.3d 984 (9th Cir. 1996), *amending* 68 F.3d 362 (9th Cir. 1995). The court observed that there was no possibility that Lou could show national secondary meaning. The court further held that it was clear error for the district court to find that Adry-Mart's market included all of Los Angeles County; the evidence established that in some parts of the county Lou Adray had a bigger market share than Adry-Mart. The court remanded the case for reconsideration of the geographic scope of each business.

The *Adray* court distinguished *Fuddrucker's, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837 (9th Cir. 1987), where the Ninth Circuit held that Fuddrucker's, a national chain, was not required to establish secondary meaning in a particular disputed area if

¹⁰ Even were we to accept the results of the survey as relevant, the result would not change. In the New Orleans area, only 11 of the 100 respondents in the telephone survey named "Chick-Fri," "chicken fry," or Zatarain's "Chick-Fri" as a product used as a coating for frying chicken. Rosenzweig himself testified that this number was inconclusive for sampling purposes. Thus the survey evidence cannot be said to establish a secondary meaning for the term "Chick-Fri."

it could “show that its trade dress had acquired secondary meaning among some substantial portion of consumers nationally.” The court explained that “restaurant customers travel” and “Fuddruckers should be permitted to show that its trade dress had acquired secondary meaning among some substantial portion of consumers nationally.” *Id.* at 844. The court also noted that the defendants adopted their trade dress in bad faith. They opened their similarly designed restaurant after negotiations with Fuddrucker’s to open a licensed franchise had collapsed.

How does this geographic limitation interact with the doctrines governing the conflict between junior common law users of a mark and a senior, federally registered mark owner? To achieve registration and therefore nationwide protection, the Trademark Office has generally required applicants for federal registration (which confers presumptively nationwide protection) to show more than secondary meaning in a limited area. *See Philip Morris, Inc. v. Liggett & Myers Tobacco Co.*, 139 U.S.P.Q. 240 (TTAB 1963). They do not, however, need to show that that secondary meaning is nationwide. Zatarain’s had a federal registration and therefore constructive notice of nationwide claim of ownership.

2. *Should Suggestive Marks Be Treated as Inherently Distinctive?* Suggestive marks are classed with inherently distinctive marks, but many of them clearly communicate some information about the product. *See, e.g., Am. Dairy Queen Corp. v. W.B. Mason Co.*, 543 F. Supp. 3d 695, 705 (D. Minn. 2021) (BLIZZARD is suggestive for ice cream because it requires imagination and reasoning by consumers to make the connection between the cold connotations of the word ‘blizzard’ and the product). Should suggestive marks get less protection than other inherently distinctive marks? *Compare M2 Software, Inc. v. Madacy Entm’t*, 421 F.3d 1073, 1081 (9th Cir. 2005) (stating that suggestive marks, like descriptive marks, are “conceptually weak”), *with Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984) (stating that suggestive marks are considered “strong” as well as “presumptively valid” (quoting *Del Labs., Inc. v. Alleghany Pharmacal Corp.*, 516 F. Supp. 777, 780 (S.D.N.Y. 1981)); *see generally* Jake Linfood, *The False Dichotomy Between Suggestive and Descriptive Trademarks*, 76 OHIO ST. L.J. 1367, 1402-21 (2015) (arguing that suggestive marks should be required to establish secondary meaning). Note that distinctiveness comes into play again at the infringement and remedies stages.

3. *Proving Secondary Meaning.* The test of secondary meaning is very fact-specific and relies on the reactions of consumers to a term, generally as tested through consumer surveys. The Federal Circuit set forth a representative group of factors:

the considerations to be assessed in determining whether a mark has acquired secondary meaning can be described by the following six factors: (1) association of the trade dress with a particular source by actual purchasers (typically measured by customer surveys); (2) length, degree, and exclusivity of use; (3) amount and manner of advertising; (4) amount of sales and number of customers; (5)

intentional copying; and (6) unsolicited media coverage of the product embodying the mark. . . . All six factors are to be weighed together in determining the existence of secondary meaning.

Converse, Inc. v. International Trade Comm'n, 909 F.3d 1110 (Fed. Cir. 2018).

What is the proper role of circumstantial evidence of secondary meaning, such as advertising expenditures, the commercial success of the product, and attempts at imitation? Such evidence is generally allowed by courts in cases where secondary meaning is at issue. But should it be? If it is clear, for example, that advertising expenditures have been completely ineffective in swaying the public, is the fact of such expenditures relevant? The answer may depend on your views as to why we are protecting trademarks. If our goal is to provide incentives for businesses to invest in marks (and therefore in quality control), we may want to encourage such expenditures directly.

4. *Fair use*. The trademark fair use doctrine differs from the copyright fair use doctrine. Trademark fair use refers to the right of competitors to use a term for its ordinary meaning to describe a product or service. See *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055 (7th Cir. 1995) (upholding use of the term “sweet-tart” to describe the flavor of a cranberry juice drink as fair notwithstanding trademark protection of “Sweettarts” for candy). In *KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004), the Supreme Court held that “some possibility of consumer confusion must be compatible with fair use.” The availability of the defense depends on a balance of factors, including the extent of any likely consumer confusion, accuracy of use, commercial justification, and mark strength. See RESTATEMENT OF UNFAIR COMPETITION §28. We explore this defense in more detail in Section E(3).

5. *Foreign Descriptive Terms*. In some circumstances, it may not even be clear that a term is descriptive. Consider the problem of terms that are descriptive in a language other than English. The doctrine of foreign equivalents holds that foreign words must be translated into English for purposes of determining their protectability. Application of this doctrine, however, has been uneven. Is “La Posada” (Spanish for “inn”) descriptive of lodging services? Does it matter whether a substantial portion of the clientele speaks Spanish? See *In re Pan Tex Hotel Corp.*, 190 U.S.P.Q. 109 (TTAB 1976) (La Posada is not descriptive because it is unlikely that consumers will translate the name into English); *Palm Bay Imports v. Veuve Clicquot*, 396 F.3d 1369 (Fed. Cir. 2005) (“Veuve Clicquot” not confusingly similar to “The Widow,” since most American consumers won’t know that “veuve” is French for “widow”; “[t]he doctrine of foreign equivalents is not an absolute rule and should be viewed merely as a guideline. . . applied only when it is likely that the ordinary American purchaser would stop and translate the word into its English equivalent.”). Compare *In re Hag Aktiengesellschaft*, 155 U.S.P.Q. 598 (TTAB 1967) (“Kaba,” meaning coffee in Arabic, is descriptive of coffee). Similarity of meaning in translation is important, but not determinative, in deciding the issue of descriptiveness. The relation in sight and sound between the English and foreign terms is also important; “a much closer approximation [between the meaning of the foreign term and the English equivalent] is necessary to justify a refusal to register

on that basis alone where the marks otherwise are totally dissimilar.” *In re Sarkli, Ltd.*, 220 U.S.P.Q. 111, 113 (Fed. Cir. 1983).

The quantitative measure of how many consumers are confused is also important with respect to the doctrine of “foreign equivalents.” This rule comes into play when a foreign word or phrase is sought to be registered, and the word is said to be descriptive in the language from which it is drawn, or is said to indicate a geographic origin that is not in fact true. For example, in a case where a company selling vodka sought to register “Moskovskaya” for vodka, the PTO refused registration; Moskovskaya in Russian means literally “of or from Moscow,” and the vodka was not manufactured there. The Federal Circuit reversed the PTO, holding that it had misinterpreted the provision on marks that are “primarily geographically deceptively misdescriptive” under 15 U.S.C. §1052(e)(3). *In re Spirits Int’l, N.V.*, 563 F.3d 1347, 1349 (Fed. Cir. 2009) “[T]he appropriate inquiry,” the Federal Circuit said, “is whether a substantial portion of the relevant consumers is likely to be deceived, not whether any absolute number or particular segment of the relevant consumers (such as foreign language speakers) is likely to be deceived.” *Id.*, at 1353. The court remanded for a finding concerning whether the vodka was aimed primarily at Russian speakers. If so, a “substantial” number of consumers might be deceived. If it was aimed at the general population, however, where only 0.25% speak Russian, it would not be deceptive. *Id.*, at 1357; *see also In re New Yorker Cheese Co.*, 130 U.S.P.Q. 120 (TTAB 1961) (descriptive term in Polish unprotectable for canned ham marketed toward the Polish community); *cf. In re Taverna Izakaya LLC*, 2021 WL 5411210, *5 (TTAB 2021) holding that the term “Taverna Costera” could be registered with disclaimer of “Taverna,” which is recognized as an English word for a type of restaurant, whereas “Costera” is a Spanish word for “coastal”; “Because the evidence of record does not support a finding that consumers would stop and translate the two different-language words comprising the TAVERNA COSTERA mark and instead would perceive the mark as it is, we decline to apply the doctrine of foreign equivalents. The mark as a whole is not descriptive and at most it suggests, through the use of this particular combination of words from multiple languages, a ‘fusion’ of cuisines.” (footnote omitted)).

Whatever the logic of the foreign translation rule, it is inconsistently applied. The TTAB, for instance, has concluded that Le Sorbet is a foreign equivalent that must be translated and is therefore descriptive but that La Yogurt is not. *Compare In re Le Sorbet, Inc.*, 228 U.S.P.Q. 27 (TTAB 1985) (finding combination of foreign-language term preceded by foreign-language article to be descriptive) *with In re Johanna Farms Inc.*, 8 U.S.P.Q.2d 1408 (TTAB 1988) (reasoning that the combination of an English generic noun and a French article creates the impression of a brand name rather than a descriptive term).

6. *Acronyms.* One possible way around a finding that a term is descriptive (or generic) is to alter the term, either by misspelling it or by using an acronym. This, and not an intrinsic aversion to proper spelling, explains the profusion of product names with

geographical usage so as to avoid likelihood of confusion. Courts will often accommodate these competing interests by requiring junior users to employ disclaimers, prefixes, suffixes, and other means of reducing confusion. *See generally* MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §14.07.

9. *Prefixes.* The Trademark Trial and Appeal Board has held that use of the letter “e” as a prefix in front of a commonly known and understood word—such as “eFashion”—yields a descriptive term for an online retailer. *See In re Styleclick*, 57 U.S.P.Q.2d 1445 (TTAB 2000). In a companion case, the TTAB held that use of the word “virtual” in front of a common word—as in “Virtual Fashion”—also results in a descriptive term. *See In re Styleclick*, 57 U.S.P.Q.2d 1523 (TTAB 2000). How about Apple’s family of products beginning with “i”?

PROBLEM V-1

Where do the following terms—all of which are used for retail frozen yogurt shops that offer a wide range of flavors—fit along the trademark distinctiveness spectrum:

- a. Pink Berry
- b. I Can’t Believe It’s Yogurt!
- c. Sweet Frog
- d. TCBY (acronym for “The Country’s Best Yogurt”)
- e. Yogilicious

ii. *Genericness*

For a term to serve the purpose of a trademark, it must point to a unique source. When a term refers instead to a general class of products, it is deemed “generic” and cannot serve as a trademark. “Toyota” is a source of products, a species; “car” is a class of products—a genus.

The determination of genericness turns, like much of trademark analysis, on consumer perception. Courts commonly use consumer surveys to assess whether the consuming public views a term as an indicator of source or a general class of products. The standard survey instrument used to assess genericness was employed in a case involving TEFLON, the non-stick coating developed by DuPont. *See E.I. DuPont De Nemours & Co. v. Yoshida International*, 393 F. Supp. 502 (E.D.N.Y. 1976). The defendant, using the term EFLON for a nylon zipper, contended that TEFLON had become generic. DuPont’s survey asked consumers whether various terms—STP (a gasoline additive), THERMOS, MARGARINE, TEFLON, JELLO, REFRIGERATOR, ASPIRIN, COKE—were brand names or common names. The court found persuasive the fact that 68% of respondents identified TEFLON as a brand name. *See id.* at 526-27.³

³ Notably, 6% of respondents in that survey thought “refrigerator” was a brand name owned by one company. One of the problems trademark surveys must confront is that some consumers walk around in a

Generic terms are either “born generic,” i.e., refused registration on the Principal Register because they are generic *ab initio*, see, e.g., *Schwan’s IP, LLC v. Kraft Pizza Co.*, 379 F. Supp. 2d 1016 (D. Minn. 2005), *aff’d*, 460 F.3d 971 (8th Cir. 2006) (“Brick Oven Pizza” was generic) or they become generic over time through a process called “genericide.” In *United States Patent & Trademark Office v. Booking.com*, 140 S.Ct. 2298 (2020), the Court held that the test for genericness was the same regardless of whether a term was alleged to be born generic or to have become generic through usage. The Court defined the basic principles for determining genericness:

[S]everal guiding principles are common ground. First, a “generic” term names a “class” of goods or services, rather than any particular feature or exemplification of the class. See §§1127, 1064(3), 1065(4) (referring to “the generic name for the goods or services”); *Park ’N Fly*, 469 U. S., at 194 (“A generic term is one that refers to the genus of which the particular product is a species.”). Second, for a compound term, the distinctiveness inquiry trains on the term’s meaning as a whole, not its parts in isolation. See *Estate of P. D. Beckwith, Inc. v. Commissioner of Patents*, 252 U. S. 538, 545–546 (1920). Third, the relevant meaning of a term is its meaning to consumers. See *Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (SDNY 1921) (Hand, J.) (“What do the buyers understand by the word for whose use the parties are contending?”). Eligibility for registration, all agree, turns on the mark’s capacity to “distinguish[h]” goods “in commerce.” §1052. Evidencing the Lanham Act’s focus on consumer perception, the section governing cancellation of registration provides that “[t]he primary significance of the registered mark to the relevant public . . . shall be the test for determining whether the registered mark has become the generic name of goods or services.” §1064(3).



Elliott v. Google Inc.
United States Court of Appeals for the Ninth Circuit
860 F.3d 1151 (9th Cir. 2017)

TALLMAN, CIRCUIT JUDGE:

I.

Between February 29, 2012, and March 10, 2012, Chris Gillespie used a domain name registrar to acquire 763 domain names that included the word “google.” Each of these domain names paired the word “google” with some other term identifying a specific brand, person, or product—for example, “googledisney.com,” “googlebarackobama.net,” and “googlenewtv.com.”

state of perpetual confusion. A good survey should distinguish attitudes about the brand from general confusion not directed to the brand. Survey researchers include control questions so as to be able to identify and control for such noise. That is why the TEFLON survey included a term that has no brand significance.

Google, Inc. (“Google”) objected to these registrations and promptly filed a complaint with the National Arbitration Forum (“NAF”), which has authority to decide certain domain name disputes under the registrar’s terms of use. Google argued that the registrations violate the Uniform Domain Name Dispute Resolution Policy, which is included in the registrar’s terms of use, and amount to domain name infringement, colloquially known as “cybersquatting.” Specifically, Google argued that the domain names are confusingly similar to the GOOGLE trademark and were registered in bad faith. The NAF agreed, and transferred the domain names to Google on May 10, 2012.

Shortly thereafter, David Elliott filed, and Gillespie later joined, an action in the Arizona District Court. Elliott petitioned for cancellation of the GOOGLE trademark under the Lanham Act, which allows cancellation of a registered trademark if it is primarily understood as a “generic name for the goods or services, or a portion thereof, for which it is registered.” 15 U.S.C. §1064(3). Elliott petitioned for cancellation on the ground that the word “google” is primarily understood as “a generic term universally used to describe the act[] of internet searching.”

On September 23, 2013, the parties filed cross-motions for summary judgment on the issue of genericness. Elliott requested summary judgment because (1) it is an indisputable fact that a majority of the relevant public uses the word “google” as a verb—i.e., by saying “I googled it,” and (2) verb use constitutes generic use as a matter of law. Google maintained that verb use does not automatically constitute generic use, and that Elliott failed to create even a triable issue of fact as to whether the GOOGLE trademark is generic. Specifically, Google argued that Elliott failed to present sufficient evidence to support a jury finding that the relevant public primarily understands the word “google” as a generic name for internet search engines. The district court agreed with Google and its framing of the relevant inquiry, and granted summary judgment in its favor.

... For the reasons described below, we reject both of Elliott’s arguments and affirm summary judgment for Google.

II.

...

Over time, the holder of a valid trademark may become a “victim of ‘genericide.’” *Freecycle Network, Inc. v. Oey*, 505 F.3d 898, 905 (9th Cir. 2007) (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §12:1 (4th ed. 1998) [hereinafter McCarthy]). Genericide occurs when the public appropriates a trademark and uses it as a generic name for particular types of goods or services irrespective of its source. For example, ASPIRIN, CELLOPHANE, and ESCALATOR were once protectable as arbitrary or fanciful marks because they were primarily understood as identifying the source of certain goods. But the public appropriated those marks and now primarily understands aspirin, cellophane, and escalator as generic names for those same goods. The original holders of the ASPIRIN, CELLOPHANE, and ESCALATOR marks are thus victims of genericide.

The question in any case alleging genericide is whether a trademark has taken the “fateful step” along the path to genericness. The mere fact that the public sometimes uses a trademark as the name for a unique product does not immediately render the mark generic. See 15 U.S.C. §1064(3). Instead, a trademark only becomes generic when the “primary significance of the registered mark to the relevant public” is as the name for a particular type of good or service irrespective of its source. *Id.*

We have often described this as a “who-are-you/what-are-you” test. See *Yellow Cab Co. of Sacramento v. Yellow Cab of Elk Grove, Inc.*, 419 F.3d 925, 929 (9th Cir. 2005) (quoting *Filipino Yellow Pages, Inc.*, 198 F.3d at 1147). If the relevant public primarily understands a mark as describing “who” a particular good or service is, or where it comes from, then the mark is still valid. But if the relevant public primarily understands a mark as describing “what” the particular good or service is, then the mark has become generic. In sum, we ask whether “the primary significance of the term in the minds of the consuming public is [now] the product [and not] the producer.” *Kellogg Co. v. Nat’l Biscuit Co.*, 305 U.S. 111, 118 (1938).

A.

On appeal, Elliott claims that he has presented sufficient evidence to create a triable issue of fact as to whether the GOOGLE trademark is generic, and that the district court erred when it granted summary judgment for Google. . . .

We conclude that Elliott’s proposed inquiry is fundamentally flawed for two reasons. First, Elliott fails to recognize that a claim of genericide must always relate to a particular type of good or service. Second, he erroneously assumes that verb use automatically constitutes generic use. For similar reasons, we conclude that the district court did not err in its formulation of the relevant inquiry under the primary significance test.

First, we take this opportunity to clarify that a claim of genericide or genericness must be made with regard to a particular type of good or service. . . . Elliott claims that the word “google” has become a generic name for “the act” of searching the internet, and argues that the district court erred when it focused on internet search engines. We reject Elliott’s criticism and conclude that the district court properly recognized the necessary and inherent link between a claim of genericide and a particular type of good or service.

This requirement is clear from the text of the Lanham Act, which allows a party to apply for cancellation of a trademark when it “becomes the generic name for the *goods or services* . . . for which it is registered.” 15 U.S.C. §1064(3) (emphasis added). The Lanham Act further provides that “[i]f the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those *goods or services* may be filed.” *Id.* (emphasis added). Finally, the Lanham Act specifies that the relevant question under the primary significance test is “whether the registered mark has become the generic name of [certain] *goods or services*.” *Id.* (emphasis added). In this way, the Lanham Act plainly requires that a claim of genericide relate to a particular type of good or service.

ordered “a coke,” i.e., used the mark as a noun, failed to show “what . . . customers [were] thinking,” or whether they had a particular source in mind. *Id.* at 1255.

If Elliott were correct that a trademark can only perform its source-identifying function when it is used as an adjective, then we would not have cited a need for evidence regarding the customers’ inner thought processes. Instead, the fact that the customers used the trademark as a noun and asked for “a coke” would prove that they had no particular source in mind. In this way, we have implicitly rejected Elliott’s theory that a trademark can only serve a source-identifying function when it is used as an adjective.

For these reasons, the district court correctly rejected Elliott’s theory that verb use automatically constitutes generic use. . . . We have already acknowledged that a customer might use the noun “coke” in an indiscriminate sense, with no particular cola beverage in mind; or in a discriminate sense, with a Coca-Cola beverage in mind. In the same way, we now recognize that an internet user might use the verb “google” in an indiscriminate sense, with no particular search engine in mind; or in a discriminate sense, with the Google search engine in mind. . . .

B.

. . .

A party applying for cancellation of a registered trademark bears the burden of proving genericide by a preponderance of the evidence. Moreover, the holder of a registered trademark benefits from a presumption of validity and has “met its [initial] burden of demonstrating” the lack of “a genuine issue of material fact” regarding genericide. *Coca-Cola Co.*, 692 F.2d at 1254. Therefore, in light of the relevant inquiry under the primary significance test, Elliott was required to identify sufficient evidence to support a jury finding that the primary significance of the word “google” to the relevant public is as a name for internet search engines generally and not as a mark identifying the Google search engine in particular.

At summary judgment, the district court assumed that a majority of the public uses the verb “google” to refer to the act of “searching on the internet without regard to [the] search engine used.” In other words, it assumed that a majority of the public uses the verb “google” in a generic and indiscriminate sense. The district court then concluded that this fact, on its own, cannot support a jury finding of genericide under the primary significance test. We agree.

As explained above, a claim of genericide must relate to a particular type of good. Even if we assume that the public uses the verb “google” in a generic and indiscriminate sense, this tells us nothing about how the public primarily understands the word itself, irrespective of its grammatical function, with regard to internet search engines. As explained below, we also agree that Elliott’s admissible evidence only supports the favorable but insufficient inference already drawn by the district court—that a majority of the public uses the verb “google” in a generic sense. Standing in isolation, this fact is insufficient to support a jury finding of genericide. The district court therefore properly granted summary judgment for Google. . . .

[The court ruled that although consumer surveys may be used to support a genericide claim, two of Elliott's surveys were inadmissible because they were not conducted by a qualified expert and the third went no further than the favorable inference (finding that consumers use the verb "google" in a generic or indiscriminate sense) that the district court had drawn.]

We next consider Elliott's examples of alleged generic use by the media and by consumers. Documented examples of generic use might support a claim of genericide if they reveal a prevailing public consensus regarding the primary significance of a registered trademark. *See* MCCARTHY §12:13 (explaining that generic use by the media is a "strong indication of the general public's perception") (quoting *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 101 (2d Cir. 1989)). However, if the parties offer competing examples of both generic and trademark use, this source of evidence is typically insufficient to prove genericide. *See id.*

Initially, we note that Elliott's admissible examples are only examples of verb use.

...

Next, we consider Elliott's proffered dictionary evidence. *See* MCCARTHY §12:13 (noting that dictionary definitions are "sometimes persuasive in determining public usage"). Elliott does not present any examples where "google" is defined as a generic name for internet search engines. Instead, Elliott presents secondary definitions where google is defined as a verb. *See, e.g.*, Google, Collins EnglishDictionary.com, <https://www.collinsdictionary.com/dictionary/english/google> (last visited Apr. 15, 2017) (defining google primarily as a "trademark" but secondarily as a verb meaning "to search for (something on the internet) using a search engine"); Google, Dictionary.com, <http://dictionary.reference.com/browse/google> (last visited Apr. 15, 2017) (defining google primarily as the "brand name of a leading Internet search engine" but secondarily as a verb meaning "to search the Internet for information about [something]"). Once again, Elliott's proffered dictionary evidence only supports the favorable inference already drawn by the district court.

Next, we consider Elliott's claim that Google has used its own trademark in a generic sense. Generic use of a mark by the holder of that mark can support a finding of genericide. *See* MCCARTHY §12:13. However, Elliott has not presented an example of generic use by Google. Instead, Elliott has presented an email from Google cofounder Larry Page, which encourages recipients to "[h]ave fun and keep googling!" Once again, Elliott relies on an example of verb use. . . .

Finally, we consider Elliott's claim that there is no efficient alternative for the word "google" as a name for "the act" of searching the internet regardless of the search engine used. Once again, a claim of genericide must relate to a particular type of good or service. In order to show that there is no efficient alternative for the word "google" as a generic term, Elliott must show that there is no way to describe "internet search engines" without calling them "googles." Because not a single competitor calls its search engine "a google," and because members of the consuming public recognize and refer to dif-

ferent “internet search engines,” Elliott has not shown that there is no available substitute for the word “google” as a generic term. *Compare, e.g., Q-Tips, Inc. v. Johnson & Johnson*, 108 F. Supp. 845, 863 (D.N.J. 1952) (concluding that “medical swab” and “cotton-tipped applicator” are efficient alternatives for Q-Tips); with *Bayer Co.*, 272 F. at 505 (concluding that there is no efficient substitute for the generic term “aspirin” because consumers do not know the term “acetyl salicylic acid”); *see also Sofibelly’s Inc.*, 353 F.3d at 531 (explaining that genericide does not typically occur “until the trademark has gone so far toward becoming the exclusive descriptor of the product that sellers of competing brands cannot compete effectively without using the name”). . . .

III.

. . . We agree that Elliott has failed to present sufficient evidence to support a jury finding that the relevant public primarily understands the word “google” as a generic name for internet search engines and not as a mark identifying the Google search engine in particular. We therefore affirm the district court’s grant of summary judgment. . . .

AFFIRMED.

WATFORD, J., concurring:

I join the court’s well-reasoned opinion with one caveat. To resolve this appeal, we need not decide whether evidence of a trademark’s “indiscriminate” verb use could ever tell us something about whether the public primarily thinks of the mark as the generic name for a type of good or service. To the extent the court’s opinion can be read as taking a position on that question, I decline to join that aspect of its reasoning.

We don’t need to resolve whether evidence of indiscriminate verb use is categorically irrelevant in an action alleging that a trademark has become generic because, on this record, no rational jury could find in the plaintiffs’ favor even taking into account the flimsy evidence of indiscriminate verb use they produced. In support of its motion for summary judgment, Google produced overwhelming evidence that the public primarily understands the word “Google” as a trademark for its own search engine, not the name for search engines generally. In Google’s consumer survey, 93% of respondents identified “Google” as a brand name, rather than a common name for search engines. In every dictionary in the record, the first entry for “Google” or “google” refers to Google’s search engine. Google extracted concessions from the plaintiffs’ expert linguists that Google functions as a trademark for Google’s search engine. Google also submitted evidence showing that it uses its trademark to refer only to its own search engine, that it polices infringement by others, and that its competitors refrain from using the trademark to refer to their own search engines. Finally, Google offered evidence showing that major media outlets use “Google” to refer exclusively to Google’s search engine. . . .

COMMENTS AND QUESTIONS

1. *Generic.com*. Many domain names (e.g., pets.com) begin as descriptive or generic terms with a generic suffix (.com) but then build source identification and goodwill

over time because of the uniqueness of the cyberspace address. Drawing on the common-law principle reflected in *Goodyear's India Rubber Glove Mfg. Co. v. Goodyear Rubber Co.*, 128 U. S. 598, 602 (1888), the U.S. PTO rejected registrations of generic terms followed by “.com”. The Supreme Court overturned this categorical rule in *United States Patent & Trademark Office v. Booking.com*, 140 S.Ct. 2298 (2020). It held that the fact that a .com domain resolved to a particular website meant that consumers could come to associate the generic words “booking” and “.com” with that website, and if they did the law should protect that association. In dissent, Justice Breyer countered that the exclusivity of booking.com was already protected by the unique digital address conferred by owning its domain name, and that the only purpose for giving booking.com a trademark was to allow it to sue others using similar generic terms, such as “eBook-ing.com”.

2. *Preventing and Policing Genericide.* Terms that were once trademarks but have since become generic include aspirin, elevator, escalator, and thermos. More recent rulings have held “bottled at the source” generic for bottled water, *CG Roxane LLC v. Fiji Water Co.*, 569 F. Supp. 2d 1019 (N.D. Cal. 2008), “Texas Toast” generic for croutons, *T. Marzetti Co. v. Roskam Baking Co.*, 680 F.3d 629 (6th Cir. 2012); and “duck tours” generic for amphibious city tours, *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 531 F.3d 1 (1st Cir. 2008).

Companies often fight vigorously to prevent their trademarks from becoming generic through casual usage. Consider the strong message sent by Xerox Corporation in the following advertisement. Velcro®, the inventor and first manufacturer of a fastener that combines two lineal fabric strips—one with tiny hooks and the other with soft, fuzzy loops—is actively campaigning to prevent “velcro” from becoming a generic term for this type of fastening system. Like Thermos and Xerox, Velcro® became the early exclusive supplier of this product through utility patent protection. It has taken out a “Don’t Say Velcro” advertisement campaign publicizing the term “hook-and-loop” as the generic term for this fastener class, although consumers have been slow to use this term.

Apart from general advertising such as this, firms also police the uses of their marks via lawsuits. *See, e.g., Selchow & Righter Co. v. McGraw-Hill Book Co.*, 580 F.2d 25 (2d Cir. 1978) (granting Scrabble trademark holder preliminary injunction against publisher of “The Scrabble Dictionary,” on grounds that publication would cause irreparable injury by possibly rendering trademark generic); Elliot Staffin, *The Dilution Doctrine: Towards a Reconciliation with the Lanham Act*, 6 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 105, 117 (1995) (collecting cases finding that dilution causes of action may lie against those employing a trademark in a way that threatens to make it generic). *Cf. Ralph H. Folsom & Larry L. Teply, Trademarked Generic Words*, 89 YALE L.J. 1323, 1346–47 n.110 (1980) (describing organized efforts of trademark attorneys to pressure dictionary publishers into excluding trademarked words and/or including disclaimers, and arguing that inclusion in a dictionary should not bear on genericide issue). This latter form of policing may explain a finding in William M. Landes & Richard A.

that the next best alternative descriptor is significantly less effective? *Cf.* Folsom & Teply, 89 YALE L.J. at 1344 (noting that some alternative terms are better than others; comparing “lip balm” as alternative to “Chap Stick”; with “dextro-amphetamine sulphate” as alternative to “Dexadrine.”)

Can you see a less benign motive for expenditures to maintain the trademark status of a word that has become a widely used name for a product class? *See* Folsom & Teply, *supra*, at 1337 (suggesting two: (1) to maintain entry barriers to competition; and (2) to obtain “free advertising” every time someone uses the trademarked word to refer to a product class). This perspective points away from a per se rule that significant policing expenditures alone can preserve the trademark status of a term. Moreover, to the extent that firms attempt to police the noncommercial use of marks, there may be a significant effect on the free flow of information and ideas. *See* Leah Chan Grinvald, *Policing the Cease and Desist Letter*, 49 U.S.F. L. REV. 411 (2015) (noting the role of trademark policing in over-enforcement and in *terrorem* threats against legitimate uses). The First Amendment comes into play in these situations, but only if defendants choose to fight rather than capitulate.

3. In *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 116–18 (1938), Justice Brandeis set out a classic discussion of “genericide,” though one infused also with elements of functionality and descriptiveness/secondary meaning:

The plaintiff has no exclusive right to the use of the term “Shredded Wheat” as a trade name. For that is the generic term of the article, which describes it with a fair degree of accuracy; and is the term by which the biscuit in pillow-shaped form is generally known by the public. Since the term is generic, the original maker of the product acquired no exclusive right to use it. As Kellogg Company had the right to make the article, it had, also, the right to use the term by which the public knows it. . . . Ever since 1894 the article has been known to the public as shredded wheat. For many years, there was no attempt to use the term “Shredded Wheat” as a trade-mark. . . .

Moreover, the name “Shredded Wheat,” as well as the product, the process and the machinery employed in making it, has been dedicated to the public. The basic patent for the product and for the process of making it, and many other patents for special machinery to be used in making the article, issued to Perky. In those patents the term “shredded” is repeatedly used as descriptive of the product. The basic patent expired October 15, 1912; the others soon after. Since during the life of the patents “Shredded Wheat” was the general designation of the patented product, there passed to the public upon the expiration of the patent, not only the right to make the article as it was made during the patent period, but also the right to apply thereto the name by which it had become known. As was said in *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185:

It equally follows from the cessation of the monopoly and the falling of the patented device into the domain of things public, that along with the public ownership of the device there must also necessarily pass

to the public the generic designation of the thing which has arisen during the monopoly. . . . To say otherwise would be to hold that, although the public had acquired the device covered by the patent, yet the owner of the patent or the manufacturer of the patented thing had retained the designated name which was essentially necessary to vest the public with the full enjoyment of that which had become theirs by the disappearance of the monopoly.

It is contended that the plaintiff has the exclusive right to the name “Shredded Wheat,” because those words acquired the “secondary meaning” of shredded wheat made at Niagara Falls by the plaintiff’s predecessor. There is no basis here for applying the doctrine of secondary meaning. The evidence shows only that due to the long period in which the plaintiff or its predecessor was the only manufacturer of the product, many people have come to associate the product, and as a consequence the name by which the product is generally known, with the plaintiff’s factory at Niagara Falls. But to establish a trade name in the term “shredded wheat” the plaintiff must show more than a subordinate meaning which applies to it. It must show that the primary significance of the term in the minds of the consuming public is not the product but the producer. This it has not done. The showing which it has made does not entitle it to the exclusive use of the term shredded wheat but merely entitles it to require that the defendant use reasonable care to inform the public of the source of its product.

The Court cites *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896), for the proposition that once a patent on a device expires, the generic name by which that device has been sold also enters the public domain. But brand names normally survive the expiration of a patent. Numerous products that once were patented are still sold under the same trademark. And this result—that patent expiration does not automatically end trademark protection—is also consistent with the purposes behind the two laws, which are very different. The key to *Singer*’s holding may lie in its expressed concern that “the owner of the patent . . . had retained the designated name which was essentially necessary to vest the public with the full enjoyment of” the product. Thus, it is only when the name itself is “essentially necessary” to sales of the product—that is, when the name is generic—that trademark protection should not survive the expiration of a patent. Thus, if people call the devices Singer makes “sewing machines,” Singer can survive as a brand of sewing machine. But if people call the class of devices “singers,” the mark has become generic.

4. *Generic Trade Dress*. While most genericness cases involve word marks, trade dress and product configurations can also be generic. *See, e.g., Kendall-Jackson Winery v. E. & J. Gallo Winery*, 150 F.3d 1042 (9th Cir. 1998), where the court held that an autumnal grape leaf featured on both plaintiff’s and defendant’s wine bottles was generic in the wine industry.

5. When a court declares a term generic, it can destroy a right built up with considerable investment. Is this the same as instances where government decrees destroy private property; that is, should “just compensation” be paid for this “taking” under the Fifth Amendment to the U.S. Constitution? Does your answer depend on whether trademarks are viewed as property or instead as an unfair competition or consumer protection right? See Stephen L. Carter, *Does It Matter Whether Intellectual Property Is Property?*, 68 CHI.-KENT L. REV. 715 (1993) (speculating about the desirability of such an arrangement); cf. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984) (requiring just compensation for government disclosure of a trade secret).

6. *Reversing Genericide*. If a term is generic, can it ever be protected? Before 2020, most courts would have said no. But the Supreme Court strongly suggested in *United States Patent & Trademark Office v. Booking.com*, 140 S.Ct. 2298 (2020), that the answer is yes. It held that a combination of two generic terms (“booking” for travel booking services and “.com” for a website) could become protectable as long as consumers come to view it as source-identifying.

The Second Circuit holds that even generic terms are entitled to protection against some forms of unfair competition. See, e.g., *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 150 (2d Cir. 1997) (although plaintiff’s used the generic term “Honey Brown Ale” to refer to its product, the defendant could nonetheless be liable if it did not use “every reasonable means to prevent confusion” as to the source of its products); *Forschner Group Inc. v. Arrow Trading Co.*, 124 F.3d 402 (2d Cir. 1997); *Home Builders Ass’n of Greater St. Louis v. L & L Exhibition Mgmt., Inc.*, 226 F.3d 944 (8th Cir. 2000) (holding that a generic mark that has acquired secondary meaning may require that other users take steps to avoid confusion). Does it defeat the point of genericness if defendants can be liable under unfair competition law for using generic terms? See Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223 (2007) (arguing that refusing to give any protection to a generic term can hurt consumers who associate that term with a particular company).

7. *Expressive versus Competitive Genericide*. Some trademarks serve an expressive role in public discourse beyond commercial source identification. The communicative content of trademarks such as Barbie or Whac-a-Mole—the unique images and associations these terms call to mind—are a by-product of the advertisers’ commercially motivated saturation campaigns. But they result from statements and associations made by the public, not by the trademark owner. That is even more true of memes the public generates using branded products. Rochelle Dreyfuss questions whether trademark doctrine has kept up with these developments in popular culture. See Rochelle C. Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397 (1990). She suggests extending traditional concepts of genericness to encompass the realm of expressive (as opposed to commercial, or what she calls “competitive”) uses of trademarks. “If [a] mark is found to be rhetorically unique within its context, it would be considered expressively—but not necessarily competitively—

generic, and the trademark owner would not be permitted to suppress its utilization in that context.” This would permit courts to expressive significance of the mark as opposed to consumer confusion.

9. *Standardization and Network Effects.* The success of marks that become generic is perhaps attributable more to the collective labor of the users than to the labor of the trademark originator. The efforts of the users in learning a new word, rather than the efforts of the creator in designing the work, account for the success of these kinds of marks. Wendy Gordon argues:

Giving ownership in intellectual products that have come to serve as standards, such as West citations or generic [terms], would not ordinarily leave “enough, and as good” [in the Lockean sense]. There may be room in the world for only one of a given type of thing, or a long-lived artifice may become a mode of communication. It is the nature of a standard that nothing “as good” is available. For these reasons, the [Lockean] proviso would be violated if the courts gave those who create standards in nonfungible goods a right to prevent people from utilizing them.

Wendy J. Gordon, *A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533, 1600 (1993) (footnote omitted); see Peter S. Menell, *Economic Analysis of Network Effects and Intellectual Property*, 34 BERKELEY TECH. L.J. 219, 275-79 (2019)

Requiring consumers and competitors to use this second-best descriptor entails costs. See Ralph H. Folsom & Larry L. Teply, *Trademarked Generic Words*, 89 YALE L.J. 1323, 1340–41 (1980). Consider the example of “plexiglas.” The next best alternative to this well-known descriptor might be: “unbreakable clear plastic sheets of window material.” That is not only a mouthful; it is more expensive to advertise (because it is longer), harder to remember, and prone to mistakes and confusion. Thus, it is not hard to see why “plexiglas” became the preferred shorthand for it. Consequently, although the originator of this term might have put substantial effort into creating it and encouraging its use, there is a good argument that it has become a standard name (or descriptor)—and hence generic. *But Cf. Rohm & Haas Co. v. Polycast Technology Corp.*, 172 U.S.P.Q. 167 (D. Del. 1971) (enjoining defendant’s use of Plexiglas mark). As another example, consider “Yo-Yo”; how would you describe this kind of toy without using the word *yo-yo*? *Cf. Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 343 F.2d 655 (7th Cir. 1965) (holding “yo-yo” generic, besides being descriptive in a Filipino language (Ilocano)).

10. *Born generic?* Can a term start out generic? Common sense and the law say yes; even an invented term like “smartphone” or “automobile” may be understood from the outset to refer to a class of things. Somewhat surprisingly, however, one court has said no. *San Diego Comic Convention v. Dan Farr Productions*, 2017 WL 3732081 (S.D. Cal. Aug. 30, 2017) (concluding that there was no category of marks “generic ab initio” and that defendants had not proven that the term “comic-con” had become generic),

aff'd in pertinent part, 807 F.3d 674 (9th Cir. 2020). That seems to misunderstand the concept of genericness.

PROBLEM V-2

Apple's iPhone is extremely popular, in large part because of the many third party applications (or "apps") users can buy to run on the iPhone. Apple sells those apps through an icon on the iPhone labeled "App Store." Apple applies to register the term "app store" and seeks to prevent competing smartphone manufacturers from describing their application marketplaces as "app stores."

Is the term "app store" generic?

iii. Distinctiveness of Trade Dress and Product Configuration



Qualitex Co. v. Jacobson Products Co., Inc.
Supreme Court of the United States
514 U.S. 159 (1995)

JUSTICE Breyer delivered the opinion of the Court.

The question in this case is whether the Lanham Trademark Act . . . permits the registration of a trademark that consists, purely and simply, of a color. We conclude that, sometimes, a color will meet ordinary legal trademark requirements. And, when it does so, no special legal rule prevents color alone from serving as a trademark.

I

The case before us grows out of petitioner Qualitex Company's use (since the 1950's) of a special shade of green-gold color on the pads that it makes and sells to dry cleaning firms for use on dry cleaning presses. In 1989 respondent Jacobson Products (a Qualitex rival) began to sell its own press pads to dry cleaning firms; and it colored those pads a similar green-gold. In 1991 Qualitex registered the special green-gold color on press pads with the Patent and Trademark Office as a trademark. Registration No. 1,633,711 (Feb. 5, 1991). Qualitex subsequently added a trademark infringement count . . . in a lawsuit it had already filed challenging Jacobson's use of the green-gold color.

Qualitex won the lawsuit in the District Court. 21 U.S.P.Q.2d 1457 (CD Cal. 1991). But, the Court of Appeals for the Ninth Circuit set aside the judgment in Qualitex's favor on the trademark infringement claim because, in that Circuit's view, the Lanham Act does not permit Qualitex, or anyone else, to register "color alone" as a trademark. 13 F.3d 1297, 1300, 1302 (1994).

The courts of appeals have differed as to whether or not the law recognizes the use of color alone as a trademark. *Compare NutraSweet Co. v. Stadt Corp.*, 917 F.2d 1024, 1028 (CA7 1990) (absolute prohibition against protection of color alone), with *In re*

Owens-Corning Fiberglas Corp., 774 F.2d 1116, 1128 (CA Fed. 1985) (allowing registration of color pink for fiberglass insulation). . . . Therefore, this Court granted certiorari. . . . We now hold that there is no rule absolutely barring the use of color alone, and we reverse the judgment of the Ninth Circuit.

II

The Lanham Act gives a seller or producer the exclusive right to “register” a trademark . . . and to prevent his or her competitors from using that trademark. . . . Both the language of the Act and the basic underlying principles of trademark law would seem to include color within the universe of things that can qualify as a trademark. The language of the Lanham Act describes that universe in the broadest of terms. It says that trademarks “includ[e] any word, name, symbol, or device, or any combination thereof.” § 1127. Since human beings might use as a “symbol” or “device” almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive. The courts and the Patent and Trademark Office have authorized for use as a mark a particular shape (of a Coca-Cola bottle), a particular sound (of NBC’s three chimes), and even a particular scent (of plumeria blossoms on sewing thread). *See, e.g.*, Registration No. 696,147 (Apr. 12, 1960); Registration Nos. 523,616 (Apr. 4, 1950) and 916,522 (July 13, 1971); *In re Clarke*, 17 U.S.P.Q.2d 1238, 1240 (TTAB 1990). If a shape, a sound, and a fragrance can act as symbols why, one might ask, can a color not do the same?

. . . True, a product’s color is unlike “fanciful,” “arbitrary,” or “suggestive” words or designs, which almost automatically tell a customer that they refer to a brand. . . . [S]ee *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753, 2757 (1992). The imaginary word “Suntost,” or the words “Suntost Marmalade,” on a jar of orange jam immediately would signal a brand or a product “source”; the jam’s orange color does not do so. But, over time, customers may come to treat a particular color on a product or its packaging (say, a color that in context seems unusual, such as pink on a firm’s insulating material or red on the head of a large industrial bolt) as signifying a brand. And, if so, that color would have come to identify and distinguish the goods—i.e. to “indicate” their “source”—much in the way that descriptive words on a product (say, “Trim” on nail clippers or “Car-Freshner” on deodorizer) can come to indicate a product’s origin. . . . In this circumstance, trademark law says that the word (e.g., “Trim”), although not inherently distinctive, has developed “secondary meaning.” *See Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n.11 (1982) (“secondary meaning” is acquired when “in the minds of the public, the primary significance of a product feature . . . is to identify the source of the product rather than the product itself”). Again, one might ask, if trademark law permits a descriptive word with secondary meaning to act as a mark, why would it not permit a color, under similar circumstances, to do the same?

We cannot find in the basic objectives of trademark law any obvious theoretical objection to the use of color alone as a trademark, where that color has attained “secondary meaning” and therefore identifies and distinguishes a particular brand (and thus indicates its “source”). In principle, trademark law, by preventing others from copying

identification) in making a product more desirable, sometimes it does not. And, this latter fact—the fact that sometimes color is not essential to a product’s use or purpose and does not affect cost or quality—indicates that the doctrine of “functionality” does not create an absolute bar to the use of color alone as a mark. *See Owens-Corning*, 774 F.2d, at 1123 (pink color of insulation in wall “performs no nontrademark function”).

It would seem, then, that color alone, at least sometimes, can meet the basic legal requirements for use as a trademark. It can act as a symbol that distinguishes a firm’s goods and identifies their source, without serving any other significant function. . . . Indeed, the District Court, in this case, entered findings (accepted by the Ninth Circuit) that show Qualitex’s green-gold press pad color has met these requirements. The green-gold color acts as a symbol. Having developed secondary meaning (for customers identified the green-gold color as Qualitex’s), it identifies the press pads’ source. And, the green-gold color serves no other function. (Although it is important to use some color on press pads to avoid noticeable stains, the court found “no competitive need in the press pad industry for the green-gold color, since other colors are equally usable.” 21 U.S.P.Q.2d, at 1460, 1991 WL 318798.) Accordingly, unless there is some special reason that convincingly militates against the use of color alone as a trademark, trademark law would protect Qualitex’s use of the green-gold color on its press pads.

III

Respondent Jacobson Products says that there are four special reasons why the law should forbid the use of color alone as a trademark. We shall explain, in turn, why we, ultimately, find them unpersuasive.

First, Jacobson says that, if the law permits the use of color as a trademark, it will produce uncertainty and unresolvable court disputes about what shades of a color a competitor may lawfully use. Because lighting (morning sun, twilight mist) will affect perceptions of protected color, competitors and courts will suffer from “shade confusion” as they try to decide whether use of a similar color on a similar product does, or does not, confuse customers and thereby infringe a trademark. Jacobson adds that the “shade confusion” problem is “more difficult” and “far different from” the “determination of the similarity of words or symbols.” . . .

We do not believe, however, that color, in this respect, is special. Courts traditionally decide quite difficult questions about whether two words or phrases or symbols are sufficiently similar, in context, to confuse buyers. They have had to compare, for example, such words as “Bonamine” and “Dramamine” (motion-sickness remedies); “Huggies” and “Dougies” (diapers); “Cheracol” and “Syrocol” (cough syrup); “Cyclone” and “Tornado” (wire fences); and “Mattres” and “1-800-Mattres” (mattress franchisor telephone numbers). . . . Legal standards exist to guide courts in making such comparisons. *See, e.g.*, 2 MCCARTHY §15.08; 1 MCCARTHY §§ 11.24–11.25 (“[S]trong” marks, with greater secondary meaning, receive broader protection than “weak” marks). We do not see why courts could not apply those standards to a color, replicating, if necessary, lighting conditions under which a colored product is normally sold. . . .

Second, Jacobson argues, as have others, that colors are in limited supply. *See, e.g., NutraSweet Co.*, 917 F.2d, at 1028; *Campbell Soup Co. v. Armour & Co.*, 175 F.2d 795, 798 (CA3 1949). Jacobson claims that, if one of many competitors can appropriate a particular color for use as a trademark, and each competitor then tries to do the same, the supply of colors will soon be depleted. Put in its strongest form, this argument would concede that “[h]undreds of color pigments are manufactured and thousands of colors can be obtained by mixing.” L. CHESKIN, *COLORS: WHAT THEY CAN DO FOR YOU* 47 (1947). But, it would add that, in the context of a particular product, only some colors are usable. By the time one discards colors that, say, for reasons of customer appeal, are not usable, and adds the shades that competitors cannot use lest they risk infringing a similar, registered shade, then one is left with only a handful of possible colors. And, under these circumstances, to permit one, or a few, producers to use colors as trademarks will “deplete” the supply of usable colors to the point where a competitor’s inability to find a suitable color will put that competitor at a significant disadvantage.

This argument is unpersuasive, however, largely because it relies on an occasional problem to justify a blanket prohibition. When a color serves as a mark, normally alternative colors will likely be available for similar use by others. *See, e.g., Owens-Corning*, 774 F.2d, at 1121 (pink insulation). Moreover, if that is not so—if a “color depletion” or “color scarcity” problem does arise—the trademark doctrine of “functionality” normally would seem available to prevent the anticompetitive consequences that Jacobson’s argument posits, thereby minimizing that argument’s practical force.

The functionality doctrine, as we have said, forbids the use of a product’s feature as a trademark where doing so will put a competitor at a significant disadvantage because the feature is “essential to the use or purpose of the article” or “affects [its] cost or quality.” *Inwood Laboratories, Inc.*, 456 U.S., at 850, n.10. The functionality doctrine thus protects competitors against a disadvantage (unrelated to recognition or reputation) that trademark protection might otherwise impose, namely their inability reasonably to replicate important non-reputation-related product features. For example, this Court has written that competitors might be free to copy the color of a medical pill where that color serves to identify the kind of medication (e.g., a type of blood medicine) in addition to its source. *See id.*, at 853, 858, n.20 (“[S]ome patients commingle medications in a container and rely on color to differentiate one from another”); *see also* J. GINSBURG, D. GOLDBERG, & A. GREENBAUM, *TRADEMARK AND UNFAIR COMPETITION LAW* 194–195 (1991) (noting that drug color cases “have more to do with public health policy” regarding generic drug substitution “than with trademark law”). And, the federal courts have demonstrated that they can apply this doctrine in a careful and reasoned manner, with sensitivity to the effect on competition. Although we need not comment on the merits of specific cases, we note that lower courts have permitted competitors to copy the green color of farm machinery (because customers wanted their farm equipment to match) and have barred the use of black as a trademark on outboard boat motors (because black has the special functional attributes of decreasing the apparent size of the motor and ensuring compatibility with many different boat colors). . . . The RESTATEMENT (THIRD) OF UNFAIR COMPETITION adds that, if a design’s “aesthetic value”

lies in its ability to “confe[r] a significant benefit that cannot practically be duplicated by the use of alternative designs,” then the design is “functional.” RESTATEMENT (THIRD) OF UNFAIR COMPETITION §17, Comment c, pp. 175–176 (1995). The “ultimate test of aesthetic functionality,” it explains, “is whether the recognition of trademark rights would significantly hinder competition.” *Id.*, at 176.

The upshot is that, where a color serves a significant nontrademark function—whether to distinguish a heart pill from a digestive medicine or to satisfy the “noble instinct for giving the right touch of beauty to common and necessary things,” G.K. CHESTERTON, *SIMPLICITY AND TOLSTOY* 61 (1912)—courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient. That examination should not discourage firms from creating aesthetically pleasing mark designs, for it is open to their competitors to do the same. *See, e.g., W. T. Rogers Co. v. Keene*, 778 F.2d 334, 343 (CA7 1985) (Posner, J.). But, ordinarily, it should prevent the anticompetitive consequences of Jacobson’s hypothetical “color depletion” argument, when, and if, the circumstances of a particular case threaten “color depletion.”

...

IV

Having determined that a color may sometimes meet the basic legal requirements for use as a trademark and that respondent Jacobson’s arguments do not justify a special legal rule preventing color alone from serving as a trademark (and, in light of the District Court’s here undisputed findings that Qualitex’s use of the green-gold color on its press pads meets the basic trademark requirements), we conclude that the Ninth Circuit erred in barring Qualitex’s use of color as a trademark. For these reasons, the judgment of the Ninth Circuit is

Reversed.

COMMENTS AND QUESTIONS

1. Just three years before *Qualitex*, the Court held in *Two Pesos v. Taco Cabana*, 505 U.S. 763 (1992), that “trade dress”—that is, product packaging—could be inherently distinctive:

There is no persuasive reason to apply to trade dress a general requirement of secondary meaning which is at odds with the principles generally applicable to infringement suits under §43(a).

It would be a different matter if there were textual basis in §43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently distinctive trade dress. But there is none. The section does not mention trademarks or trade dress, whether they be called generic, descriptive, suggestive, arbitrary, fanciful, or functional. Nor does the concept of secondary meaning appear in the text of §43(a). Where secondary meaning does appear

in the statute, 15 U.S.C. §1052 (1982 ed.), it is a requirement that applies only to merely descriptive marks and not to inherently distinctive ones. We see no basis for requiring secondary meaning for inherently distinctive trade dress protection under §43(a) but not for other distinctive words, symbols, or devices capable of identifying a producer's product.

Engrafting onto §43(a) a requirement of secondary meaning for inherently distinctive trade dress also would undermine the purposes of the Lanham Act. Protection of trade dress, no less than of trademarks, serves the Act's purpose to "secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." *Park 'N Fly*, 469 U.S., at 198, citing S. REP. NO. 1333, 79th Cong., 2d Sess., 3–5 (1946) (citations omitted). By making more difficult the identification of a producer with its product, a secondary meaning requirement for a nondescriptive trade dress would hinder improving or maintaining the producer's competitive position.

505 U.S. 763. *Qualitex* says color is "unlike" trade dress. Why? Would giving automatic protection for a color serve the purposes the *Two Pesos* Court identifies? Would it heighten the risks the court considers in *Qualitex*?

While product packaging can serve a trademark function, how do we know whether it is actually doing so? Sometimes the color or design of a package (or a restaurant) is just ornamental. In *Seabrook Foods v. Bar-Well Foods*, 568 F.2d 1342 (C.C.P.A. 1977), the court held that product packaging must signal to consumers that it is a trademark rather than just ornamentation in order to qualify for protection. Does Taco Cabana's décor meet that standard? 2. Other non-traditional symbols can also serve as marks in appropriate cases. The Court mentions "NBC's three chimes" as an example of a sound that is registered as a trademark under the Lanham Act. Another famous example is MGM's "lion's roar," usually heard at the beginning of an MGM film. *See also Harley Wants Roar of Engine Protected by a Trademark*, SACRAMENTO BEE, Mar. 27, 1996, at D6 (describing Harley-Davidson trademark application for engine sound opposed by competitors). Compare this with §43(a) cases alleging imitation of famous voices, e.g., *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir. 1988); *see* Chapter VI(D).

Play-Doh holds a registered mark for the smell of its dough, which has remained unchanged since 1956.

2. The Court says that color does not automatically receive protection, but can be protected on a showing of secondary meaning. But how much evidence of secondary meaning is required? In *In re General Mills IP Holdings II, LLC*, No. 86757390 (TTAB Aug. 22, 2017), the TTAB held that the color yellow standing alone was not sufficiently associated with Cheerios cereal to warrant trademark registration.

Is the Court's problem with color anywhere or with the fact that the trademark is on the color of the product itself? Would a green-gold logo or packaging raise the same concerns? See *McNeil Nutrition v. Heartland Sweeteners*, 566 F. Supp. 2d 378 (E.D. Pa. 2008) (finding that the yellow packaging of Splenda sugar substitute was arbitrary and thus inherently distinctive). Consider the next case.

PROBLEM V-3

AlertFive makes medical alert bracelets. The bracelets are designed to monitor an aspect of the wearer's medical condition, and trigger an alarm if the measurement indicates a dangerous condition. For example, AlertFive makes a bracelet that monitors heart rate and sounds an alarm if the heart rate goes above or below a certain range.

Aware that people in the modern world are bombarded by sounds, and can come to tune them out, AlertFive sought to make the alarm associated with its bracelets unusual and memorable. Rejecting a standard beeping noise, it selected a trilling sound that increases in volume as it goes up the scale. AlertFive advertises its product on daytime television, and the ads feature a patient being saved in the nick of time because one of its bracelet alarms went off. Can AlertFive prevent a competitor from selling a bracelet that makes a similar noise to alert a patient to an abnormal heart rate?



Wal-Mart Stores, Inc. v. Samara Brothers, Inc.
Supreme Court of the United States
529 U.S. 205 (2000)

JUSTICE SCALIA delivered the opinion of the Court.

In this case, we decide under what circumstances a product's design is distinctive, and therefore protectible, in an action for infringement of unregistered trade dress under §43(a) of the Trademark Act of 1946 (Lanham Act), 60 Stat. 441, as amended, 15 U.S.C. §1125(a).

I

Respondent Samara Brothers, Inc., designs and manufactures children's clothing. Its primary product is a line of spring/summer one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like. A number of chain stores, including JCPenney, sell this line of clothing under contract with Samara.

Petitioner Wal-Mart Stores, Inc., is one of the nation's best known retailers, selling among other things children's clothing. In 1995, Wal-Mart contracted with one of its suppliers, Judy-Philippine, Inc., to manufacture a line of children's outfits for sale in the 1996 spring/summer season. Wal-Mart sent Judy-Philippine photographs of a number of garments from Samara's line, on which Judy-Philippine's garments were to be based; Judy-Philippine duly copied, with only minor modifications, 16 of Samara's garments, many of which contained copyrighted elements. In 1996, Wal-Mart briskly sold the so-called knockoffs, generating more than \$1.15 million in gross profits. . . .



After sending cease-and-desist letters, Samara brought this action in the United States District Court for the Southern District of New York against Wal-Mart, Judy-Philippine, Kmart, Caldor, Hills, and Goody's for copyright infringement under federal law, consumer fraud and unfair competition under New York law, and—most relevant for our purposes—infringement of unregistered trade dress under §43(a) of the Lanham Act, 15 U.S.C. §1125(a). . . .

After a weeklong trial, the jury found in favor of Samara on all of its claims. . . . The Second Circuit affirmed. . . , and we granted certiorari. . . .

II

The Lanham Act provides for the registration of trademarks, which it defines in §45 to include “any word, name, symbol, or device, or any combination thereof [used or intended to be used] to identify and distinguish [a producer’s] goods . . . from those manufactured or sold by others and to indicate the source of the goods. . . .” 15 U.S.C. §1127. . . . In addition to protecting registered marks, the Lanham Act, in §43(a), gives a producer a cause of action for the use by any person of “any word, term, name, symbol, or device, or any combination thereof . . . which . . . is likely to cause confusion . . . as to the origin, sponsorship, or approval of his or her goods. . . .” 15 U.S.C. §1125(a). It is the latter provision that is at issue in this case.

The breadth of the definition of marks registrable under §2, and of the confusion-producing elements recited as actionable by §43(a), has been held to embrace not just word marks, such as “Nike,” and symbol marks, such as Nike’s “swoosh” symbol, but also “trade dress”—a category that originally included only the packaging, or “dressing,” of a product, but in recent years has been expanded by many courts of appeals to encompass the design of a product. *See, e.g., Ashley Furniture Industries, Inc. v. Sanjacomo N.A., Ltd.*, 187 F.3d 363 (C.A.4 1999) (bedroom furniture); *Knitwaves, Inc. v.*

become distinctive of the applicant's goods in commerce"—that is, which is not inherently distinctive but has become so only through secondary meaning. §2(f), 15 U.S.C. §1052(f). Nothing in §2, however, demands the conclusion that *every* category of mark necessarily includes some marks "by which the goods of the applicant may be distinguished from the goods of others" *without* secondary meaning—that in every category some marks are inherently distinctive.

Indeed, with respect to at least one category of mark—colors—we have held that no mark can ever be inherently distinctive. *See Qualitex*, 514 U.S., at 162–63. In *Qualitex*, petitioner manufactured and sold green-gold dry-cleaning press pads. After respondent began selling pads of a similar color, petitioner brought suit under §43(a), then added a claim under §32 after obtaining registration for the color of its pads. We held that a color could be protected as a trademark, but only upon a showing of secondary meaning. Reasoning by analogy to the *Abercrombie & Fitch* test developed for word marks, we noted that a product's color is unlike a "fanciful," "arbitrary," or "suggestive" mark, since it does not "almost *automatically* tell a customer that [it] refer[s] to a brand," *ibid.*, and does not "immediately . . . signal a brand or a product 'source,'" *Id.*, at 163. However, we noted that, "over time, customers may come to treat a particular color on a product or its packaging . . . as signifying a brand." *Id.*, at 162–63. Because a color, like a "descriptive" word mark, could eventually "come to indicate a product's origin," we concluded that it could be protected *upon a showing of secondary meaning. Ibid.*

It seems to us that design, like color, is not inherently distinctive. The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product. Although the words and packaging can serve subsidiary functions—a suggestive word mark (such as "Tide" for laundry detergent), for instance, may invoke positive connotations in the consumer's mind, and a garish form of packaging (such as Tide's squat, brightly decorated plastic bottles for its liquid laundry detergent) may attract an otherwise indifferent consumer's attention on a crowded store shelf—their predominant function remains source identification. Consumers are therefore predisposed to regard those symbols as indication of the producer, which is why such symbols "almost *automatically* tell a customer that they refer to a brand," *Id.*, at 162–63, and "immediately . . . signal a brand or a product 'source,'" *Id.*, at 163. And where it is not reasonable to assume consumer predisposition to take an affixed word or packaging as indication of source—where, for example, the affixed word is descriptive of the product ("Tasty" bread) or of a geographic origin ("Georgia" peaches)—inherent distinctiveness will not be found. That is why the statute generally excludes, from those word marks that can be registered as inherently distinctive, words that are "merely descriptive" of the goods, §2(e)(1), 15 U.S.C. §1052(e)(1), or "primarily geographically descriptive of them," *see* §2(e)(2), 15 U.S.C. §1052(e)(2). In the case of product design, as in the case of color, we think consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of

product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing.

The fact that product design almost invariably serves purposes other than source identification not only renders inherent distinctiveness problematic; it also renders application of an inherent-distinctiveness principle more harmful to other consumer interests. Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness. How easy it is to mount a plausible suit depends, of course, upon the clarity of the test for inherent distinctiveness, and where product design is concerned we have little confidence that a reasonably clear test can be devised. Respondent and the United States as *amicus curiae* urge us to adopt for product design relevant portions of the test formulated by the Court of Customs and Patent Appeals for product packaging in *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342 (1977). That opinion, in determining the inherent distinctiveness of a product's packaging, considered, among other things, "whether it was a 'common' basic shape or design, whether it was unique or unusual in a particular field, [and] whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods." *Id.*, at 1344 (footnotes omitted). Such a test would rarely provide the basis for summary disposition of an anticompetitive strike suit. Indeed, at oral argument, counsel for the United States quite understandably would not give a definitive answer as to whether the test was met in this very case, saying only that "[t]his is a very difficult case for that purpose."

It is true, of course, that the person seeking to exclude new entrants would have to establish the nonfunctionality of the design feature, *see* §43(a)(3), 15 U.S.C.A. §1125(a)(3) (Oct. 1999 Supp.)—a showing that may involve consideration of its esthetic appeal, *see Qualitex*, 514 U.S., at 170. Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not worth the candle. That is especially so since the producer can ordinarily obtain protection for a design that *is* inherently source identifying (if any such exists), but that does not yet have secondary meaning, by securing a design patent or a copyright for the design—as, indeed, respondent did for certain elements of the designs in this case. The availability of these other protections greatly reduces any harm to the producer that might ensue from our conclusion that a product design cannot be protected under §43(a) without a showing of secondary meaning.

Respondent contends that our decision in *Two Pesos* forecloses a conclusion that product-design trade dress can never be inherently distinctive. . . . *Two Pesos* unquestionably establishes the legal principle that trade dress can be inherently distinctive, *see, e.g., id.*, at 773, but it does not establish that *product-design* trade dress can be. *Two Pesos* is inapposite to our holding here because the trade dress at issue, the decor of a

restaurant, seems to us not to constitute product *design*. It was either product packaging—which, as we have discussed, normally *is* taken by the consumer to indicate origin—or else some tertium quid that is akin to product packaging and has no bearing on the present case.

Respondent replies that this manner of distinguishing *Two Pesos* will force courts to draw difficult lines between product-design and product-packaging trade dress. There will indeed be some hard cases at the margin: a classic glass Coca-Cola bottle, for instance, may constitute packaging for those consumers who drink the Coke and then discard the bottle, but may constitute the product itself for those consumers who are bottle collectors, or part of the product itself for those consumers who buy Coke in the classic glass bottle, rather than a can, because they think it more stylish to drink from the former. We believe, however, that the frequency and the difficulty of having to distinguish between product design and product packaging will be much less than the frequency and the difficulty of having to decide when a product design is inherently distinctive. To the extent there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning. The very closeness will suggest the existence of relatively small utility in adopting an inherent-distinctiveness principle, and relatively great consumer benefit in requiring a demonstration of secondary meaning. . . .

We hold that, in an action for infringement of unregistered trade dress under §43(a) of the Lanham Act, a product's design is distinctive, and therefore protectible, only upon a showing of secondary meaning. The judgment of the Second Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

COMMENTS AND QUESTIONS

1. *Trade Dress Classification*. The Court sets out a simple rule: product *packaging* can be inherently distinctive, while product *design* cannot.

But how is one to distinguish the two? Was the décor of the restaurant in *Two Pesos* (depicted below) product packaging or trade dress?



The Supreme Court avoids overruling *Two Pesos* by calling it a “tertium quid” (defined in the OXFORD ENGLISH DICTIONARY as “[s]omething (indefinite or left undefined) related in some way to two (definite or known) things, but distinct from both.”). Should close cases (such as the Coca-Cola bottle) be characterized as product design and hence subject to the higher threshold of secondary meaning? Is the real problem that the Court’s assumption in *Two Pesos* that the décor of a Mexican restaurant was inherently distinctive was ill-advised?

Further, the Court leaves unresolved who decides on the classification of trade dress. *Two Pesos* seems to suggest that this question is for the jury, whereas *Wal-Mart* emphasizes summary adjudication. Who should decide?

2. Does the classification scheme established for word marks help to distinguish descriptive from inherently distinctive trade dress? In *Rock and Roll Hall of Fame and Museum, Inc. v. Gentile Productions*, 134 F.3d 749 (6th Cir. 1998), the owner of the Rock and Roll Hall of Fame building in Cleveland, Ohio, sued a photographer who marketed pictures of the building set against the Cleveland skyline, alleging that the photographer was infringing the building’s trade dress. The district court issued a preliminary injunction, but the Sixth Circuit reversed. The majority and the dissent battled over the proper classification of the museum. The majority agreed that the design of the museum was “fanciful” but denied that it was “fanciful in a trademark sense.” It concluded that the design of the museum itself did not function as a trademark and that the public did not recognize it as such. Important to the court’s determination was the trademark owner’s inconsistent use of the museum’s design as a source-identifying function. *See id.* at 754-55

In another case, the Sixth Circuit had little difficulty applying *Samara*’s classification scheme to furniture. *See Herman Miller v. Palazzetti Imports and Exports, Inc.*, 270 F.3d 298 (6th Cir. 2001) (finding genuine issue of material fact as to whether lounge chair and ottoman had acquired secondary meaning); *see also Weber-Stephen Products LLC v. Sears Holding Corp., No.*, 2015 WL 5161347, at *1 (N.D. Ill. Sept. 1, 2015) (denying defendant Sears’s summary judgment motion in part on the basis that secondary meaning in shape of plaintiff’s grills can be inferred from defendant’s intentional copying of grill shape, in the “hop[e] that consumers would look at them and ‘think of the market share leader, Weber’”).

3. *Can color-based trade dress packaging ever be inherently distinctive?* In *In re Forney Industries, Inc.*, 955 F.3d 940 (Fed. Cir. 2020), the Federal Circuit held that while color is usually perceived as ornamentation as opposed to source identification, color-based packaging can indicate the source of goods to consumers and therefore can be inherently distinctive. In the case before the court, the product packaging for pressure gauges featured a solid black stripe at the top with the color yellow gradually fading into orange and then red at the bottom.

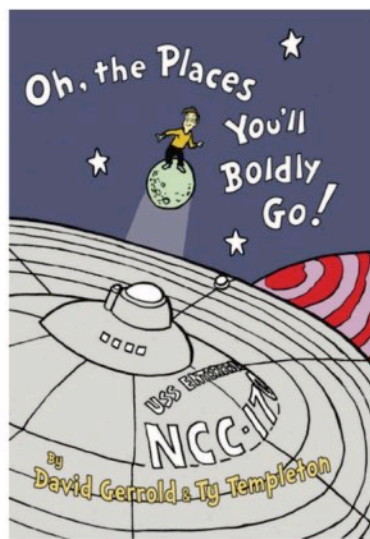
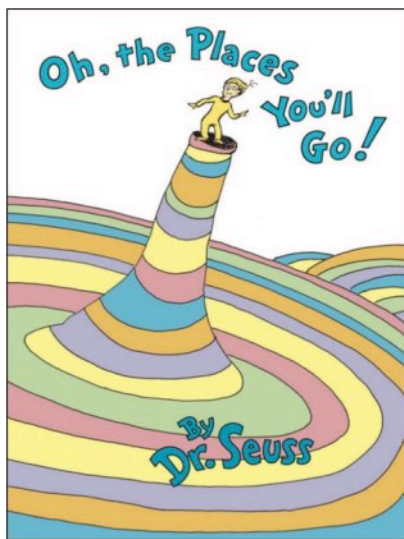
5. Should “Tide’s squat, brightly decorated plastic bottles for its liquid laundry detergent” be deemed inherently distinctive, as Justice Scalia seems to suggest?

6. Does it matter where on a product a mark appears? Scholars have suggested that some places – the tongue of a shoe or the left breast of a polo shirt—are “trademark spaces” in which consumers have become conditioned to find brands, so that they may assume that even an unfamiliar logo in a trademark space is intended as a trademark. See Mark A. Lemley & Mark P. McKenna, *Trademark Spaces and Trademark Law’s Hidden Step Zero*, 75 STAN. L. REV. 1 (2023). Should *Wal-Mart’s* secondary meaning requirement have an exception for emblems or other configuration in a trademark space?

Trademark spaces came into play in the PTO’s decision to allow Ohio State University to register “THE” as a trademark. Ohio State, which likes to call itself “The Ohio State University,” tried and failed to register the term “THE” on the front of T-shirts. The PTO relented only when Ohio State changed its use to the inside back neck of the shirt—the place where brands are historically located. The PTO concluded that “THE” as a brand for shirts was arbitrary. Notably, however, that registration should not give Ohio State University rights in the word THE in any other context, including on the front of the shirt.

PROBLEMS

Problem V-4. ComicMix produced an unlicensed mashup that combined Dr. Seuss’s perennial best-selling book (and graduation gift), OH, THE PLACES YOU’LL GO! with the original *Star Trek* Series characters, scenes, and iconic tagline “to boldly go where no man has gone before” to produce OH, THE PLACES YOU’LL BOLDLY GO! Is Dr. Seuss’s cover design entitled to trademark protection? What about *Star Trek’s* “boldly” phrase or depiction of the *Starship Enterprise*?



Problem V-5. Alice Richland, a gourmet chef world-renowned for her chocolate desserts, designs a new line of chocolate products. Called “Chocolate Shells,” these products are made of dark chocolate flavored in special ways with a combination of ingredients Alice hit upon after months of work in her kitchens. The use of the special ingredients imparts a unique flavor to the Shells, and has the additional property of making the usually soft chocolate feel sandy or grainy to the touch. The Shells are made in the shapes of different seashells native to the Florida coast, and each shell is colored in a different, unusual pattern. On the advice of her lawyer, Alice files a trademark application seeking to register each of her shell designs. What aspects of the Shells are entitled to registration? To §43(a) protection?

*iv. **Functionality***



TraFFix Devices, Inc. v. Marketing Displays, Inc.
Supreme Court of the United States
532 U.S. 23 (2001)

JUSTICE KENNEDY delivered the opinion of the Court.

Temporary road signs with warnings like “Road Work Ahead” or “Left Shoulder Closed” must withstand strong gusts of wind. An inventor named Robert Sarkisian obtained two utility patents for a mechanism built upon two springs (the dual-spring design) to keep these and other outdoor signs upright despite adverse wind conditions. The holder of the now-expired Sarkisian patents, respondent Marketing Displays, Inc. (MDI), established a successful business in the manufacture and sale of sign stands incorporating the patented feature. MDI’s stands for road signs were recognizable to buyers and users (it says) because the dual-spring design was visible near the base of the sign.

This litigation followed after the patents expired and a competitor, TraFFix Devices, Inc., sold sign stands with a visible spring mechanism that looked like MDI’s. MDI and TraFFix products looked alike because they were. When TraFFix started in business, it sent an MDI product abroad to have it reverse engineered, that is to say copied. Complicating matters, TraFFix marketed its sign stands under a name similar to MDI’s. MDI used the name “WindMaster,” while TraFFix, its new competitor, used “WindBuster.”

..



. . . The District Court ruled against MDI on its trade dress claim. 971 F. Supp. 262 (E.D. Mich. 1997). After determining that the one element of MDI’s trade dress at issue was the dual-spring design, *Id.*, at 265, it held that “no reasonable trier of fact could determine that MDI has established secondary meaning” in its alleged trade dress, *Id.*, at 269. In other words, consumers did not associate the look of the dual-spring design with MDI. As a second, independent reason to grant summary judgment in favor of TraFFix, the District Court determined the dual-spring design was functional. . . .

The Court of Appeals for the Sixth Circuit reversed the trade dress ruling. 200 F.3d 929 (1999). . . . In its criticism of the District Court’s ruling on the trade dress question, the Court of Appeals took note of a split among Courts of Appeals in various other Circuits on the issue whether the existence of an expired utility patent forecloses the possibility of the patentee’s claiming trade dress protection in the product’s design. 200 F.3d, at 939. *Compare Sunbeam Products, Inc. v. West Bend Co.*, 123 F.3d 246 (C.A.5 1997) (holding that trade dress protection is not foreclosed), *Thomas & Betts Corp. v. Panduit Corp.*, 138 F.3d 277 (C.A.7 1998) (same), and *Midwest Industries, Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (C.A. Fed. 1999) (same), with *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1500 (C.A.10 1995) (“Where a product configuration is a significant inventive component of an invention covered by a utility patent . . . it cannot receive trade dress protection”). To resolve the conflict, we granted certiorari.

II

. . . “In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.” This burden of proof gives force to the well-established rule that trade dress protection may not be claimed for product features that are functional. *Qualitex, supra*, at 164–165; *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 775 (1992). And in *Wal-Mart, supra*, we were careful to caution against misuse or over-extension of trade dress. We noted that “product design almost invariably serves purposes other than source identification.” *Id.*, at 213.

Trade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying. As the Court has explained, copying is not always discouraged or disfavored by the laws which preserve our competitive economy. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 160 (1989). Allowing competitors to copy will have salutary effects in many instances. “Reverse engineering of chemical and mechanical articles in the public domain often leads to significant advances in technology.” *Ibid.*

The principal question in this case is the effect of an expired patent on a claim of trade dress infringement. A prior patent, we conclude, has vital significance in resolving the trade dress claim. A utility patent is strong evidence that the features therein claimed are functional. If trade dress protection is sought for those features the strong evidence of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection. Where the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.

In the case before us, the central advance claimed in the expired utility patents (the Sarkisian patents) is the dual-spring design; and the dual-spring design is the essential feature of the trade dress MDI now seeks to establish and to protect. The rule we have explained bars the trade dress claim, for MDI did not, and cannot, carry the burden of overcoming the strong evidentiary inference of functionality based on the disclosure of the dual-spring design in the claims of the expired patents.

The dual springs shown in the Sarkisian patents were well apart (at either end of a frame for holding a rectangular sign when one full side is the base) while the dual springs at issue here are close together (in a frame designed to hold a sign by one of its corners). As the District Court recognized, this makes little difference. The point is that the springs are necessary to the operation of the device. . . .

The dual-spring design serves the important purpose of keeping the sign upright even in heavy wind conditions; and, as confirmed by the statements in the expired patents, it does so in a unique and useful manner. As the specification of one of the patents recites, prior art “devices, in practice, will topple under the force of a strong wind.” U.S. Patent No. 3,662,482, col. 1. The dual-spring design allows sign stands to resist toppling in strong winds. . . .

III

In finding for MDI on the trade dress issue the Court of Appeals gave insufficient recognition to the importance of the expired utility patents, and their evidentiary significance, in establishing the functionality of the device. The error likely was caused by its misinterpretation of trade dress principles in other respects. As we have noted, even if there has been no previous utility patent the party asserting trade dress has the burden to establish the nonfunctionality of alleged trade dress features. MDI could not meet this burden. Discussing trademarks, we have said “[i]n general terms, a product feature is functional, and cannot serve as a trademark, ‘if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.’” *Qualitex*, 514 U.S., at 165 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 850, n.10 (1982)). Expanding upon the meaning of this phrase, we have observed that a functional feature is one the “exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage.” 514 U.S. at 165. The Court of Appeals in the instant case seemed to interpret this language to mean that a necessary test for functionality is “whether the particular product configuration is a competitive necessity.” 200 F.3d at 940. See also *Vornado*, 58 F.3d, at 1507 (“Functionality, by contrast, has been defined both by our circuit, and more recently by the Supreme Court, in terms of competitive need”). This was incorrect as a comprehensive definition. As explained in *Qualitex*, *supra*, and *Inwood*, *supra*, a feature is also functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device. The *Qualitex* decision did not purport to displace this traditional rule. Instead, it quoted the rule as *Inwood* had set it forth. It is proper to inquire into a “significant non-reputation-related disadvantage” in cases of aesthetic functionality, the question involved in *Qualitex*. Where the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature. In *Qualitex*, by contrast, aesthetic functionality was the central question, there having been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality.

The Court has allowed trade dress protection to certain product features that are inherently distinctive. *Two Pesos*, 505 U.S., at 774. In *Two Pesos*, however, the Court at the outset made the explicit analytic assumption that the trade dress features in question (decorations and other features to evoke a Mexican theme in a restaurant) were not functional. *Id.*, at 767, n.6. The trade dress in those cases did not bar competitors from copying functional product design features. In the instant case, beyond serving the purpose of informing consumers that the sign stands are made by MDI (assuming it does

so), the dual-spring design provides a unique and useful mechanism to resist the force of the wind. Functionality having been established, whether MDI's dual-spring design has acquired secondary meaning need not be considered.

There is no need, furthermore, to engage, as did the Court of Appeals, in speculation about other design possibilities, such as using three or four springs which might serve the same purpose. 200 F.3d, at 940. Here, the functionality of the spring design means that competitors need not explore whether other spring juxtapositions might be used. The dual-spring design is not an arbitrary flourish in the configuration of MDI's product; it is the reason the device works. Other designs need not be attempted.

Because the dual-spring design is functional, it is unnecessary for competitors to explore designs to hide the springs, say by using a box or framework to cover them, as suggested by the Court of Appeals. *Ibid.* The dual-spring design assures the user the device will work. If buyers are assured the product serves its purpose by seeing the operative mechanism that in itself serves an important market need. It would be at cross-purposes to those objectives, and something of a paradox, were we to require the manufacturer to conceal the very item the user seeks.

In a case where a manufacturer seeks to protect arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims, such as arbitrary curves in the legs or an ornamental pattern painted on the springs, a different result might obtain. There the manufacturer could perhaps prove that those aspects do not serve a purpose within the terms of the utility patent. The inquiry into whether such features, asserted to be trade dress, are functional by reason of their inclusion in the claims of an expired utility patent could be aided by going beyond the claims and examining the patent and its prosecution history to see if the feature in question is shown as a useful part of the invention. No such claim is made here, however. MDI in essence seeks protection for the dual-spring design alone. The asserted trade dress consists simply of the dual-spring design, four legs, a base, an upright, and a sign. MDI has pointed to nothing arbitrary about the components of its device or the way they are assembled. The Lanham Act does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity. The Lanham Act, furthermore, does not protect trade dress in a functional design simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacturer or seller. The Court of Appeals erred in viewing MDI as possessing the right to exclude competitors from using a design identical to MDI's and to require those competitors to adopt a different design simply to avoid copying it. MDI cannot gain the exclusive right to produce sign stands using the dual-spring design by asserting that consumers associate it with the look of the invention itself. Whether a utility patent has expired or there has been no utility patent at all, a product design which has a particular appearance may be functional because it is "essential to the use or purpose of the article" or "affects the cost or quality of the article." *Inwood*, 456 U.S., at 850 n.10.

statute strikes its own “coverage” balance, a work that qualifies for protection under more than one statute is entitled to the protection of each.

Nonetheless, where Congress has not expressly dictated the principles for channeling protection among the various modes of intellectual property, the courts have construed the scope of protection in order to effectuate the larger policies of federal intellectual property law. In general, utility patent protection trumps all other modes of intellectual property with regard to the functional features of products. The courts recognize that patent law imposes high thresholds for protection (novelty, nonobviousness, and disclosure) and an examination process and affords a relatively short duration of protection in order to balance the short-run hampering of free competition with the longer-term benefits of innovation. Were design patent law, copyright law, or trademark law to afford protection for functional designs, utility patent protection would be unnecessary and competition would give way to monopolization by the first to design a product, regardless of the effort that went into the design. In order to minimize this threat, the Supreme Court in *Baker v. Selden* foreclosed competition under copyright law for accounting systems. Congress reinforced this limitation in the 1976 Copyright Act, see 17 U.S.C. §§ 101 (definition of “pictorial, graphic, and sculptural work”), 102(b)). The Supreme Court acknowledged a similarly high burden for establishing that a product feature or configuration that has been the subject of a utility patent can ever qualify for trade dress protection. See *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), excerpted below (functionality defense); Peter S. Menell & Ella Corren, *Design Patent Law’s Identity Crisis*, 36 BERKELEY TECH. L.J. 1 (2022) (exploring the overlap among design patent, trade dress, and copyright protection and underscoring the utility patent supremacy/channeling principle); Christopher Buccafusco, Mark A. Lemley, & Jonathan Masur, *Intelligent Design*, 68 DUKE L.J. 75 (2018) (suggesting a return to the doctrine of election).

The Supreme Court took a sharply different tack from *Yardley* in its most recent treatment of the issue. In *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), defendant Dastar produced and sold its own copies of plaintiff’s video series, in which the copyright had expired. Fox sued on the grounds that Dastar was misrepresenting the origin of the goods in violation of the Lanham Act. The Court rejected that argument, construing “origin” narrowly to mean only the physical source of the videotapes, not who had actually filmed or produced them. In so holding, the Court was expressly concerned to avoid reading the Lanham Act to conflict with copyright law, which would permit such copying. It warned “against misuse or over-extension of trademark and related protections into areas traditionally occupied by patent or copyright,” and explained that “allowing a cause of action under §43(a) for that representation would create a species of mutant copyright law that limits the public’s federal right to copy and to use expired copyrights.” *Id.* at 34. The Court seems quite concerned with channeling protection between the copyright and trademark regimes and unwilling to permit much overlap between the two.

3. Congress codified functionality as a basis to refuse registration, as well as a ground for opposition and cancellation and a defense to incontestability. *See* 15 U.S.C. §§ 1052, 1064, 1091, 1115 (1998). The statute puts the burden on the trademark owner to show nonfunctionality.

4. *Definition of “Functional.”* The Court states that a product design appearance is functional if it is “essential to the use or purpose of the article” or “affects the cost or quality of the article.” The “cost or quality” prong suggests that the test is broad: many design features that are not essential affect the “cost or quality” of the product. A particular design choice need not be the only option to be functional. *See Sportvision v. SportsMedia Tech Corp.*, 2005 WL 1869350 (N.D. Cal. Aug. 4, 2005) (holding that the color yellow was functional for an electronic line superimposed on a football field to indicate how far a team needed to travel to make a first down. While yellow was not the only possible color, it was easier than other colors for viewers to see.).

Circuit courts have developed varying tests for utilitarian functionality. The Seventh Circuit weighs the following factors:

- (1) the existence of a utility patent, expired or unexpired, that involves or describes the functionality of an item’s design element;
- (2) the utilitarian properties of the item’s unpatented design elements;
- (3) advertising of the item that touts the utilitarian advantages of the item’s design elements;
- (4) the dearth of, or difficulty in creating, alternative designs for the item’s purpose;
- (5) the effect of the design feature on an item’s quality or cost.

Georgia-Pacific Consumer Prods. v. Kimberly-Clark Corp., 647 F.3d 723, 727–28 (7th Cir. 2011) (quoting *Specialized Seating, Inc. v. Greenwich Industries, L.P.*, 472 F.Supp. 2d 999, 1011 (N.D. Ill. 2007); *but see Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351 (5th Cir. 2002) (if a product feature is “essential” to the product’s use or purpose, then there is no need to consider whether there are competitive alternatives since the product feature, in being “essential,” would be found to be functional even if there are competitive alternatives).

In *Ezaki Glico Kabushiki Kaisha v. Lotte Int’l*, 986 F.3d 250 (3d Cir. 2021), the Third Circuit enunciated a broad functionality standard: A design is functional if it is “useful,” even if it not essential to the product’s function.

[T]he Supreme Court recognizes several ways to show that a product feature is functional. One way is indeed to show that a feature ‘is essential to the use or purpose of the article.’ *Qualitex*, 514 U.S. at 165 (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982)). Another is if “it affects the cost or quality of the article.” *Id.* . . . At least in some cases, a feature is functional and unprotected if the “exclusive use of [the feature] would put competitors at a significant non-reputation-related disadvantage.” *TrafFix*, 532 U.S. at 32 (quoting *Qualitex*, 514 U.S. at 165). All of these are different ways of showing usefulness. (Though this last inquiry is especially apt for proving aesthetic functionality, the Court has not specifically limited it to that context. *See TrafFix*, 532

‘trade dress from creating “back-door patents,” . . . the test of what is “functional” should be very similar to that of patent law.’ *Id.* §7:67.

986 F.3d at 257-58.

The Third Circuit applied this standard to the trade dress of the Pocky cookie, “an elongated rod comprising biscuit or the like, partially covered with chocolate.”



The court observed that “[e]very feature of Pocky’s registration relates to the practical functions of holding, eating, sharing, or packing the snack.” The court emphasized that Ezaki Gilco advertises “the no mess handle of the Pocky stick,” which “mak[es] it easier for multi-tasking without getting chocolate on your hands.” The court rejected Ezaki Gilco’s contention that the availability of alternative designs makes Pocky’s design non-functional.

5. *Functional Word Marks.* While most functionality cases involve trade dress, the functionality doctrine also extends to word marks if they serve a function. Can you think of situations in which names, words, or other forms of traditional registered trademarks might be functional? How would a functional name differ from a generic name? In *United States Patent & Trademark Office v. Booking.com*, 140 S.Ct. 2298 (2020), the Supreme Court rejected the argument that a “.com” suffix is a functional characteristic of the Internet: “Booking.com lays no claim to the use of unique domain names generally. Nor does the PTO contend that the particular domain name ‘Booking.com’ is essential to the use or purpose of online hotel-reservation services, affects these services’ cost or quality, or is otherwise necessary for competitors to use.” *Id.* at n.5.

6. *Separability of Functional and Distinctive Elements.* The fact that a product or feature has been patented does not necessarily mean that all of its aspects are functional. Many patented products have distinctive features that can be separated from the functional elements. What should courts do about designs that are partially distinctive and partially functional (a category which includes most, if not all, designs)? Compare in this regard the copyright rules, which allow the copying of ideas but not their expression. Suppose the two cannot be separated? See Peter S. Menell & Ella Corren, *The Design Patent Emperor Wears No Clothes: Responding to Advocates of Design Patent Protection for Functionality*, 36 BERKELEY TECH. L.J. 231(2021) (contending that a separability test is essential for maintaining the integrity of the overall intellectual property system); Christopher J. Buccafusco & Mark A. Lemley, *Functionality Screens*, 103 VA.

L. REV. 1293 (2017) (arguing that trademark law, unlike copyright or design patent, denies all protection in that circumstance).

The *TrafFix* case addresses the separability problem through the use of a legal presumption: “Where the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.” Is this standard any more determinative than the conceptual separability standard in copyright law?

What if a feature is both functional but also recognized as signaling source (say, the shape of a distinctive sports car)? Even if individual features are functional, the unique combination of those features may be protectable if there is no reason that combination affects the cost or quality of the product. See *Bodum USA v. A Top New Casting Inc.*, 927 F.3d 486 (7th Cir. 2019) (holding that plaintiff’s overall design for a French coffee press was not functional even though individual elements were); *DayCab Co. v. Prairie Tech., LLC*, 67 F.4th 837 (6th Cir. 2023) (holding, dubiously, that there was a disputed question of fact whether the shape of a tractor trailer cab sleeping compartment was functional).

Note on Aesthetic Functionality

The concept of “aesthetic functionality” has long troubled courts and commentators. See A. Samuel Oddi, *The Functions of “Functionality” in Trademark Law*, 22 HOUS. L. REV. 925, 963 (1985). Section 742 of the RESTATEMENT OF TORTS (1938) captured the concept in the following manner: “[w]hen goods are bought largely for their aesthetic value, their features may be functional.” The Restatement gave as an example a red heart-shaped box for chocolates. *Id.* (comment *a*). Such a shape is no better at holding chocolates than a rectangular box (and hence cannot properly be characterized as utilitarian), but it is easy to see why the heart-shaped box would be particularly appealing to consumers, especially on Valentine’s Day. But it is the intrinsic desirability of heart-shaped candy boxes that is driving demand, not any indication of source. The aesthetic functionality doctrine aims to ensure that aesthetically desirable characteristics are not monopolized in the absence of copyright protection.

But what if a design is both aesthetically pleasing and an indication of source? The shape of products such as cars will regularly combine utilitarian design elements, aesthetic elements, and source-identifying elements. How can courts limit the scope of protection for product configurations to only those parts of a product that are nonfunctional? Courts originally sought to ensure that trademark protection would not extend to design elements that were valued because they were aesthetically pleasing as well as source-identifying. *Pagliero v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952). But more recent decisions have relaxed the *Pagliero* standard by focusing on the extent to which trade dress protection forecloses alternative designs. See *Moldex-Metric, Inc. v. McKeon Prods.*, 891 F.3d 878 (9th Cir. 2018) (holding that aesthetic functionality must consider the availability of alternative designs); *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co., Inc.*, 916 F.2d 76 (2d Cir. 1990); *Maker’s Mark Distillery, Inc., v. Diageo*

N. Am., Inc., 679 F.3d 410 (6th Cir. 2012) (holding a dripping red wax seal protected on a bourbon bottle because people associated it with Maker’s Mark); RESTATEMENT (THIRD) UNFAIR COMPETITION §17, comment *c* (stating that a feature is aesthetically functional only if it “confers a significant benefit that cannot practically be duplicated by the use of alternative designs”); see generally Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 IOWA L. REV. 611, 692–93 (1999).

In *TrafFix*, the Supreme Court suggests a broader view of aesthetic functionality, asking only whether the inability to copy the design would put the defendant at a significant disadvantage for reasons not related to reputation. Nonetheless, courts today extend protection to aesthetically pleasing aspects of a design if they also signal source. See *Blumenthal Distributing, Inc. v. Herman Miller, Inc.*, 963 F.3d 859 (9th Cir. 2020) (holding that iconic Eames and Aeron chairs were protectable even though individual elements were functional because the overall combination of those elements did not affect the cost or quality of the article). *Blumenthal* stated the test as follows:

In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, the Supreme Court split functionality into two types, each with its own legal test. 532 U.S. 23, 32–33 (2001). The two types are ‘utilitarian functionality,’ which is based on how well the product works, and “aesthetic functionality,” which is based on how good the product looks. See *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1067 (9th Cir. 2006) (“‘utilitarian’ functionality . . . relates to the performance of the product in its intended purpose); see *id.* at 1073–74 (aesthetic functionality is based on “‘intrinsic’ aesthetic appeal”). If the claimed trade dress has either type of functionality, it is unprotectable. See *id.* at 1072.

. . .

A claimed trade dress has aesthetic functionality if it serves ‘an aesthetic purpose wholly independent of any source identifying function,’ such that the trade dress’s protection under trademark law ‘would impose a significant non-reputation-related competitive disadvantage’ on its owner’s competitors. *Id.* at 1129, 1131 (quoting *Au-Tomotive Gold*, 457 F.3d at 1072, 1073). This requirement aims to ensure that trademark law protects fair competition between sellers, and does not sanction sellers’ poaching their competitors’ superior reputations. See *Au-Tomotive Gold*, 457 F.3d at 1073–74. Thus, the inquiry is whether, if one seller were given exclusive rights to use the claimed trade dress, other sellers would be forced to use alternative designs that make their products more costly to sell, or for which consumers’ willingness to pay would be lower for reasons having nothing to do with the reputation of any source (e.g., the alternative designs would not have as much intrinsic aesthetic appeal). If such competitive disadvantages would be significant, then this second requirement for aesthetic functionality is satisfied.

Id. at 865. Is the “wholly independent” standard consistent with *TrafFix*?

COMMENTS AND QUESTIONS

1. Now that copyright protection is not subject to forfeiture as a result of failure to observe formalities, as occurred in *Pagliari*, trademark protection for aesthetic features seems unnecessary. Relative to trademark concerns, the primacy of copyright law in the protection of creative expression rests on a comparable footing to the primacy of patent law in the protection of utilitarian features. Therefore, when a copyright has expired (or protection lost), arguably the developer of an expressive work should not be able to gain protection for such expression through the backdoor of trademark law. Further, engaging courts in the determination of whether copying an aesthetic design foreclosed competition may well be unworkable, *see Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 649 (7th Cir. 1993) (Cudahy, J., dissenting) (noting that “the attempt to categorize product features as ‘essential’ or ‘nonessential’ for competition is perplexing and ultimately vain”); *see also* MCCARTHY, TRADEMARK AND UNFAIR COMPETITION §7.81, and improperly transmutes trademark law into design protection, *see Krueger Int’l Inc. v. Nightingale*, 915 F. Supp. 595, 606 (S.D.N.Y. 1996) (criticizing aesthetic functionality doctrine on the grounds that it denied protection for design features “whose only sin was to delight the sense”).

Professor Justin Hughes proposes that “aesthetic functionality should only be found by courts when the product feature at issue triggers a positive cognitive, psychological, or aesthetic response among a substantial composite of the relevant consumers *and* that response predates the trademark owner’s activities.” *See* Justin Hughes, *Cognitive and Aesthetic Functionality in Trademark Law*, 36 CARDOZO L. REV. 1227, 1230 (2015). Does that approach make sense? Or would it provide automatic protection to a trademark owner who happens to be the first to create something beautiful?

2. Why might courts be inclined to the view that utilitarian functionality represents a higher hurdle to overcome than aesthetic functionality (requiring proof of a “significant non-reputation-related disadvantage” that is “wholly independent” of reputation)? Could the problem be solved through remedies—e.g., allowing free competition in expressive designs so long as the copyist used reasonable indications of source (and possibly disclaimers) to minimize consumer confusion? Or should courts expressly balance trademark interests (avoiding consumer confusion) against the threat to free competition (where copyright does not afford protection)?

3. *Artistic Style*. Can artistic style serve as a trademark? Courts have been skeptical. *See, e.g., Dr. Seuss Ents. v. ComicMix LLC*, 983 F.3d 443 (9th Cir. 2020) (affirming dismissal of trademark cause of action based on First Amendment concerns and the failure to allege consumer confusion); *Whitehead v. CBS/Viacom, Inc.*, 315 F. Supp. 2d 1, 13 (D.D.C. 2004) (“in the context of a literary work, the Lanham Act protects the distinctive source-distinguishing mark, not the work as a whole.”).

PROBLEMS

Problem V-6. Ferrari is a world-famous maker of upscale sports cars. It limits the number of cars it produces, and each car costs approximately \$200,000. Ferrari's cars have the same general features as normal cars—wheels, chassis, etc.—but they also have a distinctive look that is easily recognized. They are sleek and low to the ground, a fact that may make them accelerate more quickly and that makes them more attractive to look at.

Roberts sells a fiberglass kit that replicates the exterior features of a Ferrari, though not the engine or performance. When sued for trade dress infringement, Roberts defends on the grounds that the Ferrari design is functional. Is it?

Problem V-7. Eighteen years ago, Spartan Laboratories invented and patented a new pain-relieving drug called asperol. During the term of the patent, Spartan retained the exclusive right to sell asperol, which it manufactured in bright orange capsules. After the Spartan patent expired, a number of other companies began making generic asperol. Each of these companies sells the generic asperol in the same bright orange capsules as Spartan. Although the orange capsules are not visible inside the manufacturers' boxes (which do not resemble each other), asperol is sold only by prescription, and pharmacists invariably remove the drug from its original packaging and repackage it in their own bottles. The result is that the consumer sees only the name "asperol" and the orange capsules, regardless of who makes the drug.

Spartan filed suit under §43(a) of the Lanham Act, alleging that the other manufacturers had infringed its trade dress protection by coloring the capsules orange. At trial, Spartan proves that the color orange is protectable because it is distinctive and because, over the 17 years of the patent, pharmacists and customers had come to equate orange with Spartan's asperol. The generic manufacturers defend the suit on the grounds that the color is functional. In support of this claim, they present survey evidence that patients, particularly elderly patients, may become upset if the color of the drug is changed, and may refuse to believe that the drug is in fact asperol. The generic manufacturers present further evidence that pharmacists rely in part on color in making sure that they have packaged and labelled drugs correctly. Is the color orange functional?

Problem V-8. Christian Louboutin designs high fashion women's footwear. Since 1992, Louboutin's high-heeled shoes have featured shiny, red-lacquered soles for which the brand is known in the fashion industry. (Previously, soles were generally black or tan, and weren't considered part of the ornamentation of the shoe.) These shoes sell for as much as \$1,000 a pair and are favorites for film stars and A-list notables. They even feature in Jennifer Lopez's song "Louboutins" (Epic Records 2009) ("Boy, watch me walk it out . . . Walk this right up out the house I'm throwin' on my Louboutins"). The PTO awarded a trademark with Registration No. 3,361,597 (the "Red Sole Mark") to Louboutin on January 1, 2008.



FOR: WOMEN'S HIGH FASHION DESIGNER FOOTWEAR, IN CLASS 25 (U.S. CLS. 22 AND 39).

FIRST USE 0-0-1992; IN COMMERCE 0-0-1992.

THE COLOR(S) RED IS/ARE CLAIMED AS A FEATURE OF THE MARK.

THE MARK CONSISTS OF A LACQUERED RED SOLE ON FOOTWEAR. THE DOTTED LINES ARE NOT PART OF THE MARK BUT ARE INTENDED ONLY TO SHOW PLACEMENT OF THE MARK.

When Yves Saint Laurent began selling monochromatic shoes in a number of colors, including a red model with matching red sole, Christian Louboutin sued for infringement. YSL counter-claimed to cancel Louboutin's registration for red-soled fashion shoes. What are the best arguments on each side? Who should prevail?

2. Priority

As in patent law, trademark protection turns on timing. Section 45(a) of the Lanham Act requires that the mark either be (1) "used in commerce" or (2) registered with a bona fide intention to use it in commerce. Both at common law and under the traditional Lanham Act registration procedures, determining who owned a trademark meant determining who was first to use it to identify her goods.

The requirement of "use in commerce" reflects the constitutional basis for federal trademark laws, which unlike the patent and copyright statutes, rely on congressional power to regulate foreign and interstate commerce. This requirement also goes hand-in-hand with the basic trademark theory—the protection of consumer associations of a brand with a particular product, which can arise only after a trademark is placed on goods sold in commerce.

But just what constitutes use of a term as a designation of source? And how much use is enough to secure legal protection for the term? We explore these questions on multiple levels: (i) what constitutes use in commerce; (ii) the intent-to-use application process; (iii) geographic limitations on trademark use; (iv) the interplay of secondary meaning and priority; and (v) priority and trademark theory.

consumers to associate a mark with particular goods and notifies other firms that the mark is so associated.

Under the common law, one must win the race to the marketplace to establish the exclusive right to a mark. *Blue Bell v. Farah; La Societe Anonyme des Parfums LeGal-ion v. Jean Patou, Inc.*, 495 F.2d 1265, 1271–74 (2d Cir. 1974). Registration modifies this system slightly, allowing slight sales plus notice in the register to substitute for substantial sales without notice. 15 U.S.C. §1051(a). (The legislation in 1988 modifies the use requirement further, but we disregard this.) ZHD’s sales of its product are insufficient use to establish priority over L’Oreal. A few bottles sold over the counter in Hinsdale, and a few more mailed to friends in Texas and Florida, neither link the ZAZU mark with ZHD’s product in the minds of consumers nor put other producers on notice. As a practical matter ZHD had no product, period, until months after L’Oreal had embarked on its doomed campaign.

In finding that ZHD’s few sales secured rights against the world, the district court relied on cases such as *Department of Justice v. Calspan Corp.*, 578 F.2d 295 (C.C.P.A. 1978), which hold that a single sale, combined with proof of intent to go on selling, permit the vendor to register the mark. *See also Axton-Fisher Tobacco Co. v. Fortune Tobacco Co.*, 82 F.2d 295 (C.C.P.A. 1936); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 542 (2d Cir. 1956). . . . But use sufficient to register a mark that soon is widely distributed is not necessarily enough to acquire rights in the absence of registration. The Lanham Act allows only trademarks “used in commerce” to be registered. 15 U.S.C. §1051(a). Courts have read “used” in a way that allows firms to seek protection for a mark before investing substantial sums in promotion. *See Fort Howard Paper Co. v. Kimberly-Clark Corp.*, 390 F.2d 1015 (C.C.P.A. 1968); *Cf. Jim Dandy Co. v. Martha White Foods, Inc.*, 458 F.2d 1397, 1399 (C.C.P.A. 1972) (party may rely on advertising to show superior registration rights); *But see Weight Watchers International, Inc. v. I. Rokeach & Sons, Inc.*, 211 U.S.P.Q. 700, 709 (T.M.T.A.B. 1981) (more than minimal use is required to register because the statute allows only “owner[s]” to register, and ownership of a mark depends on commercial use). Liberality in registering marks is not problematic, because the registration gives notice to latecomers, which token use alone does not. Firms need only search the register before embarking on development. Had ZHD registered ZAZU, the parties could have negotiated before L’Oreal committed large sums to marketing.

ZHD applied for registration of ZAZU after L’Oreal not only had applied to register the mark but also had put its product on the market nationwide. Efforts to register came too late. At oral argument ZHD suggested that L’Oreal’s knowledge of ZHD’s plan to enter the hair care market using ZAZU establishes ZHD’s superior right to the name. Such an argument is unavailing. Intent to use a mark, like a naked registration, establishes no rights at all. *Hydro-Dynamics, Inc. v. George Putnam & Co.*, 811 F.2d 1470, 1472 (Fed. Cir. 1987). Even under the 1988 amendments (*see note*), which allow registration in advance of contemplated use, an unregistered plan to use a mark creates no rights. Just as an intent to buy a choice parcel of land does not prevent a rival from

closing the deal first, so an intent to use a mark creates no rights a competitor is bound to respect. A statute granting no rights in bare registrations cannot plausibly be understood to grant rights in “intents” divorced from either sales or registrations. Registration itself establishes only a rebuttable presumption of use as of the filing date. *Rolley, Inc. v. Younghusband*, 204 F.2d 209, 211 (9th Cir. 1953). ZHD made first use of ZAZU in connection with hair services in Illinois, but this does not translate to a protectable right to market hair products nationally. The district court construed L’Oreal’s knowledge of ZHD’s use of ZAZU for salon services as knowledge “of [ZHD’s] superior rights in the mark.” 9 U.S.P.Q.2d at 1978. ZHD did not, however, have superior rights in the mark as applied to hair products, because it neither marketed such nor registered the mark before L’Oreal’s use. Because the mark was not registered for use in conjunction with hair products, any knowledge L’Oreal may have had of ZHD’s plans is irrelevant. *Cf. Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980).

Imagine the consequences of ZHD’s approach. Businesses that knew of an intended use would not be entitled to the mark even if they made the first significant use of it. Businesses with their heads in the sand, however, could stand on the actual date they introduced their products, and so would have priority over firms that intended to use a mark but had not done so. Ignorance would be rewarded—and knowledgeable firms might back off even though the rivals’ “plans” or “intent” were unlikely to come to fruition. Yet investigations of the sort L’Oreal undertook prevent costly duplication in the development of trademarks and protect consumers from the confusion resulting from two products being sold under the same mark. *See Natural Footwear Ltd. v. Hart, Shaffner & Marx*, 760 F.2d 1383, 1395 (3d Cir. 1985). L’Oreal should not be worse off because it made inquiries and found that, although no one had yet used the mark for hair products, ZHD intended to do so. Nor should a potential user have to bide its time until it learns whether other firms are serious about marketing a product. The use requirement rewards those who act quickly in getting new products in the hands of consumers. Had L’Oreal discovered that ZHD had a product on the market under the ZAZU mark or that ZHD had registered ZAZU for hair products, L’Oreal could have chosen another mark before committing extensive marketing resources. Knowledge that ZHD planned to use the ZAZU mark in the future does not present an obstacle to L’Oreal’s adopting it today. *Selfway, Inc. v. Travelers Petroleum, Inc.*, 579 F.2d 75, 79 (C.C.P.A. 1978).

Occasionally courts suggest that “bad faith” adoption of a mark defeats a claim to priority. *See California Cedar Products Co. v. Pine Mountain Corp.*, 724 F.2d 827, 830 (9th Cir. 1984); *Stern Electronics, Inc. v. Kaufman*, 669 F.2d 852, 857 (2d Cir. 1982); *Blue Bell v. Farah*, 508 F.2d at 1267. Although ZHD equates L’Oreal’s knowledge of its impending use with “bad faith,” the cases use the term differently. In each instance the court applied the label “bad faith” to transactions designed merely to reserve a mark, not to link the name to a product ready to be sold to the public. In *California Cedar Products*, for example, two firms sprinted to acquire the abandoned DURAFLAME mark. One shipped some of its goods in the abandoning company’s wrapper with a new name pasted over it. Two days later the other commenced bona fide sales under the

DURAFLAME mark. The court disregarded the first shipment, calling it “both premature and in bad faith,” 724 F.2d at 830, and held that the first firm to make bona fide sales to customers was the prior user. “Bad faith” was no more than an epithet stapled to the basic conclusion: that reserving a mark is forbidden, so that the first producer to make genuine sales gets the rights. If these cases find a parallel in our dispute, ZHD occupies the place of the firm trying to reserve a mark for “intended” exploitation. ZHD doled out a few samples in bottles lacking labeling necessary for sale to the public. Such transactions are the sort of pre-marketing maneuvers that these cases hold insufficient to establish rights in a trademark.

The district court erred in equating a use sufficient to support registration with a use sufficient to generate nationwide rights in the absence of registration. Although whether ZHD’s use is sufficient to grant it rights in the ZAZU mark is a question of fact on which appellate review is deferential, *California Cedar Products*, 724 F.2d at 830 . . . , the extent to which ZHD used the mark is not disputed. ZHD’s sales of hair care products were insufficient as a matter of law to establish national trademark rights at the time L’Oreal put its electric hair colors on the market.

[In a forcefully stated section of the opinion, the court also reversed the punitive damages holding.]

Reversed and remanded.

CUDAHY, C.J., dissenting:

On the important issue of good faith, L’Oreal’s conduct here merits a very hard look. In the case of Riviera, a men’s clothing retailer, L’Oreal was careful to pay \$125,000 for an agreement not to sue. Yet men’s clothing and hair cosmetics marketed to women hardly seem related at all. On the other hand, a women’s hair salon developing a line of hair care products is a purveyor of goods and services that seem closely related to hair cosmetics. Therefore, L’Oreal’s knowledge of ZHD’s use defeats any claim L’Oreal may have to priority.

One of the keys here seems to be the use of ZAZU as a service mark connected with the provision of salon services by ZHD. A service mark can be infringed by its use on a closely related product. . . . [See] 2 J. THOMAS MCCARTHY, TRADEMARK AND UNFAIR COMPETITION §24:6, at 71 (2d ed. 1984 & Supp. 1991) (stating that “[w]here the services consist of retail sales services, likelihood of confusion is found when another mark is used on goods which are commonly sold through such a retail outlet”). A service and a product are related if buyers are likely to assume a common source or sponsorship. . . . The salon services and hair products at issue in this case, which are nearly as kindred as a service and product can be, offer the paradigmatic illustration of things that are closely related. Thus the majority’s disregard for ZHD’s substantial use of ZAZU in connection with salon services is unfounded. . . .

In this case, ZHD’s use of the ZAZU mark, both in its highly successful salon service business, which drew some out-of-state clients, and in its local and interstate product sales to customers and to a potential marketer, surely is more than de minimis. The

extensive evidence of ZHD’s intent to step up hair product sales—such as its order for 25,000 ZAZU-emblazoned bottles and its inquiry about advertising rates in a national magazine—bolsters this assessment. Even if ZHD did fail to demonstrate more than a *de minimis* market penetration nationally, at the very least it successfully established exclusive rights within its primary area of operation. The salon’s substantial advertising, increasing revenue and staff and preliminary product sales indicate sufficient market penetration to afford trademark protection in that region. *See Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383 (3d Cir.) (senior user can establish common law rights in geographic areas where it achieved market penetration). . . .

L’Oreal concedes that ZHD has exclusive rights to use ZAZU for salon services in the Hinsdale area. Those exclusive rights also preclude L’Oreal from using the mark on hair products in the local area because of the likelihood of confusion between those products and ZHD’s salon services, even apart from any confusion between the two parties’ products. Given the deferential standard of review on the factual question of use, therefore, I think it clear that ZHD has achieved market penetration and exclusive rights to the ZAZU mark at the very least in the Chicago area.

ZHD’s contention that its rights in the ZAZU mark extend beyond the local area is enhanced by evidence that L’Oreal did not, as we have noted, act in good faith. The majority’s consideration of the good faith issue minimizes the important role good faith plays in trademark disputes, particularly disputes involving unregistered marks. . . . *See, e.g., A. J. Canfield Co. v. Honickman*, 808 F.2d 291 (3d Cir. 1986) (stating the doctrine that a senior user “has enforceable rights against any junior user who adopted the mark with knowledge of its senior use”). . . . Contrary to the majority’s narrow characterization of bad faith as a concept employed solely to deter attempts to reserve marks prior to genuine sales, courts have examined junior users’ good faith in a variety of contexts. In fact, this court has held that a good faith junior user is simply one that begins using a mark without knowledge that another party already is using it. *The Money Store v. HarriCorp Finance, Inc.*, 689 F.2d 666, 674 (7th Cir. 1982); *see* 2 MCCARTHY, *supra*, §26:4 at 292 (equating good faith to “the junior user’s lack of knowledge”). And while such knowledge may not automatically negate good faith, only the most unusual situations encompass both knowledge and good faith. . . .

COMMENTS AND QUESTIONS

1. *Notice.* Consider this passage from Judge Easterbrook’s opinion: “Liberality in registering marks is not problematic, because the registration gives notice to latecomers, which token use alone does not. Firms need only search the register before embarking on development. Had ZHD registered ZAZU, the parties could have negotiated before L’Oreal committed large sums to marketing.”

But ZHD *did* register Zazu—not as a federal trademark, but as a business (trade name) in the State of Illinois. Why is this any different from the *federal* registration contemplated by Easterbrook? Does it provide less opportunity for negotiating prior to large investments? Recall the evidence in the case, which established not only that

L’Oreal found the ZHD trade name in its trademark search, but also that L’Oreal contacted ZHD and learned it was planning a hair product line. Standard trademark search services generally find all state and federal registrations, together with many “common law” (i.e., nonregistered) uses. Given this evidence, why was state registration any less of a basis for negotiation than federal registration? See *Malcolm Nicol & Co. v. Witco Corp.*, 881 F.2d 1063, 1065 (Fed. Cir. 1989) (a trade name, even one that lacks any independent trademark or service mark significance, may bar registration of a trademark or service mark that is confusingly similar to that trade name).

2. *Scarcity of Terms.* Judge Easterbrook says that through the use requirement, “the law prevents entrepreneurs from reserving brand names in order to make their rivals’ marketing more costly.” Could a rival reserve all the potential trademarks that would allow a firm to identify its products? Cf. Stephen L. Carter, *The Trouble with Trademarks*, 99 YALE L.J. 759, 760 (1990) (suggesting that if the supply of desirable terms is limited, then “allowing protection of marks devoid of market significance may raise substantial barriers to entry by competitors”).

Professors Barton Beebe and Jeanne Fromer suggest that trademarks may be more scarce than we might imagine. They find that nearly all of the ten thousand most common English words have been registered as trademarks in most or all classes. See Barton Beebe & Jeanne Fromer, *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*, 131 HARV. L. REV. 945 (2018).

Note that another rationale for the use requirement stems not from rivals’ costs, but from the desire not to encourage firms to specialize in identifying and registering potential trademarks. See Section C(2)(v).

3. *Bad Faith.* *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260 (5th Cir. 1975), teaches that although the race is to the swift in trademark law, the race must be run cleanly if a firm wants to prevail. In the case, Farah’s management settled on the name “Time Out” for a new line of blue jeans on May 16. Sample tags using the new name were drawn up on June 27, and on July 3 Farah sent out 12 pair of jeans bearing the new mark to its regional sales managers. More extensive shipments occurred on July 11. Meanwhile Blue Bell management decided on the name “Time Out” for its new line of jeans on June 18. Blue Bell commissioned several hundred sample tags (bearing the new logo) that were attached over the top of existing tags on a large shipment of jeans sent out on July 5. By October, both firms had received substantial orders for their respective new lines of jeans. The court ruled (1) that Blue Bell’s “secondary” use of the new logo was in “bad faith,” and therefore its July 5 shipment did not establish priority and (2) that Farah’s minimal shipments on July 3 also did not establish priority. This left Farah’s July 11 shipment as the first substantial use of the new mark in commerce—so Farah won.

When Blue Bell slapped new labels on old jeans, the court condemned it as “a bad faith attempt to reserve a mark.” What if, subsequent to the relabeling but before Farah’s first shipments, Blue Bell had made actual sales to consumers? Would their prior bad

for restaurants in the United States. The court held that the Italian restaurant could not obtain United States trademark rights through its advertising because the services it was providing were not themselves offered in commerce in the United States. *See also ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 165 (2d Cir. 2007) (declining to adopt famous marks doctrine); *Societe de Developpements et d'Innovations des Marches Agricoles et Alimentaires-Sodima Union de Cooperatives Agricoles v. International Yogurt*, 662 F. Supp. 839, 847 (D. Or. 1987) (“An axiom of trademark law is: no trade, no trademark.”). These cases reflect the territoriality principle: “[p]riority of trademark rights in the United States depends solely upon priority of use in the United States, not on priority of use anywhere in the world.” *See* J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §29:2. The Ninth Circuit has recognized a narrow exception to the territoriality principle where a well-known mark outside of the United States (Mexico) had developed secondary meaning in the United States (just north of the border in the San Diego area). *See Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088 (9th Cir. 2004). We further explore the international law aspects of the “famous marks” doctrine in Chapter V(G)(4).

ii. Intent-to-Use Application Process

The *Zazu* case was decided under pre-1989 federal trademark law. In 1988, Congress authorized an “intent to use” registration process. *See* Trademark Law Revision Act of 1988 (hereinafter TLRA), codified at 15 U.S.C. §1051. Under pre-1989 law, *actual* use in commerce, prior to application for registration, was a requirement for registration. This requirement spurred prospective applicants to ship and/or sell a small batch of goods in order to secure trademark protection, a practice that came to be known as “token use.”

Among other things, the TLRA provided that “[a] person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may apply to register the trademark . . . on the principal register.” Assuming an application based on an intention to use a mark is otherwise allowable, the Trademark Office will issue a “notice of allowance” to the trademark owner (rather than simply registering the mark on the Principal Register). 15 U.S.C. §1063(b)(2). After the notice of allowance is granted, the trademark owner has six months (extendable to one year automatically and to three years for good cause shown) to submit a verified statement that the trademark has in fact been used in commerce, at which point it is entered on the Principal Register. If the trademark owner does not submit such a statement, the trademark is considered abandoned. 15 U.S.C. §1051(d). Assuming that the intent-to-use registrant does eventually use the mark, however, the initial application will be considered “constructive use,” entitling the registrant to nationwide priority from the date of the application. 15 U.S.C. §1057(c).

The TLRA also eliminated “token use” by raising the standard for determining when a mark has been “use[d] in commerce.” Consider, for example, the case of *Paramount Pictures Corp. v. White*, 31 U.S.P.Q.2d 1768 (TTAB 1994), *aff’d*, 108 F.3d 1392 (Fed Cir. 1997) (unpub.), where Paramount opposed registration of “The Romulans” for a

connect-the-dots game distributed by White, leader of a rock group called The Romulans. One ground for the opposition was that the mark had not been used in commerce; in particular, that the distribution of connect-the-dots games on promotional fliers for the band was not a statutory use in commerce justifying registration. In commenting on the magnitude of use, the Trademark Trial and Appeal Board stated: “The legislative history of the Trademark Law Revision Act reveals that the purpose of the amendment was to eliminate ‘token use’ as a basis for registration, and that the new stricter standard contemplates instead commercial use of the type common to the particular industry in question.” 31 U.S.P.Q.2d at 1774. Footnote 8 of the Board’s opinion quotes from the Congressional Record of November 19, 1987, p. 196–97:

Amendment of the definition of “use in commerce” is one of the most far-reaching changes the legislation contains. Revised to eliminate the commercially-transparent practice of token use, which becomes unnecessary with the legislation’s provision for an intent-to-use application system, it will have a measurable effect on improving the accuracy of the register. . . . The committee intends that the revised definition of “use in commerce” be interpreted to mean commercial use which is typical in a particular industry.

Id.; but cf. *Allard Enters., Inc. v. Advanced Programming Resources, Inc.*, 146 F.3d 350 (6th Cir. 1998) (plaintiff’s somewhat extensive “word-of-mouth” campaign to popularize “APR” mark for computer professional placement service established priority under post-TLRA law). For an example of the pre-1989 rule, see *Fort Howard Paper v. Kimberly Clark Corp.*, 390 F.2d 1015 (C.C.P.A. 1968) (very limited use sufficient to establish priority); but cf. *La Societe Anonyme des Parfums LeGalion v. Jean Patou, Inc.*, 495 F.2d 1265 (2d Cir. 1974) (token sales program not sufficient use to avoid abandonment); *Procter & Gamble v. Johnson & Johnson, Inc.*, 485 F. Supp. 1185 (S.D.N.Y. 1979), *aff’d without opinion*, 636 F.2d 1203 (2d Cir. 1980) (“minor brands program” not sufficient use).

Could it be argued in the *Zazu* case that ZHD’s shipments of hair products were only a “token use”? How might the TLRA have affected the dissent in *Zazu*? Would L’Oreal’s good faith still be an issue under the TLRA? Cf. *M.Z. Berger & Co. v. Swatch AG*, 787 F.3d 1368 (Fed. Cir. 2015) (upholding TTAB cancellation of mark on grounds that the intent to use registration lacked good faith).

The intent-to-use application process has been subject to abuse, especially by foreign applicants who file multiple marks with no actual intent to sell goods in the United States and provide fake specimens of use. See Barton Beebe & Jeanne C. Fromer, *Fake Trademark Specimens: An Empirical Analysis*, 121 COLUM. L. REV. FORUM 217, 231–41 (2020). In 2020, Congress created new mechanisms for third parties to cancel registrations on the basis of non-use and expunge registrations for trademarks that have not been used in commerce. See Trademark Modernization Act of 2020, §5, *codified at* 15 U.S.C. §1066, §§16A–16B.

iii. Geographic Limitations on Trademark Use

At common law (and today for unregistered marks), ownership of a trademark does not necessarily confer nationwide protection. Rather, common law trademarks are protected only in the areas where the marked products are sold or advertised. Thus, the owner of an unregistered trademark for goods sold in Oregon and Washington, but not elsewhere, is entitled to prevent others from using that mark for similar goods only in Oregon and Washington. The rationale is that trademarks are not intended to confer a broad property right but merely to protect the goodwill the trademark owner has invested in the mark. Because no one outside Oregon or Washington could associate the mark with the owner, there is no reason to protect it elsewhere. Thus, a seller of similar goods in New York can use the same name for the goods without conflict.

There are two exceptions to this common law rule, both based on concerns that the trademark owner's goodwill will be unfairly taken. First, a trademark owner is entitled to the exclusive use of her mark in any geographic area in which the mark's reputation has been established, even if the product is not sold in that geographic area. Such a broader geographic reputation might be established, for example, by national advertising or media coverage of a local business such as a restaurant. Further, the trademark owner is entitled to protect the mark in a territory which he is expected to reach in the normal expansion of his business, even if there is no current likelihood of confusion in that area. *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916). Second, a trademark owner is entitled to prevent anyone from intentionally trading on her goodwill, even outside her established geographic area. Only innocent (or "good faith") use of the same mark is protected. But does good faith mean no knowledge of the senior mark at all or just no effort to trade on its goodwill? The circuits are split. *Compare Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426 (9th Cir. 2017) (knowledge of a remote senior user precludes good faith) *with GTE Corp. v. Williams*, 904 F.2d 536, 541 (10th Cir. 1990); *C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 700 (5th Cir. 2001) (knowledge does not preclude good faith).

One of the principal advantages of trademark registration is that it automatically confers nationwide protection of the mark, retroactive to the date of the trademark application, even if the goods for which the mark is used are sold or advertised in only a small part of the country. Thus, trademark registration is vital to protect businesses that plan to expand geographically, as well as those that fear a large national company might use the same name.

What happens, then, if two parties use the same mark for the same goods? If neither party registers its mark, the common law rule applies. Each party is entitled to exclusive use of the mark in the areas where it has established goodwill. Should the two marks come into conflict in a particular geographic area, the conflict will be resolved in favor of the earliest user *in that area*.

If one party registers her mark and the other does not, the registrant will generally be entitled to the exclusive right to use the mark throughout the country. However, the non-registering party may assert a "limited area" defense. This defense allows the non-

registering party to claim priority in those geographic areas where he has made continuous use of the mark since *before* the registering party filed her application. The non-registering party is “frozen” in the use of his mark, however, and cannot expand it outside his existing territory or a natural “zone of expansion.” See *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980).

Finally, if the parties agree, or if the Trademark Board determines that registration of both marks is unlikely to cause confusion, it is possible that both marks may be registered for “concurrent use.” If two or more marks are registered concurrently, however, the Trademark Office will impose whatever restrictions on the use of the marks are necessary to prevent confusion among consumers.

COMMENTS AND QUESTIONS

1. Compare the current U.S. trademark system to the various schemes for filing patent applications. You will recall that the United States long used a “first to invent” rule for determining who is entitled to obtain a patent, while the rest of the world grants a patent to the “first to file.” Is there a similar distinction in trademark law, between “first to use” and “first to file”? If so, does the Trademark Law Revision Act turn the United States into a “first to file” system?

2. Why should the user of an arbitrary or suggestive but unregistered trademark be limited to protection in a particular geographic area? The asserted justification is that the trademark owner has established goodwill only in that limited area. But why should that matter? Distinctive marks, unlike descriptive marks, are entitled to automatic protection under trademark law without proof that the public associates them with a particular product. See Section C(1). Isn’t it inconsistent to limit the scope of that protection to geographic areas in which the public has formed such an association?

3. Priority disputes are often resolved by the Trademark Trial and Appeal Board through oppositions. Section 13 of the Lanham Act, 15 U.S.C. §1063, provides that “[a]ny person who believes that he would be damaged by the registration of a mark upon the principal register may . . . file an opposition in the Patent and Trademark Office, stating the grounds therefor.” Further, 15 U.S.C. §1062(a) expressly provides that trademark applications be published before issuance, so that interested parties may have the opportunity to search for and oppose potentially damaging applications. Applications may be opposed by showing that the mark is not entitled to registration, for example because others had made use of it before the applicant did.

4. Return to the *Two Pesos* case discussed above. The Court’s opinion turned on whether Taco Cabana’s trade dress was inherently distinctive. But it was unregistered. Given that, why didn’t Two Pesos have a legitimate claim to be the first to use that trade dress in Houston? Is Houston in a reasonable “zone of expansion” for a fast food restaurant from San Antonio, 200 miles away?

iv. Secondary Meaning and Priority

Consider how the doctrine of priority interacts with the doctrine of secondary meaning. Under trademark priority rules, the trademark is presumptively owned by the first person to use it in commerce (barring a federal registration). The secondary meaning doctrine provides that *descriptive* marks are not entitled to protection until their owner can prove secondary meaning in the minds of consumers. But secondary meaning where? Interestingly, while the secondary meaning needs to be in more than a small area, *Philip Morris, Inc. v. Liggett & Myers Tobacco*, 139 U.S.P.Q. 240 (T.T.A.B. 1963), it does not need to be nationwide. If the plaintiff has established secondary meaning in more than a limited area, registration will confer nationwide priority, even in regions where the mark has not established secondary meaning.

When does a trademark owner obtain priority of use in a descriptive mark? When she first uses the mark? Or only after she can establish secondary meaning? This issue has arisen in a number of cases where the defendant is accused of quickly adopting a plaintiff's descriptive mark before the plaintiff can establish secondary meaning. In *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131 (2d Cir. 1992), the court considered a trade dress infringement suit by the makers of "Happy Cube" 3-D puzzles against the makers of "Snafooz" puzzles. The court refused to recognize the concept of secondary meaning in the making—the idea that the user of a descriptive term acquired any rights before actually demonstrating secondary meaning:

'The doctrine, if taken literally, is inimical to the purpose of the secondary meaning requirement.' RESTATEMENT [(THIRD) OF UNFAIR COMPETITION], §13 reporter's note, comment *e* at 53. The secondary meaning requirement exists to insure that something worth protecting exists—an association that has developed in the purchasing public's mind between a distinctive trade dress and its producer—before trademark law applies to limit the freedom of a competitor to compete by copying. As the drafters of the RESTATEMENT, *supra*, §17 comment b at 104–05, explain:

The freedom to copy product and packaging features is limited by the law of trademarks only when the copying is likely to confuse prospective purchasers as to the source or sponsorship of the goods. The imitation or even complete duplication of another's product or packaging creates no risk of confusion unless some aspect of the duplicated appearance is identified with a particular source. Unless a design is distinctive . . . and thus distinguishes the goods of one producer from those of others, it is ineligible for protection as a trademark.

See also Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569, 572 (2d Cir. 1959) ("Absent confusion, imitation of certain successful features in another's product is not unlawful and to that extent a 'free ride' is permitted."); *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 618 F.2d 950, 952–53 (2d Cir. 1980). The so-called doctrine of secondary meaning in the making, by affording protection before prospective purchasers are likely to associate the

trade dress with a particular sponsor, constrains unnecessarily the freedom to copy and compete. . . .

Id. at 138.

Courts have been virtually unanimous in rejecting secondary meaning in the making as inconsistent with the idea that descriptive marks are not protected. Indeed, many courts expressly require that a trademark plaintiff obtain secondary meaning before the defendant begins any use of the term. *See* MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §16.12, at 16-40 to 16-43 (collecting cases). *Cf. Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837 (9th Cir. 1987) (plaintiff was entitled to protect restaurant with trade dress nationally recognized among travelers against infringement by restaurant in Arizona, even though plaintiff had not established secondary meaning in Arizona directly).

What happens to trademarks that acquire secondary meaning too late? Are they wholly unprotectable? Or can they be asserted against a third party who uses the mark after secondary meaning is acquired? Note that the Trademark Office will register a descriptive mark that is first to acquire secondary meaning, regardless of when other users began use without secondary meaning. Presumably, that registration confers some rights, at least against subsequent adopters. But does it make sense that earlier users are “grandfathered” into the market and can continue to use the mark in competition with its owner?

v. Priority and Trademark Theory

a. Reducing Search Costs

Do any of the tests for priority discussed so far make sense in terms of lowering consumer search costs? Consider: if a second user can freely appropriate a mark, then consumers who have begun to rely on the association between the mark and the first user’s product will be thwarted. This situation not only destroys that particular association with the first user’s product; it may also make consumers less likely to establish such associations in the future. The upshot is that unless we protect the rights of the first user, more consumers will spend more time searching for goods.

On the other hand, many priority cases involve very limited uses in commerce; these cases typically occur early in the life of a new product or marketing campaign. As a consequence, very few consumers will, at the time of the litigation, have come to associate the mark in question with any goods. Where this is so, we might consider issues other than absolute priority to be important. For example, we might ask whether the first or second user was better positioned to distribute the goods bearing the mark. If the second user was in a better position—e.g., was larger, had more money to spend on advertising, etc.—why not let it use the mark? If consumer search costs are the key, why not take into account the interests of *future* consumers, who may be better served by allowing a search-cost-reducing trademark to fall into the hands of a large company that can make best use of it?

the claim that trademarks are brought about by legal incentives. This skepticism is shared by Rochelle Dreyfuss. See Rochelle C. Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 399 (1990) (“[T]here is little need to create economic incentives to encourage businesses to develop a vocabulary with which to conduct commerce. . .”).

What do you think would happen if the law did give rights to firms such as Wordmark? Would it deplete the “stock” of potential trademarks available to actual manufacturers and sellers? See Beebe & Fromer, *supra* (showing that the Principal Register is surprisingly full). Would it be burdensome if many firms who wanted to start a business had to go first to a firm like Wordmark to “shop for a trademark”? How would the parties agree on a fair price for a trademark?

Keep in mind when thinking about these issues that even though firms such as Wordmark are not granted a legal right under the Lanham Act, such firms exist anyway. Indeed, from published reports, it would appear that the image/identity industry is thriving. Is this a good argument against a system that granted rights to these firms?

c. Priority and the Prevention of Trademark Races

Why should the law grant rights to the first user of a mark, no matter how obscure the use, rather than the first to be recognized as a brand? Consider the alternative: if two entities have to “race” to establish nationwide recognition for their mark, will they spend more money widely distributing their new product—and advertising it—than they would otherwise? Would such extensive, early promotional efforts be wasteful? Is the role of trademark priority to forestall such wasteful expenditures and instead promote a more rational product “rollout” nationwide? Should the parties ever be able to divide up the nation?

Some guidance may be gleaned from a prominent justification for secure title in real property holdings. It has been argued that without secure property rights, assigned in advance, those seeking use of a resource will make wasteful expenditures seeking to claim it. The idea is that the orderly, rational development of the resource will be distorted by the absence of property rights. For example, consider “land rushes,” such as the famous Oklahoma Land Rush. See Terry L. Anderson & Peter J. Hill, *The Race for Property Rights*, 33 J.L. & ECON. 177 (1990); David D. Haddock, *First Possession Versus Optimal Timing: Limiting the Dissipation of Economic Value*, 64 WASH. U. L. REV. 775 (1986). Economic historians have detected evidence of wasteful spending by prospective claimants to real property. See generally GARY D. LIBECAP, *CONTRACTING FOR PROPERTY RIGHTS* (1989). Instead of allocating early expenditures rationally—e.g., some money for land, some for seeds, fertilizer, and building materials—people put all their money into the pursuit of land claims. The upshot was that the land was not utilized in an efficient manner. (Compare this line of reasoning to the “prospect theory” of patents. See Chapter III(A)(3).)

If the analogy between land development and trademark investment makes sense, why not go all the way to a pure registration system, under which virtually no expenditures need be made to secure trademark rights?

As another branch of economic theory would predict, “pure” registration systems—those where broad rights can be acquired without actual use in commerce—have been known to give rise to the scattershot acquisition of numerous trademarks solely for their resale value to real prospective users. In short, pure registration also invites “rent seeking.” Cf. William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 275 (1987). Consider the case of Robert Aries, who in 1965 had the foresight to register over 100 valuable American trademarks, including Pan American, NBC, Texaco, Monsanto, and Goodrich, with the National Trademark Office of Monaco. After registering the trademarks, Mr. Aries forced the American companies to buy their own marks back from him. Gerald D. O’Brien, *The Madrid Agreement Adherence Question*, 56 TRADEMARK REP. 326, 328 (1966). Similar practices were well known under French trademark law until the 1960s. See, e.g., Andre Armengaud, *The New French Law on Trademarks*, 56 TRADEMARK REP. 430, 435–36 (1966):

In France, during the last few years before the enactment of the 1964 Act, trademark registrations were becoming more and more numerous. This was due to the fact that many persons to whom a fancy name would come to mind, would register the name with the ulterior motive of obtaining some financial return from a possible subsequent user should the occasion arise. As a result, the area of choice for marks for new products was becoming narrower every day. Another drawback was that a merchant, or a manufacturer engaged in a particular trade area like hosiery for instance, would register his mark in all thirty-four classes. The relatively low cost of trademark registration in France, negligible as compared to the high costs a large company usually bears for advertising, made such practices possible. . . . [T]hese two practices . . . were responsible for the tremendous volume of trademark registration.

On the end of these practices in France, see Gerard Dassas, *Survey of Experience Under the French Trademark Law*, 66 TRADEMARK REP. 485, 491 (1976).

A similar phenomenon occurred in the 1990s with Internet domain names. The registration of domain names was initially handled by Network Solutions, Inc. (NSI) and is now overseen by a variety of domain name registries operating under the auspices of a nonprofit entity called the Internet Corporation for Assigned Names and Numbers (ICANN). These entities have allocated domain names on a first-come, first-served basis for a modest fee. During its initial period of operation, this system wreaked havoc among trademark holders as “cybersquatters” rushed in to register well-known trademarks held by others. These registrants would then offer to sell them to the trademark owners at exorbitant prices. Some companies even registered the marks of their competitors and used the sites to put up comparative product information. See, e.g., Joshua Quittner, *Making a Name on the Internet*, NEWSDAY, Oct. 7, 1994, at A4 (“It[’s] . . .

like a gold rush: Two thousand requests a month are coming in to stake claim to a name on the Internet, nearly 10 times as many as a year ago.”). Courts, ICANN, and legislatures developed rules and dispute resolution processes to curtail such extortionate rent seeking. The potential to profit from registering domain names closely related to the trademarks of others continues to occur, although the opportunities for extracting value from trademark owners have been greatly reduced and the penalties for crossing the line greatly enhanced. *See, e.g., Shields v. Zuccarini*, 254 F.3d 476 (3d Cir. 2001) (enjoining “typo-squatting”—registering misspelled versions of trademarks—and imposing a large fine under the Anticybersquatting Consumer Protection Act).

There seems to be good reason to allow some sort of early claiming system (i.e., registration with national effect after minimal use) without going all the way to “pure” registration (which invites equally wasteful rent seeking). An alternative would be to allow pure registration with lapse for nonuse after some period of time. Notice that this quite adequately describes the current system of “intent to use” registration.

COMMENTS AND QUESTIONS

1. The *Zazu* case and its ilk center on what constitutes “use” for trademark purposes. But what happens when the “use” asserted by a plaintiff originates not with the seller of goods itself, but with the common parlance of consumers? Consider, for example, *Volkswagenwerk A.G. v. Advanced Welding & Mfg. Co.*, 193 U.S.P.Q. 673 (TTAB 1976), which concerned trademark rights in the word “Bug.” To Volkswagen (VW), the official moniker for its classic economy car was “Type I,” or, later, “Beetle.” But in common parlance, this car was universally referred to as a “Bug.” Importantly, it was the consuming public, and not VW, that originated this usage. Should trademark law protect the association between VW and “Bug,” even though “Bug” originated with consumers themselves? Courts tend toward the view that consumer associations should be protected in this context. *See id.*; *see also National Cable Television Ass’n v. American Cinema Editors, Inc.*, 937 F.2d 1572 (Fed. Cir. 1991) (ACE used in common parlance as an acronym for association of film (cinema) editors). That reflects the “consumer protection” rationale for trademarks, as opposed to the incentive/property rationale. (Do you see why? How much did VW invest in creating the “Bug” mark?) One issue in cases such as these is that to prevent confusion, *someone* must have the right to stop third parties from using the distinctive name for other products; because “the consuming public” is a diffuse mass of people, there is no obvious representative other than the company who might enforce rights in the distinctive name.

2. Difficult priority problems arise when a well-known trademark is abandoned by its original owner. The priority question involves a race among rivals to capture the mark. *See California Cedar Products Co. v. Pine Mountain Corp.*, 724 F.2d 827, 830 (9th Cir. 1984) (bad faith of first rival to claim abandoned Duraflame mark for ersatz fireplace logs negates its claim, leaving second rival to claim the mark with priority). Are the issues the same as when firms race to obtain rights to a new mark? Under a strict consumer protection rationale for trademarks, is there an argument that abandoned marks should be off-limits to rival firms, at least for a number of years? Why would a

firm abandon a mark when it has value to rivals—why not sell it? *Cf.* Section B(1)(ii)–(iii) (dealing with abandonment and restrictions on licensing and assignments).

PROBLEMS

Problem V-9. Preco Industries began using the term “Porcelaincote” for its porcelain resurfacing material in 1966. Preco concedes that, at the time it began use, the “Porcelaincote” mark was unprotectable because it was descriptive. Preco continued to use the mark for a relatively minor product line. In 1977, Ceramco began to use the identical mark for identical goods. [Both companies sell their products on a nationwide basis.] In 1979, Ceramco began a nationwide advertising campaign using the “Porcelaincote” mark. Shortly thereafter, in 1980, Preco began a similar campaign. In 1981, the parties filed complaints against each other for trademark infringement. The court determined at trial that Ceramco established secondary meaning in 1979, and that Preco established it in 1980.

Assume that neither party ever registered its mark. Who should prevail in the lawsuits? Does either party have rights against a third company that began using the name in 1990? Does your answer to either of these questions change if one or both parties registered its mark on the Principal Register?

Problem V-10. In May 1989, Shalom Children’s Wear begins advertising and planning a line of clothes to be called “Body Gear.” In November 1989, In-Wear Corp. files an intent-to-use application for the mark “Body Gear.” Shalom files an intent-to-use application for the same mark in December 1989 and begins selling its products in February 1990. Is either party entitled to register the Body Gear mark? (Assume that the mark is otherwise protectable.) Does the result change if In-Wear fails to begin selling its clothes by November 1992?

3. Trademark Office Procedures

Administrative proceedings concerning trademarks in the United States are among the most stringent in the world. The U.S. Patent and Trademark Office (PTO) actively examines applications and—with the help of the courts—polices the trademark registers as well. In this section we review these administrative procedures.

i. Principal vs. Supplemental Register

Although registration is not a prerequisite to trademark protection, trademarks registered on the Principal Register enjoy a number of significant advantages. The primary advantages are: (1) nationwide constructive use and constructive notice, which cut off rights of other users of the same or similar marks, Lanham Act §22 (15 U.S.C. §1072)

and Lanham Act §7(c) (15 U.S.C. §1057(c)), and (2) the possibility of achieving incontestable status after five years, which greatly enhances rights by eliminating a number of defenses, Lanham Act §15 (15 U.S.C. §1065).⁴

Trademark applications are maintained in an index at the PTO and made available for public scrutiny soon after filing. This procedure is different from patent applications, the contents of which are kept secret for 18 months after filing in most cases.

The Supplemental Register was established by the 1946 Lanham Act “to enable persons in this country to domestically register trademarks so that they might obtain registration under the laws of foreign countries.” MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION, §19.09[1] (1996), at 19–68. Under the Paris Convention, foreign registration could not be granted in the absence of domestic registration. Because there are countries where trademark registration is granted to marks that would not qualify for the U.S. Principal Register, the Supplemental Register was created. Thus, even if a U.S. mark cannot gain the advantages of registration on the Principal Register, it may obtain protection in foreign countries.

To be eligible for the Supplemental Register a mark need only be capable of distinguishing goods or services. There is no need to prove that it actually functions in that capacity. The Supplemental Register is not available for clearly generic names, but it is available for the registration of trade dress.

Unlike the Principal Register, registration on the Supplemental Register confers no substantive trademark rights. *See, e.g., Clairol, Inc. v. Gillette Co.*, 389 F.2d 264 (2d Cir. 1968). Registration on the Supplemental Register has no evidentiary effects, it does not provide constructive notice of ownership, the mark cannot become incontestable, and it cannot be used as a basis for the Treasury Department to prevent the importation of infringing goods. However, a mark on the Supplemental Register may be litigated in federal court, may be cited by the PTO against a later applicant, and may provide notice to others that the mark is in use. *See In re Clorox Co.*, 578 F.2d 305 (C.C.P.A. 1978). Marks registered on the Supplemental Register are not subject to intent-to-use filings or opposition challenges, but may be canceled at any time by a court.

ii. Grounds for Refusing Registration

Section 2 of the Lanham Act provides the basis for many of the grounds for refusing registration on the Principal Register. Many, but not all, track the trademark protectability doctrines we have just discussed:

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

⁴ Other advantages include: (1) the right to request customs officials to bar the importation of goods bearing infringing trademarks, Lanham Act §42 (15 U.S.C. §1124), and (2) provisions for treble damages, attorney fees, and certain other remedies in civil infringement actions, Lanham Act §§34–38 (15 U.S.C. §§1116–20).

**'048 Trademark****The Netherlands' Flag**

a. Immoral, Scandalous, or Disparaging Marks

From the establishment of the modern U.S. trademark registration system in the late 1940s until 2017, the Trademark Office applied Section 2(a) to bar federal registration for immoral, scandalous, or disparaging terms. The decisions were at times inconsistent. For example, the PTO denied registration to “MORMON WHISKY”, and “HAVE YOU HEARD THAT SATAN IS A REPUBLICAN?” while allowing registration for STINKY GRINGO and THE DEVIL IS A DEMOCRAT. Scholars and civil liberties organizations have long questioned whether Section 2(a) violated the First Amendment’s prohibition on laws abridging free expression. *See, e.g.*, Jeffrey Lefstin, *Does the First Amendment Bar Cancellation of REDSKINS?*, 52 STAN. L. REV. 665 (2000); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1710–11 (1999).

The issue gained salience in recent years as litigants pressed the issue from both sides. Native American groups sought to cancel the Washington Redskins trademark as an offensive slur. On the other side, representatives of historically denigrated groups sought to reclaim terms that were previously considered vulgar, offensive, or disparaging. For example, a lesbian motorcycle club that participates in gay pride events successfully fought the PTO over “DYKES ON BIKES.” Simon Tam, the lead singer of a rock band comprised of Asian Americans, challenged the PTO’s refusal to register “THE SLANTS.”

In *Matal v. Tam*, 137 U.S. 1744 (2017), the Supreme Court invalidated the Section 2(a) disparagement clause on First Amendment grounds, although the Court divided on the reasoning. All of the justices confirmed that the government can regulate or punish fraud, defamation, and incitement within constitutional bounds. Furthermore, the justices agreed that trademark registration did not constitute government speech, such as promoting particular policies, to which the First Amendment does not apply. As the Court noted, the Federal Government does not dream up these marks. “[I]f trademarks represent government speech, what does the Government have in mind when it advises Americans to “make.believe” (Sony), “Think different” (Apple), “Just do it” (Nike), or “Have it your way” (Burger King)? Was the Government warning about a coming disaster when it registered the mark “EndTime Ministries”? *Id.* at 1759.

The justices divided on how to address whether Section 2(a) could be upheld under the more relaxed First Amendment standards applicable to commercial speech. Justice Alito, Chief Justice Roberts, Justice Thomas, and Justice Breyer determined that there was no need to resolve the issue because the disparagement bar reaches well beyond the narrow purpose of driving out invidious discrimination. Rather, it “reaches any trademark that disparages *any person, group, or institution*. It applies to trademarks like the following: ‘Down with racists,’ ‘Down with sexists,’ ‘Down with homophobes.’ *Id.* at 1765 (emphasis in original). By contrast, Justices Kennedy, Ginsburg, Sotomayor, and Kagan considered the PTO’s role in determining what is disparaging to be the root of the problem. In their view, Section 2(a) plainly represents a form of viewpoint discrimination—an “egregious form of content discrimination—which is “presumptively unconstitutional” regardless of whether the speech is commercial.

To the extent trademarks qualify as commercial speech, they are an example of why that term or category does not serve as a blanket exemption from the First Amendment’s requirement of viewpoint neutrality. . . . Here that real marketplace exists as a matter of state law and our common-law tradition, quite without regard to the Federal Government. These marks make up part of the expression of everyday life, as with the names of entertainment groups, broadcast networks, designer clothing, newspapers, automobiles, candy bars, toys, and so on. Nonprofit organizations—ranging from medical-research charities and other humanitarian causes to political advocacy groups—also have trademarks, which they use to compete in a real economic sense for funding and other resources as they seek to persuade others to join their cause. To permit viewpoint discrimination in this context is to permit Government censorship.

Id. at 1767–68.

In the aftermath of the *Tam* decision, the Supreme Court struck down the “immoral” and “scandalous” prongs of Section 2(a) as unconstitutional under the First Amendment because they were similarly viewpoint-based. *Iancu v. Brunetti*, 139 S.Ct. 2294 (2019) (holding that FUCT on a T-shirt, while vulgar, is registrable). Interestingly, while the result in *Tam* was unanimous, four Justices wrote separate opinions in *Brunetti* suggesting that while the statute was unconstitutionally overbroad, a more narrowly-drawn statute might constitutionally be able to ban profanity.

How would you categorize FUCT on the distinctiveness spectrum?

In *In re Elster*, 26 F.4th 1328 (Fed. Cir. 2022), *cert. granted* 2023 WL 3800017 (2023), the PTO rejected Elster’s attempt to register the mark “Trump Too Small” because it “[c]onsists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent.” 15 U.S.C. §1052(c). The Federal Circuit held that applying the statute to prevent a trademark registration of political speech about a person was unconstitutional.

Scandalous trademark applications have skyrocketed since 2017, but registrations remain low. See Jeffrey Greene & Rose Kautz, *The State of Scandalous Trademarks*

Post-Brunetti, LAW360 (Apr. 16, 2020). A high percentage of these applications (50%) relate to the fashion industry. Industry commentators opine that fashion brands see scandalous marks as a way to attract consumers in an increasingly crowded marketplace. See Rachel Leah, *Prada, Gucci And Now Burberry: Are Brands Under Fire For Offensive Designs Doing It On Purpose?*, SALON (Feb. 20, 2019). Yet the Trademark Office is finding non-§2(a) ways to refuse these applications. For example, the Trademark Office routinely refusing registrations for slogans on t-shirts as ornamental, i.e., merely decoration and not source identifying. The Trademark Office has also rejected fashion brand applications on the grounds that they are commonplace messages: “F*** You” is viewed in the same way as “Drive Safely” or “Proudly Made in the USA.” Many of these applications also fail on the grounds that they create a likelihood of confusion with an earlier-filed application for registration. Indeed, Brunetti himself was refused registration of “Fuck” for cell phone cases on the grounds that the term was ornamental and was not functioning as a trademark. *In re Brunetti*, No. 88308426 (TTAB Aug. 22, 2022).

While vindicating some First Amendment values, *Tam* raises serious social justice concerns. See Victoria F. Phillips, *Beyond Trademark: The Washington Redskins Case and the Search for Dignity*, 92 CHICAGO-KENT L. REV. 1061 (2018); ERIK STEGMAN & VICTORIA F. PHILLIPS, MISSING THE POINT—THE REAL IMPACT OF NATIVE MASCOTS AND TEAM NAMES ON AMERICAN INDIAN AND ALASKA NATIVE YOUTH, CENTER FOR AMERICAN PROGRESS (July 2014); Rita Heimes, *Trademarks, Identity, and Justice*, 11 J. MARSHALL REV. INTELL. PROP. L. 133, 158–65 (2011); K.J. Greene, *Trademark Law and Racial Subordination: From Marketing of Stereotypes to Norms of Authorship*, 58 SYRACUSE L. REV. 431, 436, 444 (2008) (discussing the role of trademarks in reinforcing racial stereotyping (noting the “Aunt Jemima” logo) and pointing out how what is considered offensive and disparaging shifts over time). In the aftermath of George Floyd’s tragic death and the ascendancy of the Black Lives Matter movement, some companies have begun rethinking their use of offensive trademarks. See Emily Heil, *Quaker Is Dropping the Aunt Jemima Image and Name After Recognizing They Are ‘Based on a Racial Stereotype’*, WASH. POST (Jun. 17, 2020); Alison Kosik, *Fedex Asks the Washington Redskins to Change Their Name After Pressure from Investor Groups*, CNN BUSINESS (Jul. 3, 2020).

b. Geographic Marks



In re Nantucket, Inc.

United States Court of Customs and Patent Appeals

677 F.2d 95 (C.C.P.A. 1982)

MARKEY, CHIEF JUDGE.

Nantucket, Inc. (Nantucket) appeals from a decision of the Trademark Trial and Appeal Board (board) affirming a refusal to register the mark NANTUCKET for men’s

shirts on the ground that it is “primarily geographically deceptively misdescriptive.” *In re Nantucket, Inc.*, 209 U.S.P.Q. 868 (TTAB 1981). We reverse.

Background

. . . Nantucket, based in North Carolina, filed [an] application . . . for registration of NANTUCKET for men’s shirts on the principal register in the Patent and Trademark Office (PTO). . . .

TMEP §1208.02 indicates that a mark is primarily geographical, inter alia, if it “is the name of a place which has general renown to the public at large and which is a place from which goods and services are known to emanate as a result of commercial activity.”

The examiner, citing a dictionary definition of “Nantucket” as an island in the Atlantic Ocean south of Massachusetts, concluded that the mark NANTUCKET was either primarily geographically descriptive or primarily geographically deceptively misdescriptive, depending upon whether Nantucket’s shirts did or did not come from Nantucket Island.

Nantucket informed the PTO that its shirts “do not originate from Nantucket Island,” and insisted that the mark would not be understood by purchasers as representing that the shirts were produced there because the island has no market place significance vis-à-vis men’s shirts. . . . As applied to shirts, it was argued, NANTUCKET is arbitrary and nondescriptive, because there is no association in the public mind of men’s shirts with Nantucket Island.

The examiner’s final refusal was based on the view that, because the shirts did not come from Nantucket Island, NANTUCKET is “primarily geographically deceptively misdescriptive.”

Before the board, Nantucket relied upon a number of cases, of which *In re Circus Ices, Inc.*, 158 U.S.P.Q. 64 (TTAB 1968), is representative, for its asserted “public association” or “noted for” test. In that case, the board said:

The term “HAWAIIAN,” meaning of or pertaining to Hawaii or the Hawaiian Islands, possesses an obvious geographical connotation, but it does not necessarily follow therefrom that it is primarily geographically descriptive of applicant’s product within the meaning of Section 2(e). In determining whether or not a geographical term is primarily geographically descriptive of a product, of primary consideration is whether or not there is an association in the public mind of the product with the particular geographical area, as for example perfumes and wines with France, potatoes with Idaho, rum with Puerto Rico, and beef with Argentina. . . . In the present case, it has not been made to appear that Hawaii or the Hawaiian Islands are noted for flavored-ice products or that the term “HAWAIIAN” is used by anyone to denote the geographical origin of such products. [. . .]

public makes no goods-place association, the public is not deceived and the mark is accordingly not geographically deceptively misdescriptive. . . .

In *National Lead Co. v. Wolfe*, 223 F.2d 195, 199, (CA 9 1955), the court held that neither DUTCH, nor DUTCH BOY, as applied to paint, was used “otherwise than in a fictitious, arbitrary and fanciful manner,” and noted that “there is no likelihood that the use of the name ‘Dutch’ or ‘Dutch Boy’ in connection with the appellant’s goods would be understood by purchasers as representing that the goods or their constituent materials were produced or processed in Holland or that they are of the same distinctive kind or quality as those produced, processed or used in that place.”

. . . There is no indication that the purchasing public would expect men’s shirts to have their origin in Nantucket when seen in the market place with NANTUCKET on them. Hence buyers are not likely to be deceived, and registration cannot be refused on the ground that the mark is “primarily geographically deceptively misdescriptive.”

Accordingly, the decision of the board is reversed.

COMMENTS AND QUESTIONS

1. In some cases prospective trademark registrants may be trying to seize on the descriptiveness of a term of geographic origin; “Napa” for wine would be an example. Another motivation is to seize on the good feelings engendered by a place name. *See, e.g., Singer Mfg. Co. v. Birginal-Bigsby Corp.*, 319 F.2d 273 (C.C.P.A. 1963) (American Beauty is primarily geographically deceptively misdescriptive when applied to sewing machines of Japanese origin). For example, a trademark applicant might try to register “Cuban” for cigars made in New Hampshire; this would very likely lead to a finding of deceptiveness (section 2(a)), and the application would be barred completely.

On the other hand, the use of a geographic term is not always forbidden. As the *Nantucket* case demonstrates, the question is whether the public connects the geographic indication with the source of goods. Thus, “Arctic” for vegetables is not geographically descriptive, because consumers would be unlikely to think it indicated that the vegetables came from the Arctic. For a questionable application of the deceptive misdescriptiveness doctrine, *see In re Broyhill Furn. Indus.*, 60 U.S.P.Q.2d 1511 (TTAB 2001) (“Toscana” primarily geographically deceptively misdescriptive for furniture).

If the public does not in fact associate the trademarked goods with the place, why would brand owners want to use that name? *See Alan L. Durham, Trademarks and the Landscape of Imagination*, 79 TEMPLE L. REV. 1181 (2006) (arguing that place names “evoke ideas with which the[] manufacturer would like to associate its brand” rather than the place of manufacture). Patagonia outdoor wear, for instance, may remind people of wild places rather than signal that the clothes are made there.

2. *Geographical Indications*. In many countries, geographic terms—usually for food or wine—serve also to certify composition, traditional preparation techniques, quality, and actual taste. In Europe, for example, so-called appellations of origin for wine—such as “Champagne,” “Chablis,” and “Chianti”—are protected by statute and

administered by national authorities. *See Institut National des Appellations d'Origine v. Vintners Int'l Co.*, 958 F.2d 1574 (Fed. Cir. 1992) (affirming denial of opposition by plaintiff, French national authority for establishing and policing appellations of origin, for registration of “Chablis with a Twist” for citrus-flavored wine drink that did not originate in France).

As part of the GATT amendments in 1994, Congress (as a concession to European interests) adopted limited recognition of the appellations of origin concept.

Lanham Act §2(a) [15 U.S.C. §1052(a)]

No trademark . . . shall be refused registration on the principal register on account of its nature unless it—

- (a) Consists of or comprises . . . a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO [World Trade Organization] Agreement (as defined in section 3501(9) of Title 19) enters into force with respect to the United States.

Section 2(e) has also long provided that appellations of origin registered under the Lanham Act §4 (15 U.S.C §1054) (collective and certification marks) are an exception to the prohibition on geographically descriptive trademarks. A certification mark is a guarantee of authenticity—“Belgian chocolates” must come from Belgium, for example. Certification marks may be registered without proof of secondary meaning but must be made available in a nondiscriminatory fashion to anyone who complies with the terms of the certification. *See Community of Roquefort v. William Faehndrich, Inc.*, 303 F.2d 494 (2d Cir. 1962) (French city of Roquefort was entitled to prevent use of the term “Roquefort” to describe cheese made in Hungary, based on United States certification mark). Note that group certification marks serve much the same quality assurance function as individual trademarks, but (assuming collective action problems are overcome) they may effectively protect small businesses who could not establish a well-known mark on their own.

The trademark status of “Parmesan” illustrates some of the international intrigue and confusion. *See Parmesan—The King of Cheese*, WIPO MAGAZINE (Feb. 2011). Parmesan cheese, also referred to as Parmigiano Reggiano (which translates to “of or from Parma” and “of or from Reggio”), traces back more than a thousand years to monks in a particular region of northern Italy: the provinces of Parma, Reggio Emilia, and Modena and Bologna (on the left bank of the Reno River) and Mantova (on the right bank of the Po River). The soils of this region, as well the cheese-making process (combining unpasteurized morning cow’s milk with naturally skimmed milk of the previous evening’s milking in heated copper-lined vats), contribute to the distinctive flavor and texture associated with Parmesan cheese.

Notwithstanding its renown, Parmesan production was relatively modest until the early 1900s. As its popularity grew, dairy farmers from the region formed the Conzorzio

del Formaggio Parmigiano-Reggiano (the Consortium) in 1934 to fend off cheaper imitation products. The Consortium succeeded in establishing Geographical Indication (GI) status in Europe and some other parts of the world for both “Parmesan” and “Parmigiano Reggiano.” Only cheeses produced in the designated region and meeting the Consortium’s specifications may use the names “Parmesan” and “Parmigiano Reggiano” in countries that recognize these GIs.

Although the United States protects GIs through certification and collective marks, it does not afford protection to generic terms. As a result, the term “Parmesan” is not a protected trademark in the United States, although “Parmigiano Reggiano” is a registered certification mark held and enforced by the Consortium. “Gruyere” for cheese is also generic in the United States notwithstanding its GI status in Switzerland and France. *See Interprofession du Gruyere v. U.S. Dairy Export Council*, 61 F.4th 407 (4th Cir. 2023) (noting that “Gruyere” cheese originated in the district of La Gruyère in the Canton of Fribourg, Switzerland in 1115 AD).⁷

For a spirited debate on appellations of origin, *see Irene Calboli, Time to Say Local Cheese and Smile at Geographical Indications of Origin? International Trade and Local Development in the United States*, 53 HOUS. L. REV. 373 (2015) (offering some possible compromises between European and American positions); Jim Chen, *A Sober Second Look at Appellations of Origin: How the United States Will Crash France’s Wine and Cheese Party*, 5 MINN. J. GLOBAL TRADE 29 (1996) (arguing that appellations of origin are artificial market segmentation devices that detract from consumer welfare); Louis Lorvellec, *You’ve Got to Fight for Your Right to Party*, 5 MINN. J. GLOBAL TRADE 65 (1996) (begging to differ, from French perspective).

3. Marks that are “deceptive” cannot be registered even if they are not geographic in nature. *See, e.g., Glendale Int’l Corp. v. PTO*, 374 F. Supp. 2d 479 (E.D. Va. 2005) (the mark “Titanium” was deceptive for a recreational vehicle that contained no titanium).

iii. Marks Which Are “Primarily Merely a Surname”

Section 2 treats as “descriptive” marks that are “primarily merely a surname” in the minds of consumers, whether or not the mark actually represents the owner’s surname. From *In re Garan, Inc.*, 3 U.S.P.Q.2d 1537, 1539–40 (TTAB 1987):

That there are no other meanings of the name in the English language will not support refusal of registration of the surname under the “primarily merely a surname” statutory language unless the average member of the purchasing public would, upon seeing it used as a trademark, recognize it as a surname. This

⁷ In holding that Gruyere is generic, the court considered that the Food and Drug Administration’s standard of identity for “Gruyere cheese” does not contain any geographic restrictions on where the cheese can be produced. The court noted that according to the USPTO’s Trademark Examination Guide for “Marks Including Geographic Wording that Does Not Indicate Geographic Origin of Cheeses and Processed Meats,” cheeses for which there is an FDA standard of identity tend not to be registrable as a certification mark of regional origin. *See Interprofession du Gruyere*, 61 F.4th at 417–18.

rule was first announced by the late Assistant Commissioner Leeds in her landmark decision, *Ex parte Rivera Watch Corporation*, 106 U.S.P.Q. 145, 149 (Comr. Pats. 1955), as follows:

There are some names which by their very nature have only a surname significance even though they are rare surnames. “Seidenberg,” if rare, would be in this class. And there are others which have no meaning—well known or otherwise—and are in fact surnames which do not, when applied to goods as trademarks, create the impression of being surnames. It seems to me that the test to be applied in the administration of this provision in the Act is not the rarity of the name, nor whether it is the applicant’s name, nor whether it appears in one or more telephone directories, nor whether it is coupled with a baptismal name or initials. The test should be: What is the primary significance to the purchasing public? . . .

Some twenty years later, in *In re Kahan & Weisz Jewelry Manufacturing Corp.*, 508 F.2d 831 (C.C.P.A. 1975), a case involving facts strikingly similar to those in the one now before us, the predecessor of the Court above expressly adopted the Rivera rule and it has since been consistently followed by the Board. *See, e.g., In re Pillsbury Co.*, 174 U.S.P.Q. 318 (TTAB 1972). . . .

Clearly, based on the above, we cannot stop with the directory listings and absence of other meanings, but must evaluate all of the relevant factors.

The six (or seven) directory and NEXIS listings of “Garan” as a surname have limited persuasive impact in view of the fact these were the only ones found in an enormous NEXIS database and some 43 directories of major population centers. In this context, we conclude that “Garan” is an extremely rare surname. While rare surnames may nevertheless be considered to be “primarily merely” surnames, e.g., *In re Possis Medical, Inc.*, 230 U.S.P.Q. 72, 74 (TTAB 1986), and cases cited therein, we agree with appellant that the degree of a surname’s rareness should have material impact on the weight given the directory evidence. Here, since it appears that the directory and NEXIS evidence shows “Garan” to be an extremely rare surname, we conclude that the directory and NEXIS evidence only slightly supports the Office’s position that GARAN is “primarily merely a surname.”

On analysis, we find all of the other factors either neutral or supportive of appellant’s position that GARAN would be perceived by purchasers as an arbitrary term or as the trademark and trade name of appellant.

COMMENTS AND QUESTIONS

1. The statutory hesitance to register surnames springs in part from an old common law policy in favor of the right to use one’s name, a policy that still has some life. *Basile, S.p.A. v. Basile*, 899 F.2d 35 (D.C. Cir. 1990), for example, is a case where an Italian watchmaker by the name of Basile sought to use that name on watches in the United States—against the wishes of an established company, well known for its watches sold

has been so largely squeezed out of business, there is naturally less legitimate pecuniary value in a family name.” *Id.*; see also Handler & Pickett, 30 COLUM. L. REV. at 199. That was in 1933 and the point is more obvious today. Other than understandable pride and sense of identity, the modern businessman loses nothing by losing the name. A junior user’s right to use his name thus must yield to the extent its exercise causes confusion with the senior user’s mark. . .

Here Francesco Basile’s interest in the use of his name is peculiarly weak. He has no reputation in the United States as a watchmaker. . . . There is no suggestion that the watch industry is one where an individual proprietor’s personal presentation of his wares plays a key commercial role, as may still be true of high fashion designers such as Yves St. Laurent and Christian Dior. Nor is it a business that has remained largely local in scope. Although none of these conditions would allow a second comer to use his own name at a serious cost of customer confusion, their absence means that Francesco’s interest in his own name here is scarcely greater than his interest in the name Bulova. . . . [W]e think the only plausible motivation for his fight here is a wish to free-ride on Basile’s goodwill, precisely what the law means to suppress.

Basile, 899 F.2d. at 39–40.

2. Should it matter whether the surname sought to be registered is common or rare? That the senior trademark user is well known or obscure? See Spencer T. Smith, *Primarily Merely*, 63 TRADEMARK REP. 24 (1973).

3. The scope of injunctions shows the remnants of the common law concern with the right to use one’s name. Courts are more likely to permit the junior use if the user disclaims any connection with the more famous senior user. See *Taylor Wine Co. v. Bully Hill Vineyards*, 569 F.2d 731 (2d Cir. 1978).

4. Should the nature of the defendant’s use matter? One court has held that the restrictions applied to registering personal names should not apply where the name in question (“Niles”) was used for a plush toy camel, since unlike personal names there was no strong business interest in using one’s own name for a camel. *Peaceable Planet, Inc. v. Ty, Inc.*, 362 F.3d 986 (7th Cir. 2004).

PROBLEM V-11

Ernest and Julio Gallo are the nation’s largest sellers of wine. They sell their wine under the “Gallo” label and have advertised that trademark heavily. Ernest and Julio’s younger brother Joseph Gallo runs a company called Gallo Cattle Co. Gallo Cattle begins selling cheese and salami under the name “Gallo Cheese” and “Gallo Salami.” If Ernest and Julio Gallo wish to stop their brother from marketing meat and cheese under the Gallo name, what must they be able to show at trial? If they win, how should a court craft the injunction granting relief? What should it forbid?

iv. Opposition

Section 13(a) of the Lanham Act reads in part:

(a) Any person who believes that he would be damaged by the registration of a mark upon the principal register may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor, within thirty days after the publication . . . of the mark sought to be registered.

Because potential opposers must become aware of the contested mark's future registration, opposition is meaningful protection only for firms possessing the resources to conduct frequent searches of the Official Gazette, where prospective trademarks are published.

An opposer must plead and prove that: (1) it is likely to be damaged by registration of the applicant's mark (this is the standing requirement); and (2) that there are valid legal grounds why the applicant is not entitled to register its claimed mark. The opposer is in the plaintiff position, and the applicant is in the defendant position. The opposer has the burden of proving that the applicant has no right to register the contested mark. In general, there has been a trend toward liberalization of the standing requirement. 3 MCCARTHY §20.02[1][a] (1996). "To establish standing to oppose, the opposer need only be something more than a gratuitous interloper or a vicarious avenger of someone else's rights." *Id.*, at §20.16.

Once the standing threshold has been crossed, the opposer may rely on any legal ground that negates the applicant's right to registration. *See, e.g., Estate of Biro v. Bic Corp.*, 18 U.S.P.Q.2d 1382 (TTAB 1991). For example, an opposer might argue that the applicant did not make sufficient use of the mark in interstate commerce to receive a use-based registration. Generally, opposers rely on one of the bars to registration described in Lanham Act section 2, with section 2(d) being the most common. Section 2(d) prohibits registration where the applicant's mark so resembles either (1) opposer's registered mark or (2) opposer's prior common law mark or trade name, as to be likely to cause confusion. The test for likelihood of confusion is the same used in general litigation. 3 MCCARTHY, *supra*, at §20.24. It is described in detail in Section D(1).

v. Cancellation

If opposition is the first "backstop" to ex parte examination of trademarks, cancellation may be thought of as the second. Even after a trademark examiner is satisfied that a mark meets the requirements for registration and the mark is in fact registered, it may still be challenged in an inter partes proceeding. The Lanham Act allows one who "believes that he is or will be damaged by registration" to petition for cancellation of marks on either the Principal or Supplemental Register. Lanham Act §18. Cancellation petitions are heard by the Trademark Trial and Appeal Board (TTAB). In civil suits where a federally registered mark is at issue, such as suits under Lanham Act §2, the court may order cancellation of the registration.

The standing requirement for cancellation proceedings is quite similar to that for opposition. In both cases, the statute speaks in terms of the plaintiff's belief that he or she will be damaged.

Even after cancellation of the registration, a mark may still enjoy common law rights. *See, e.g., National Trailways Bus System v. Trailway Van Lines*, 269 F. Supp. 352 (E.D.N.Y. 1965).

vi. Concurrent Registration

Concurrent use registration is provided for in Lanham Act §2(d):

No trademark . . . shall be refused registration on the principal register . . . unless it— . . .

(d) Consists of or comprises a mark which so resembles a mark . . . as to be likely. . . to cause confusion. . . : *Provided*, That if the Director determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this Act. . . .

Lanham Act §2(d), 15 U.S.C. §1052(d). Section 2(d) goes on to say that prior use may be waived by agreement of the parties seeking concurrent registration, and that the commissioner may also issue concurrent use registrations when ordered to do so by a court. *Id.*

The most important condition for approval of concurrent use registration is that such registration cannot be likely to cause confusion of buyers or others. *Application of Beatrice Foods Co.*, 429 F.2d 466 (C.C.P.A. 1970). In *Beatrice*, the senior user (Beatrice) had used a mark in 23 states and the junior user (Fairway) had used a mark in five states by the time the registration hearing commenced. Both had filed registration applications, and a concurrent use proceeding was instituted. The court established the general rule that the senior user can be awarded registration covering all parts of the United States except those regions where the subsequent (junior) user can establish existing rights in its actual area of use or zones of natural expansion. The junior user must show that confusion is not likely to result from the concurrent registration. The court then recognized three exceptions to this general rule: (1) the PTO is not required to grant registration contrary to an agreement between the parties that leaves some territory open; (2) where the junior user is the first to obtain federal registration, the junior user obtains nationwide rights subject only to the territorial limitations of the senior user (*See, e.g., Wiener King, Inc. v. Weiner King Corp.*, 615 F.2d 512 (C.C.P.A. 1980) (junior user who registered first and expanded after discovering the senior user was entitled to registration covering the entire United States with the exception of a small enclave encompassing

the senior user's territory)); and (3) areas of mutual nonuse may be maintained if the mark, goods, and territories are such that this is the only way to avoid the likelihood of confusion.

COMMENTS AND QUESTIONS

Should an agreement settling a dispute between parties seeking concurrent registration—hence carving up the nation into exclusive territories—be scrutinized for antitrust issues? *See VMG Enters. Inc. v. F. Quesada & Franco Inc.*, 788 F. Supp. 648 (D.P.R. 1992). Absent intellectual property rights, an agreement among competitors to divide up markets would be illegal per se. *See Palmer v. BRG of Georgia*, 498 U.S. 46 (1990).

4. Incontestability



Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.
Supreme Court of the United States
469 U.S. 189 (1985)

JUSTICE O'CONNOR delivered the opinion of the Court.

In this case we consider whether an action to enjoin the infringement of an incontestable trade or service mark may be defended on the grounds that the mark is merely descriptive. We conclude that neither the language of the relevant statutes nor the legislative history supports such a defense.

I

Petitioner operates long-term parking lots near airports. After starting business in St. Louis in 1967, petitioner subsequently opened facilities in Cleveland, Houston, Boston, Memphis, and San Francisco. Petitioner applied in 1969 to the United States Patent and Trademark Office (Patent Office) to register a service mark consisting of the logo of an airplane and the words "Park 'N Fly." The registration issued in August 1971. Nearly six years later, petitioner filed an affidavit with the Patent Office to establish the incontestable status of the mark. As required by §15 of the Trademark Act of 1946 (Lanham Act), 60 Stat. 433, as amended, 15 U.S.C. §1065, the affidavit stated that the mark had been registered and in continuous use for five consecutive years, that there had been no final adverse decision to petitioner's claim of ownership or right to registration, and that no proceedings involving such rights were pending. Incontestable status provides, subject to the provisions of §15 and §33(b) of the Lanham Act, "conclusive evidence of the registrant's exclusive right to use the registered mark. . . ." §33(b), 15 U.S.C. §1115(b).

Respondent also provides long-term airport parking services, but only has operations in Portland, Oregon. Respondent calls its business "Dollar Park and Fly." Petitioner filed this infringement action in 1978 in the United States District Court for the District of Oregon and requested the court permanently to enjoin respondent from using the words "Park and Fly" in connection with its business. Respondent counterclaimed and sought cancellation of petitioner's mark on the grounds that it is a generic term. *See*

§14(c), 15 U.S.C. §1064(c). Respondent also argued that petitioner's mark is unenforceable because it is merely descriptive. *See* §2(e), 15 U.S.C. §1052(e). As two additional defenses, respondent maintained that it is in privity with a Seattle corporation that has used the expression "Park and Fly" since a date prior to the registration of petitioner's mark, *see* §33(b)(5), 15 U.S.C. §1115(b)(5), and that it has not infringed because there is no likelihood of confusion. *See* §32(1), 15 U.S.C. §1114(1). . . .

II

. . . This case requires us to consider the effect of the incontestability provisions of the Lanham Act in the context of an infringement action defended on the grounds that the mark is merely descriptive. Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose. *See American Tobacco Co. v. Patterson*, 456 U.S. 63, 68 (1982). With respect to incontestable trade or service marks, §33(b) of the Lanham Act states that "registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark" subject to the conditions of §15 and certain enumerated defenses. Section 15 incorporates by reference subsections (c) and (e) of §14, 15 U.S.C. §1064. An incontestable mark that becomes generic may be canceled at any time pursuant to §14(c). That section also allows cancellation of an incontestable mark at any time if it has been abandoned, if it is being used to misrepresent the source of the goods or services in connection with which it is used, or if it was obtained fraudulently or contrary to the provisions of §4, 15 U.S.C. §1054, or §§2(a)–(c), 15 U.S.C. §§1052(a)–(c). . . .

The language of the Lanham Act also refutes any conclusion that an incontestable mark may be challenged as merely descriptive. A mark that is merely descriptive of an applicant's goods or services is not registrable unless the mark has secondary meaning. Before a mark achieves incontestable status, registration provides prima facie evidence of the registrant's exclusive right to use the mark in commerce. §33(a), 15 U.S.C. §1115(a). The Lanham Act expressly provides that before a mark becomes incontestable an opposing party may prove any legal or equitable defense which might have been asserted if the mark had not been registered. *Ibid.* Thus, §33(a) would have allowed respondent to challenge petitioner's mark as merely descriptive if the mark had not become incontestable. With respect to incontestable marks, however, §33(b) provides that registration is conclusive evidence of the registrant's exclusive right to use the mark, subject to the conditions of §15 and the seven defenses enumerated in §33(b) itself. Mere descriptiveness is not recognized by either §15 or §33(b) as a basis for challenging an incontestable mark.

The statutory provisions that prohibit registration of a merely descriptive mark but do not allow an incontestable mark to be challenged on this ground cannot be attributed to inadvertence by Congress. The Conference Committee rejected an amendment that would have denied registration to any descriptive mark, and instead retained the provisions allowing registration of a merely descriptive mark that has acquired secondary meaning. *See* H.R. CONF. REP. NO. 2322, 79th Cong., 2d Sess., 4 (1946) (explanatory

statement of House managers). The Conference Committee agreed to an amendment providing that no incontestable right can be acquired in a mark that is a common descriptive, i.e., generic, term. *Id.*, at 5. Congress could easily have denied incontestability to merely descriptive marks as well as to generic marks had that been its intention.

The Court of Appeals in discussing the offensive/defensive distinction observed that incontestability protects a registrant against cancellation of his mark. 718 F.2d, at 331. This observation is incorrect with respect to marks that become generic or which otherwise may be canceled at any time pursuant to §§ 14(c) and (e). Moreover, as applied to marks that are merely descriptive, the approach of the Court of Appeals makes incontestable status superfluous. Without regard to its incontestable status, a mark that has been registered five years is protected from cancellation except on the grounds stated in §§ 14(c) and (e). Pursuant to § 14, a mark may be canceled on the grounds that it is merely descriptive only if the petition to cancel is filed within five years of the date of registration. § 14(a), 15 U.S.C. § 1064(a). The approach adopted by the Court of Appeals implies that incontestability adds nothing to the protections against cancellation already provided in § 14. The decision below not only lacks support in the words of the statute; it effectively emasculates § 33(b) under the circumstances of this case.

VI

We conclude that the holder of a registered mark may rely on incontestability to enjoin infringement and that such an action may not be defended on the grounds that the mark is merely descriptive. Respondent urges that we nevertheless affirm the decision below based on the “prior use” defense recognized by § 33(b)(5) of the Lanham Act. Alternatively, respondent argues that there is no likelihood of confusion and therefore no infringement justifying injunctive relief. The District Court rejected each of these arguments, but they were not addressed by the Court of Appeals. 718 F.2d, at 331–332, n.4. That court may consider them on remand. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion. It is so ordered.

JUSTICE STEVENS, dissenting.

In trademark law, the term “incontestable” is itself somewhat confusing and misleading because the Lanham Act expressly identifies over 20 situations in which infringement of an allegedly incontestable mark is permitted.¹ Moreover, in § 37 of the Act, Congress unambiguously authorized judicial review of the validity of the registration “in any action involving a registered mark.” The problem in this case arises because of petitioner’s attempt to enforce as “incontestable” a mark that Congress has plainly stated is inherently unregistrable.

¹ Section 33(b) enumerates seven categories of defenses to an action to enforce an incontestable mark. See 15 U.S.C. § 1115(b), quoted ante, at 3, n.1. In addition, a defendant is free to argue that a mark should never have become incontestable for any of the four reasons enumerated in § 15. 15 U.S.C. § 1065. Moreover, § 15 expressly provides that an incontestable mark may be challenged on any of the grounds set forth in subsections (c) and (e) of § 14, 15 U.S.C. § 1064, and those sections, in turn, incorporate the objections to registrability that are defined in §§ 2(a), 2(b), and 2(c) of the Act. 15 U.S.C. §§ 1052(a), (b), and (c).

The mark “Park ‘N Fly” is at best merely descriptive in the context of airport parking.³ Section 2 of the Lanham Act plainly prohibits the registration of such a mark unless the applicant proves to the Commissioner of the Patent and Trademark Office that the mark “has become distinctive of the applicant’s goods in commerce,” or to use the accepted shorthand, that it has acquired a “secondary meaning.” See 15 U.S.C. §§ 1052(e), (f). Petitioner never submitted any such proof to the Commissioner, or indeed to the District Court in this case. Thus, the registration plainly violated the Act.

The violation of the literal wording of the Act also contravened the central purpose of the entire legislative scheme. Statutory protection for trademarks was granted in order to safeguard the goodwill that is associated with particular enterprises. A mark must perform the function of distinguishing the producer or provider of a good or service in order to have any legitimate claim to protection. A merely descriptive mark that has not acquired secondary meaning does not perform that function because it simply “describes the qualities or characteristics of a good or service.” No legislative purpose is served by granting anyone a monopoly in the use of such a mark. . . .

The word “incontestable” is not defined in the Act. Nor, surprisingly, is the concept explained in the Committee Reports on the bill that was enacted in 1946. The word itself implies that it was intended to resolve potential contests between rival claimants to a particular mark. And, indeed, the testimony of the proponents of the concept in the Committee hearings that occurred from time to time during the period when this legislation was being considered reveals that they were primarily concerned with the problem that potential contests over the ownership of registrable marks might present. No one ever suggested that any public purpose would be served by granting incontestable status to a mark that should never have been accepted for registration in the first instance.

COMMENTS AND QUESTIONS

1. Why should marks be allowed to become incontestable? Does this privilege reflect a judgment that judicial review of trademarks is unnecessary after a certain time? That the Trademark Office can be trusted to make the right decision in an ex parte proceeding? Certainly, no similar right is afforded the holders of patents, even though they are in some sense a “stronger” intellectual property right. Professor Kenneth Port has advocated abolition of trademark incontestability. See Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519 (1993). Professor Port reasons that

³ In the Court of Appeals petitioner argued that its mark was suggestive with respect to airport parking lots. The Court of Appeals responded: “We are unpersuaded. Given the clarity of its first word, Park ‘N Fly’s mark seen in context can be understood readily by consumers as an offering of airport parking—imagination, thought, or perception is not needed. Simply understood, ‘park and fly’ is a clear and concise description of a characteristic or ingredient of the service offered—the customer parks his car and flies from the airport. We conclude that Park ‘N Fly’s mark used in the context of airport parking is, at best, a merely descriptive mark.” 718 F.2d 327, 331 (CA9 1983). Although the Court appears to speculate that even though the mark is now merely descriptive it might not have been merely descriptive in 1971 when it was first registered. . . . I find such speculation totally unpersuasive. But even if the Court’s speculation were valid, the entire rationale of its opinion is based on the assumption that the mark is in the “merely descriptive” category.

the industry, and it is a commercial advantage to use the standard product. Would trademark defendants lose *any* opportunity to defeat the mark on functionality grounds? Apparently concerned by the result in *Shakespeare*, Congress revised the Lanham Act in 1998 to provide that functionality may be asserted even against an “incontestable” mark. 15 U.S.C. §1064(3).

4. *Abandonment and Incontestability*. An incontestable mark can be canceled if it is abandoned due to nonuse. In *Perry v. H.J. Heinz Co.*, 994 F.3d 466 (5th Cir. 2021), Heinz defended the claim that its “Mayochup” product—blending mayonnaise and ketchup— infringed the plaintiff’s incontestable “Metchup” mark for a blend of mustard and ketchup. As part of its defense, Heinz asserted that Perry had abandoned Metchup based on sporadic use—only 34 documented sales over a ten-year period. While upholding the district court’s determination that Perry had failed to show a likelihood of confusion, the Fifth Circuit vacated the summary judgment cancellation of the Metchup registration and remanded for further proceedings on the ground that abandonment is a question of fact. The court noted that although a party seeking to show abandonment bears a heavy burden, “a reasonable jury could infer that Mr. Perry’s registration and use of the trademark was something other than a sincere, good-faith business effort and something more like a trap that Heinz unwittingly fell into.” *Id.* at 476.

5. *Presumption of Validity: Contrast with Patents*. Note that the presumptions afforded registered trademarks differ in several ways from those given to issued patents. Registered trademarks, while entitled to a presumption of validity, are not entitled to the benefit of the “clear and convincing evidence” rule applied in patent cases. At the same time, there is no provision for incontestability of patents after a certain number of years. Is there any reason for these differing presumptions?

6. *Contrasting Trademark, Patent, and Copyright Administrative Regimes*. Patent law gives inventors no rights at all unless the Patent Office issues them a patent. By contrast, copyright law gives full protection to unregistered works as soon as they are created, and there are current legislative efforts to abolish the Copyright Office entirely. Trademark law appears to fall somewhere in between. Trademark owners are entitled to protection without registration, but there are still substantial benefits to registering a trademark. Why do these administrative schemes differ?

D. INFRINGEMENT

The Lanham Act imposes liability on those who:

- create a likelihood of confusion (§ 32, 15 U.S.C. §1114 (registered marks); §43(a)(1), 15 U.S.C. §1125(a)(1) (registered or unregistered marks);
- create a likelihood of dilution (§ 43(c), 15 U.S.C. §1125(c));
- cybersquat (§ 43(d), 15 U.S.C. §1125(d)); or
- engage in false advertising (§43(a)(1), 15 U.S.C. §1125(a)(1)).

As noted at the outset of this chapter, the entire federal trademark protection scheme turns on use in commerce. Thus, we begin treatment of trademark liability analysis with the threshold issue of trademark use. We then turn to the specifics of each form of trademark liability.

1. Threshold Issue: Trademark Use

As we saw in earlier, a trademark owner must use a mark in commerce to establish rights in the mark. This follows from the Lanham Act's grounding in the Constitution's Commerce Clause. The concept of "use in commerce"—this time by a defendant—also arises in proving trademark infringement. Both §32 (relating to registered marks) and §43(a) (relating to registered and unregistered marks) impose liability on those who "use [a protected mark] in commerce" "on or in connection with" goods and services.

In the definitions section, the Lanham Act provides:

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

Lanham Act §45, 15 U.S.C. §1127.

Traditional use of a mark by a defendant occurs when the defendant brands its own goods with a mark alleged to be too similar to the plaintiff's. But trademark owners are increasingly filing suit against a variety of other ways a defendant might employ a mark: mentioning it in a song or book, for instance, depicting it on a T-shirt, discussing it in a news article, or using it as search engine triggers for delivering sponsored advertisements. Are these uses "on or in connection with" the provision of goods and services? Or is there a requirement that the defendant use the plaintiff's mark as a mark?

Several circuits have applied a such a "trademark use" requirement to limit liability for uses other than the branding of the defendant's own goods. *See, e.g., DaimlerChrysler AG v. Bloom*, 315 F.3d 932 (8th Cir. 2003) (holding that a telecommunications company did not use the term "Mercedes" in a trademark sense merely by licensing a vanity phone number that spelled "1-800-MERCEDES" to Mercedes dealers); *Interactive*

Concepts Inc., 638 F.3d 1137, 1145 (9th Cir. 2011); *cf.* Graeme Dinwoodie & Mark D. Janis, *Confusion over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597 (2007).

But in 2023, the Supreme Court revived the doctrine of trademark use, holding that when the defendant does not use a mark to brand its own goods, the normal likelihood of confusion test would not apply. [The Court’s discussion occurred in the context of whether to apply a much more defendant-friendly test called the *Rogers* test, an issue we discuss in Section E(3)(iii)]:

If we put this case to the side, the *Rogers* test has applied only to cases involving “non-trademark uses”—or otherwise said, cases in which “the defendant has used the mark” at issue in a “non-source-identifying way.” S. Dogan & M. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1684 (2007); see *id.*, at 1683–1684, and n. 58. The test has not insulated from ordinary trademark scrutiny the use of trademarks as trademarks, “to identify or brand [a defendant’s] goods or services.” *Id.*, at 1683.

We offer as one last example of that limitation a case with a striking resemblance to this one. It too involved dog products, though perfumes rather than toys. Yes, the defendant sold “a line of pet perfumes whose names parody elegant brands sold for human consumption.” *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F.Supp.2d 410, 412 (S.D.N.Y. 2002) (Mukasey, J.). The product at issue was named Timmy Holedigger—which Tommy Hilfiger didn’t much like. The defendant asked for application of *Rogers*. The court declined it, relying on *Harley-Davidson*. See 221 F.Supp.2d, at 414. *Rogers*, the court explained, kicks in when a suit involves solely “nontrademark uses of [a] mark—that is, where the trademark is not being used to indicate the source or origin” of a product, but only to convey a different kind of message. 221 F.Supp.2d, at 414. When, instead, the use is “at least in part” for “source identification”—when the defendant may be “trading on the good will of the trademark owner to market its own goods”—*Rogers* has no proper role. 221 F.Supp.2d, at 414–15. And that is so, the court continued, even if the defendant is *also* “making an expressive comment,” including a parody of a different product. *Id.*, at 415. The defendant is still “mak[ing] trademark use of another’s mark,” and must meet an infringement claim on the usual battleground of “likelihood of confusion.” *Id.*, at 416.

That conclusion fits trademark law, and reflects its primary mission. From its definition of “trademark” onward, the Lanham Act views marks as source identifiers—as things that function to “indicate the source” of goods, and so to “distinguish” them from ones “manufactured or sold by others.” §1127. The cardinal sin under the law, as described earlier, is to undermine that function. It is to confuse consumers about source—to make (some of) them think that one producer’s products are another’s. And that kind of confusion is most likely to arise when someone uses another’s trademark as a trademark—meaning, again,

as a source identifier—rather than for some other expressive function. To adapt one of the cases noted above: Suppose a filmmaker uses a Louis Vuitton suitcase to convey something about a character (he is the kind of person who wants to be seen with the product but doesn't know how to pronounce its name). Now think about a different scenario: A luggage manufacturer uses an ever-so-slightly modified LV logo to make inroads in the suitcase market. The greater likelihood of confusion inheres in the latter use, because it is the one conveying information (or misinformation) about who is responsible for a product. That kind of use “implicate[s] the core concerns of trademark law” and creates “the paradigmatic infringement case.” G. Dinwoodie & M. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1636 (2007). So the *Rogers* test—which offers an escape from the likelihood-of-confusion inquiry and a shortcut to dismissal—has no proper application.⁹

Jack Daniel's Properties, Inc. v. VIP Products LLC, 143 S.Ct. 1578, 1587–90 (2023). The Court seemed to view trademark use by the defendant not as a prerequisite to any sort of trademark claim, but as determining whether courts should apply the normal likelihood of confusion analysis or instead a more limited approach designed to protect non-trademark uses. While the discussion was dictum, since VIP Products had in fact used its parody as a trademark, it seems flatly inconsistent with *Rescuecom's* rejection of any such distinction.

COMMENTS AND QUESTIONS

1. Professors Stacey Dogan and Mark Lemley argue that the trademark use doctrine serves an important limiting function:

The speech-oriented objectives of the trademark use doctrine protect more than just intermediaries; they prevent trademark holders from asserting a generalized right to control language, an interest that applies equally—and sometimes especially—when the speaker competes directly with the trademark holder. The trademark use doctrine has broad application—because of it, newspapers aren't liable for using a trademarked term in a headline, even if the use is confusing or misleading. Writers of movies and books aren't liable for using trademarked goods in their stories. Makers of telephone directories aren't liable for putting all the ads for taxi services together on the same page. Marketing surveyors aren't liable for asking people what they think of a competitor's brand-name product. Magazines aren't liable for selling advertisements that relate to the content of their special issues, even when that content involves trademark owners. Gas stations and restaurants aren't liable for locating across the street from an established competitor, trading on the attraction the established

^[2] That is not to say (far from it) that every infringement case involving a source-identifying use requires full-scale litigation. Some of those uses will not present any plausible likelihood of confusion—because of dissimilarity in the marks or various contextual considerations. And if, in a given case, a plaintiff fails to plausibly allege a likelihood of confusion, the district court should dismiss the complaint under Federal Rule of Civil Procedure 12(b)(6). See 6 McCarthy §32:121.75 (providing examples).

company has created or benefiting from the size of the sign the established company has put up. Individuals aren't liable for their use of a trademark in conversation, even in an inaccurate or misleading way (referring to a Puffs brand facial tissue as a "Kleenex," or a competing cola as a "Coke," for example). Generic drug manufacturers aren't liable for placing their drugs near their brand-name equivalents on drug store shelves, and the stores aren't liable for accepting the placement. They may be making money from their "uses" of the trademark, and the uses may be ones the trademark owner objects to, but they are not *trademark* uses and therefore are not within the ambit of the statute.

Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004); *but see* 4 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §11:15:50 (arguing that the doctrine does not exist, and that likelihood of confusion is the only requirement for infringement); Graeme Dinwoodie & Mark D. Janis, *Confusion over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597 (2007).

2. *Nontrademark Use Defense*. As we will see in Section E(3)(ii), trademark law provides a nominative fair use defense that insulates certain types of free expression from trademark liability. Other courts protect parodies from trademark liability using a special test. Some courts have also adopted a test designed to protect expressive uses from trademark liability; it is that last test that the Supreme Court suggests applies to non-trademark uses. But these are individual defenses created by courts to protect particular acts the court considers valuable. Does it make sense for courts to create individual defenses on an ad hoc basis for particular uses they find desirable rather than a general doctrine that delineates trademark from non-trademark uses?

3. Courts were reviving the trademark use requirement even before *Jack Daniel's Properties*. See *Rigsby v. Godaddy Inc.*, 59 F.4th 998 (9th Cir. 2023) (holding that domain name registrar did not make a trademark use of a domain name by selling it to a third party).

2. Trademark Infringement and Related Doctrines

As the principal branch of unfair competition law, the Lanham Act and trademark law more generally encompass a broad range of liability concepts: (i) confusion-based infringement; (ii) dilution; (iii) extension by contract (franchising and merchandising); (iv) domain names and cybersquatting; (v) indirect liability; and (vi) false advertising. Chapter VI covers the related area of right of publicity.

i. Confusion-Based Infringement

The touchstone of trademark infringement is likelihood of consumer confusion. Section *a* presents the general "likelihood of confusion" multi-factor framework for determining direct trademark infringement. Section *b* explores the types of confusion considered: (1) source; (2) sponsorship; and (3) reverse confusion. Section *c* examines the timing of confusion: (1) initial interest; (2) point of sale; and (3) post-sale.

a. *General Multi-Factor “Likelihood of Confusion” Test*



AMF Inc. v. Sleekcraft Boats
United States Court of Appeals for the Ninth Circuit
599 F.2d 341 (9th Cir. 1979)

ANDERSON, CIRCUIT JUDGE.

In this trademark infringement action, the district court, after a brief non-jury trial, found appellant AMF’s trademark was valid, but not infringed, and denied AMF’s request for injunctive relief.

AMF and appellee Nescher both manufacture recreational boats. AMF uses the mark Slickcraft, and Nescher uses Sleekcraft. The crux of this appeal is whether concurrent use of the two marks is likely to confuse the public. The district judge held that confusion was unlikely. We disagree and remand for entry of a limited injunction.

I. Facts

AMF’s predecessor used the name Slickcraft Boat Company from 1954 to 1969 when it became a division of AMF. The mark Slickcraft was federally registered on April 1, 1969, and has been continuously used since then as a trademark for this line of recreational boats.

Slickcraft boats are distributed and advertised nationally. AMF has authorized over one hundred retail outlets to sell the Slickcraft line. For the years 1966–1974, promotional expenditures for the Slickcraft line averaged approximately \$200,000 annually. Gross sales for the same period approached \$50,000,000.

After several years in the boatbuilding business, appellee Nescher organized a sole proprietorship, Nescher Boats, in 1962. This venture failed in 1967. In late 1968 Nescher began anew and adopted the name Sleekcraft. Since then Sleekcraft has been the Nescher trademark. The name Sleekcraft was selected without knowledge of appellant’s use. After AMF notified him of the alleged trademark infringement, Nescher adopted a distinctive logo and added the identifying phrase “Boats by Nescher” on plaques affixed to the boat and in much of its advertising. The Sleekcraft mark still appears alone on some of appellee’s stationery, signs, trucks, and advertisements.

The Sleekcraft venture succeeded. Expenditures for promotion increased from \$6,800 in 1970 to \$126,000 in 1974. Gross sales rose from \$331,000 in 1970 to over \$6,000,000 in 1975. Like AMF, Nescher sells his boats through authorized local dealers.

Slickcraft boats are advertised primarily in magazines of general circulation. Nescher advertises primarily in publications for boat racing enthusiasts. Both parties exhibit their product line at boat shows, sometimes the same show. . . .

IV. Likelihood of Confusion

When the goods produced by the alleged infringer compete for sales with those of the trademark owner, infringement usually will be found if the marks are sufficiently

similar that confusion can be expected.⁹ When the goods are related,¹⁰ but not competitive, several other factors are added to the calculus. If the goods are totally unrelated, there can be no infringement because confusion is unlikely.

AMF contends these boat lines are competitive. Both lines are comprised of sporty, fiberglass boats often used for water skiing; the sizes of the boats are similar as are the prices. Nescher contends his boats are not competitive with Slickcraft boats because his are true high performance boats intended for racing enthusiasts.

The district court found that although there was some overlap in potential customers for the two product lines, the boats “appeal to separate sub-markets.” Slickcraft boats are for general family recreation, and Sleekcraft boats are for persons who want high speed recreation; thus, the district court concluded, competition between the lines is negligible. Our research has led us to only one case in which a similarly fine distinction in markets has been recognized, *Sleeper Lounge Co. v. Bell Manufacturing Co.*, 253 F.2d 720 (CA 9 1958). Yet, after careful review of all the exhibits introduced at trial, we are convinced the district court’s finding was warranted by the evidence.

The Slickcraft line is designed for a variety of activities: fishing, water skiing, pleasure cruises, and sunbathing. The promotional literature emphasizes family fun. Sleekcraft boats are not for families. They are low-profile racing boats designed for racing, high speed cruises, and water skiing. Seating capacity and luxury are secondary. Unlike the Slickcraft line, handling capability is emphasized. The promotional literature projects an alluring, perhaps flashier, racing image; absent from the pictures are the small children prominently displayed in the Slickcraft brochures.

Even though both boats are designed for towing water skiers, only the highly skilled enthusiast would require the higher speeds the Sleekcraft promises. We therefore affirm the district court’s finding that, despite the potential market overlap, the two lines are not competitive. Accordingly, we must consider all the relevant circumstances in assessing the likelihood of confusion. *See Durox Co. v. Duron Paint Manufacturing Co.*, 320 F.2d 882, 885 (CA 4 1963).

V. Factors Relevant to Likelihood of Confusion

In determining whether confusion between related goods is likely, the following factors are relevant:¹¹

1. strength of the mark;
2. proximity of the goods;

⁹ The alleged infringer’s intent in adopting the mark is weighed, both as probative evidence of the likelihood of confusion and as an equitable consideration.

¹⁰ Related goods are those “products which would be reasonably thought by the buying public to come from the same source if sold under the same mark.” *Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 37 (CA 2 1945). *See Yale Electric Corp. v. Robertson*, 26 F.2d 972 (CA 2 1928).

¹¹ The list is not exhaustive. Other variables may come into play depending on the particular facts presented. *Triumph Hosiery Mills, Inc. v. Triumph Int’l Corp.*, 308 F.2d 196, 198 (CA 2 1962); RESTATEMENT OF TORTS §729, Comment a (1938).

3. similarity of the marks;
4. evidence of actual confusion;
5. marketing channels used;
6. type of goods and the degree of care likely to be exercised by the purchaser;
7. defendant's intent in selecting the mark; and
8. likelihood of expansion of the product lines.

1. *Strength of the Mark* . . .

[W]e hold that Slickcraft is a suggestive mark when applied to boats. . . . Although appellant's mark is protectable and may have been strengthened by advertising, . . . it is a weak mark entitled to a restricted range of protection. Thus, only if the marks are quite similar, and the goods closely related, will infringement be found. . . .

2. *Proximity of the Goods*

For related goods, the danger presented is that the public will mistakenly assume there is an association between the producers of the related goods, though no such association exists. . . . The more likely the public is to make such an association, the less similarity in the marks is requisite to a finding of likelihood of confusion. . . . Thus, less similarity between the marks will suffice when the goods are complementary, . . . the products are sold to the same class of purchasers, . . . or the goods are similar in use and function. . . .

Although these product lines are non-competing, they are extremely close in use and function. In fact, their uses overlap. Both are for recreational boating on bays and lakes. Both are designed for water skiing and speedy cruises. Their functional features, for the most part, are also similar: fiberglass bodies, outboard motors, and open seating for a handful of people. Although the Sleekcraft boat is for higher speed recreation and its refinements support the market distinction the district court made, they are so closely related that a diminished standard of similarity must be applied when comparing the two marks. . . .

3. *Similarity of the Marks*

The district court found that "the two marks are easily distinguishable in use either when written or spoken." Again, there is confusion among the cases as to whether review of this finding is subject to the clearly erroneous standard. . . .

Similarity of the marks is tested on three levels: sight, sound, and meaning. . . . Each must be considered as they are encountered in the marketplace. Although similarity is measured by the marks as entities, similarities weigh more heavily than differences. . . .

Standing alone the words Sleekcraft and Slickcraft are the same except for two inconspicuous letters in the middle of the first syllable. . . . To the eye, the words are similar.

In support of the district court's finding, Nescher points out that the distinctive logo on his boats and brochures negates the similarity of the words. We agree: the names

appear dissimilar when viewed in conjunction with the logo, but the logo is often absent. The exhibits show that the word Sleekcraft is frequently found alone in trade journals, company stationery, and various advertisements.

Nescher also points out that the Slickcraft name is usually accompanied by the additional trademark AMF. As a result of this consistent use, Nescher argues, AMF has become the salient part of the mark indicative of the product's origin. . . .

Although Nescher is correct in asserting that use of a housemark can reduce the likelihood of confusion, . . . the effect is negligible here even though AMF is a well-known house name for recreational equipment. The exhibits show that the AMF mark is down-played in the brochures and advertisements; the letters AMF are smaller and skewed to one side. Throughout the promotional materials, the emphasis is on the Slickcraft name. Accordingly, we find that Slickcraft is the more conspicuous mark and serves to indicate the source of origin to the public. . . .

Sound is also important because reputation is often conveyed word-of-mouth. We recognize that the two sounds can be distinguishable, but the difference is only in a small part of one syllable. In *G. D. Searle & Co. v. Chas. Pfizer & Co.*, 265 F.2d 385 (CA 7 1959), the court reversed the trial court's finding that Bonamine sounded "unlike" Dramamine, stating that: "Slight differences in the sound of trademarks will not protect the infringer." *Id.* at 387. The difference here is even slighter. . . .

Neither expert testimony nor survey evidence was introduced below to support the trial court's finding that the marks were easily distinguishable to the eye and the ear. . . . The district judge based his conclusion on a comparison of the marks. After making the same comparison, we are left with a definite and firm conviction that his conclusion is incorrect. . . .

The final criterion reinforces our conclusion. Closeness in meaning can itself substantiate a claim of similarity of trademarks. *See, e.g., S.C. Johnson & Son, Inc. v. Drop Dead Co.*, 210 F. Supp. 816 (S.D. Cal. 1962), *aff'd*, 326 F.2d 87 (1963) (Pledge and Promise). Nescher contends the words are sharply different in meaning. This contention is not convincing; the words are virtual synonyms. WEBSTER'S NEW WORLD DICTIONARY OF THE AMERICAN LANGUAGE 1371 (1966).

Despite the trial court's findings, we hold that the marks are quite similar on all three levels.

4. Evidence of Actual Confusion

Evidence that use of the two marks has already led to confusion is persuasive proof that future confusion is likely. . . . Proving actual confusion is difficult, however, . . . and the courts have often discounted such evidence because it was unclear or insubstantial. . . .

AMF introduced evidence that confusion had occurred both in the trade and in the mind of the buying public. A substantial showing of confusion among either group

trademarked goods. Yet this is no defense, for present quality is no assurance of continued quality. . . . The wrong inheres in involuntarily entrusting one's business reputation to another business. . . . AMF, of course, cannot control the quality of Sleekcraft boats. . . . [Indeed, e]quivalence in quality may actually contribute to the assumption of a common connection.

7. Intent

The district judge found that Nescher was unaware of appellant's use of the Slickcraft mark when he adopted the Sleekcraft name. There was no evidence that anyone attempted to palm off the latter boats for the former. And after notification of the purported infringement, Nescher designed a distinctive logo. . . . We agree with the district judge: appellee's good faith cannot be questioned.

When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived. . . . Good faith is less probative of the likelihood of confusion, yet may be given considerable weight in fashioning a remedy.

8. Likelihood of Expansion

Inasmuch as a trademark owner is afforded greater protection against competing goods, a "strong possibility" that either party may expand his business to compete with the other will weigh in favor of finding that the present use is infringing. . . . When goods are closely related, any expansion is likely to result in direct competition. . . . The evidence shows that both parties are diversifying their model lines. The potential that one or both of the parties will enter the other's submarket with a competing model is strong.

VI. Remedy

[A] limited mandatory injunction is warranted. Upon remand the district court should consider the above interests in structuring appropriate relief.

COMMENTS AND QUESTIONS

1. Why did AMF win? Which factor or factors were critical?

2. Each circuit has its own multi-factor test, although the factors largely overlap. *See, e.g., Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 29 (1st Cir. 1989); *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

Are all these factors equally important? Plaintiffs need not prove all or even a majority of the factors. The central inquiry is assessing consumer perception. At a minimum, many courts require sufficient similarity between the marks. *See Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999) ("[w]here the two marks are entirely dissimilar, there is no likelihood of confusion. 'Pepsi' does not infringe Coca-Cola's 'Coke.' Nothing further need be said."); *Converse, Inc. v. International Trade Comm'n*, 909 F.3d 1110, 1124 (Fed. Cir. 2018)

(citing *Versa Prods. Co. v. Bifold Co. (Mfg.)*, 50 F.3d 189, 202 (3d Cir. 1995) (“[S]ubstantial similarity of appearance is necessarily a prerequisite to a finding of likelihood of confusion in product configuration cases.”)). In *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 633–35 (9th Cir. 2008), however, the court overturned a summary judgment ruling that “Hot Rigz” did not infringe “Hot Wheels” because the district court considered only dissimilarity of the marks. The court explained that although “very dissimilar marks will rarely present a significant likelihood of confusion, dissimilarity alone does not obviate the need to inquire into evidence of other important factors.”

3. *Proximity of Goods (Factor 2)*. In *Death Tobacco, Inc. v. Black Death USA*, 31 U.S.P.Q.2d 1899, 1903 (C.D. Cal. 1993), the court found that the defendant’s [“Black Death”] vodka and the plaintiff’s [“Death”] cigarettes were related products because “smoking and drinking are related vices that are often undertaken together. They are also somewhat similar in use and function. Cigarettes and vodka both have a mood-altering effect and both are used for recreation and relaxation.” The court emphasized that the two items are sold to the same class of purchasers, are sold in the same package stores, and some store owners display the two products adjacent to one another.

4. *Actual Confusion and Surveys*. Proof of actual confusion among consumers can sometimes be offered anecdotally, particularly where both products have already been in the market for a significant period of time. But confused consumers are difficult to find, and if the infringement is challenged early enough there may not be very many of them at all. In those circumstances, courts generally allow the results of consumer surveys as evidence of “actual” confusion. See, e.g., *Union Carbide v. Ever-Ready, Inc.*, 531 F.2d 366, 387–88 (7th Cir. 1976); *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 400–01 (8th Cir. 1987). Surveys take several forms:

- The Eveready survey, utilized in *Union Carbide Corporation v. Ever-ready Inc.*, 531 F.2d 366 (7th Cir. 1976), exposes respondents to a junior mark to see if the junior mark calls to mind a senior mark that is already in the minds of consumers. It asks the open-ended question: “What company produces the junior use product?” If consumers name the senior user, then the survey indicates confusion. This approach is most commonly selected by survey experts and has been described as “the gold standard” for cases involving well-known marks. See SHERRI S. DIAMOND & JERRY BAILEY SWANN, *TRADEMARK AND DECEPTIVE ADVERTISING SURVEYS: LAW, SCIENCE, AND DESIGN* 53 (2d ed. 2022).
- The Squirt or lineup survey, implemented in *Squirt Co. v. Seven-Up Co.*, 1979 WL 25027, at *9–23 (E.D. Mo. Sept. 6, 1979), *aff’d in part, remanded in part sub nom. SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980), shows survey respondents one product or trademark by itself first, followed by a lineup of products that includes the other product or trademark and other similar products or trademarks. It then asks the closed-ended question: “Are these products produced by or affiliated with the same company?” If consumers answer in the affirmative, then that indicates confusion. This format is most appropriate when marks are simultaneously or sequentially accessible in the marketplace.

- The Exxon survey, used in *Exxon Corp. v. Texas Motor Exchange, Inc.*, 628 F.2d 500 (5th Cir. 1980), shows survey respondents the defendant's mark and asks "what does this make you think of?"

The reliability of such surveys turns on a variety of considerations, including the appropriateness of the survey format for the type of confusion under consideration, the representativeness and size of the sampled audience, survey procedures, the treatment of non-responses, and phrasing of questions. Because of the importance of actual confusion in proving likelihood of confusion, however, and because of the potential for abuse of the survey process, courts are relatively strict about the surveys they allow, routinely rejecting or discounting surveys that are improperly designed or ask ambiguous or leading questions.

Justices Sotomayor and Alito, concurring in *Jack Daniel's Properties, Inc. v. VIP Products LLC*, 143 S.Ct. 1578, 1587–90 (2023), were critical of the overuse of surveys:

Like any other evidence, surveys should be understood as merely one piece of the multifaceted likelihood of confusion analysis. See, e.g., *Uncommon, LLC v. Spigen, Inc.*, 926 F.3d 409, 425 (C.A. 7 2019). Courts should also carefully assess the methodology and representativeness of surveys, as many lower courts already do. See, e.g., *Water Pik, Inc. v. Med-Systems, Inc.*, 726 F.3d 1136, 1144–1150 (C.A.10 2013); *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 117 (C.A.2 2009).

When an alleged trademark infringement involves a parody, however, there is particular risk in giving uncritical or undue weight to surveys. . . . Cleverly designed surveys could also prompt such confusion by making consumers think about complex legal questions around permission that would not have arisen organically out in the world.

. . . Courts should thus ensure surveys do not completely displace other likelihood-of-confusion factors, which may more accurately track the experiences of actual consumers in the marketplace. Courts should also be attentive to ways in which surveys may artificially prompt such confusion about the law or fail to sufficiently control for it.

Jack Daniel's Properties, Inc. v. VIP Products LLC, 143 S.Ct. 1578, 1593-94 (2023) (SOTOMAYOR, J., concurring). Professor Barton Beebe has shown that survey evidence plays a surprisingly small role in deciding actual cases. See Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581 (2006). The most important factors are similarity of the marks and defendant's intent in choosing a mark.

5. *Who must be likely to be confused?* Courts focus on the "reasonably prudent purchaser" of the products at issue. This standard allows for a great deal of flexibility in testing marks used with different products. For example, the reasonably prudent purchaser of fleets of commercial airplanes may be expected both to be more sophisticated

and to pay more attention to the decision than the reasonably prudent purchaser of pencils for home use. In light of this, should trademark law offer more protection to the owner of a trademark for pencils (and thus indirectly to the consumers of pencils) than to the owners of airplane trademarks?

A related question is how many consumers must be likely to be confused. The fact that the reasonably prudent consumer is at issue might suggest that at least half of the consuming public must be confused in order to constitute trademark infringement. After all, if the median consumer is not “reasonable,” who is? But courts have not been willing to require such a strong showing from plaintiffs. Instead, likelihood of confusion is regularly found if as few as 10 to 15 percent of the consumers surveyed were confused. Is it reasonable to test infringement on the basis of the reactions of a small minority of the population? If not, how much confusion should be required? *See Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978) (testing the “likelihood that *an appreciable number of ordinarily prudent purchasers* will be misled, or indeed simply confused, as to the source of the goods in question”) (emphasis added)).

6. *Assessing Similarity: Sight, Sound, and Meaning.* The courts generally consider three kinds of similarity—sight, sound, and meaning. (Note that the second, and possibly the third, kind of similarity have little or no relevance to trade dress.) Similarity is generally tested by comparing the marks as a whole, rather than by dissecting them. This approach makes sense, since consumers are likely to pay attention to the whole mark in context. On the other hand, dissection is appropriate if the aim is to prevent trademark owners from exercising control over generic, functional, or disclaimed portions of a trademark or trade dress. The trademark owner shouldn’t be able to point to similarities between parts of a composite mark that are generic or disclaimed.

Because the perception of the consumer when exposed to the whole mark in context is the linchpin of trademark infringement, a defendant’s use of a similar or even identical trademark on similar products may be ameliorated by other differences between the mark and the packaging. For example, similarities in trade dress might not confuse consumers if the packages contain very different product names in large, obvious letters on the front. Disclaimers can also be effective in reducing likelihood of confusion if consumers are likely to notice them. If consumers would nonetheless be confused, however, efforts to ameliorate the effects of similar marks will not avoid trademark infringement.

If the plaintiff holds a family of related marks (such as the use of the “Mc” prefix in various McDonald’s products), courts may be more willing to find similarity where the defendant copies the common element in the family. *See Quality Inns v. McDonalds*, 695 F. Supp. 198 (D. Md. 1988) (enjoining McSleep for a cheap hotel chain).

7. *Defendant’s Intent.* Intentional copying is likely to be closer than accidental similarity, and therefore quite possibly more confusing, but isn’t that adequately tested by the other factors that the court employs? Has the court slipped in a “fairness” factor to create what is in effect a presumption that counterfeiting (that is, intentional copying of a trademark) is illegal? Or is this factor, like secondary considerations in patent law’

i. Confusion as to Source

Trademark confusion as to source can arise even when the infringer is offering differing goods than those sold by a trademark owner. Suppose that a competitor uses another's trademark on a product that the trademark owner does not sell. In that case, presumably, consumers cannot buy the infringer's products *instead of* the trademark owner's because the trademark owner does not sell the products at all. At the turn of the twentieth century, trademark protection was limited to competing goods and hence such deceptive acts were not actionable. *See, e.g., Borden Ice Cream v. Borden's Condensed Milk Co.*, 201 F. 510 (7th Cir. 1912) (use of identical trademark for different milk products does not constitute trademark infringement). At that time, most manufacturers sold a single product.

With the expansion and diversification of product manufacturing and marketing, courts came to recognize that identical (or even similar) trademarks can sometimes cause confusion *as to the source of the products* even in the absence of direct product competition. *See Yale Electric Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928) (holding that the mark YALE for flashlights was confusingly similar to the plaintiff's use of YALE for locks). The scope of this doctrine ebbed and flowed through the mid-twentieth century as judges became concerned about barriers to entry and monopoly power. *See* Robert G. Bone, *Taking the Confusion Out of "Likelihood of Confusion": Toward a More Sensible Approach to Trademark Infringement*, 106 NW. U. L. REV. 1307, 1316–34 (2012). By the 1960s, the modern noncompeting goods doctrine emerged, as reflected in the multi-factor likelihood of confusion test. *See Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961) (pitting POLAROID, maker of optical and photography products, including some involving television uses, against POLARAD, seller of microwave devices and television studio equipment).

For example, “Zazu” is a trademark for a brand of shampoo and conditioner. If another company uses the term “Zazu” for its hair coloring product, consumers may well believe that they are buying a product sold by the same company that sells Zazu shampoo, particularly given the proximity of the two goods. While the infringer will not take sales of hair colors away from the trademark owner in this instance, the trademark owner may be hurt by this confusion in at least two ways. First, if the quality of the hair color is inferior, consumers may blame the maker of shampoo and stop buying Prell products altogether. *But cf.* Mark P. McKenna, *Testing Modern Trademark Law's Theory of Harm*, 95 IOWA L. REV. 63 (2009) (finding that marketing scholarship reports that this type of harm is rare). Second, it is possible that the trademark owner may wish to expand into the market for hair colors. If it does, confusion between the products will almost certainly result if both parties use the Zazu mark.

The modern test encompasses both competing and noncompeting goods, although the similarity of the goods and likelihood of expansion are factors in the analysis.

ii. *Confusion as to Sponsorship*

Even in situations in which consumers will not believe that the trademark owner is the one selling the product, the use of a similar trademark may still confuse them by causing them to believe that the trademark owner is affiliated with or sponsors the infringer's products. For example, suppose that a company that sells soup uses the trade symbol of the United States Olympic Committee ("USOC") on its soup cans. Presumably, the USOC does not sell soup, and no reasonable consumer would be likely to conclude that she was in fact buying USOC soup. But consumers might well conclude that the infringer was somehow affiliated with the USOC (for example, as a contributor), or that one group had agreed to sponsor the other. This confusion as to affiliation or sponsorship is actionable under the Lanham Act, assuming the other requirements for protecting a mark are met.¹⁰

In cases of confusion either as to source or sponsorship, the essential question remains whether consumers are likely to be confused by the similarity of the marks. Because of this, many of the *Sleekcraft* factors apply with equal force to these inquiries. For example, proximity between the products sold by the parties, while not required, does tend to increase both the likelihood of confusion as to source and the chance that the parties will eventually be in direct competition. A similar analysis of infringement can be conducted to determine whether any of these types of confusion is likely.

Should it matter whether consumers are confused about the relationship between two unrelated companies if that confusion doesn't affect their purchasing decisions? Why or why not? See Mark A. Lemley & Mark P. McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010) (arguing that trademark law ought to focus on confusion that is relevant to purchasing decisions).

Sponsorship confusion has the potential to dramatically expand the scope of trademark law because the parties no longer need to be in any sort of competitive relationship. Sponsorship cases have prevailed, for instance, on behalf of a maker of chocolate bars that sued a political candidate who shares its name for depicting his name too much like the candy bar. See *Hershey Co. v. Friends of Steve Hershey*, 33 F. Supp. 3d 588 (D. Md. 2014). And some courts have concluded that *consumers* don't have to be confused at all as long as *some* class of people are confused in a way that "presents a significant risk to the sales, goodwill, or reputation of the trademark owner." *Arrowpoint Cap. Corp. v. Arrowpoint Asset Mgmt.*, 793 F.3d 313 (3d Cir. 2015) (emphasis in original).

Sponsorship confusion comes up in two specific types of cases, which we discuss in detail in the sections that follow.

¹⁰ Confusion as to affiliation or sponsorship is only expressly addressed in §43(a) of the Lanham Act, which applies to unregistered marks. Jay Dratler has suggested that the protections afforded to unregistered marks under §43(a) also apply to registered marks, whether under §32 of the Lanham Act or under §43(a). See JAY DRATLER, JR., *INTELLECTUAL PROPERTY LAW: COMMERCIAL, CREATIVE, AND INDUSTRIAL PROPERTY* §10.01[1][i], at 10-5–10-6.

a. *Trademarks and Organizational Forms: The Growth of Franchising*

From its modern founding, trademark law has been at the service of emerging patterns in the organization of industry. In the beginning, that meant protecting emerging channels of trade in relatively local settings. Next came the great nationalization of the economy with the growth of large retail empires in the late nineteenth and early twentieth centuries. Today trademarks form an integral part of the variegated economic landscape of the industrialized world.

Professor Mira Wilkins, a business historian, explains:

The legally-backed trade marks . . . became essential intangible assets, providing the basis for the rise of the modern enterprise. . . . The trade mark's fundamental contribution to the modern corporation was that it generated efficiency gains by creating for the firm the opportunity for large sales over long periods. . . . Without the trade mark, the introduction and acceptance by buyers of modern products, produced with economies of scale or scope, and marketed over long distances, would have been impossible. . . . The trade mark by reducing the costs of information led to efficiencies in production and distribution.

Mira Wilkins, *The Neglected Intangible Asset: The Influence of the Trademark on the Rise of the Modern Corporation*, 34 BUS. & HIST. 66, 87–88 (1992). Interestingly, Professor Wilkins also points out the role that trademarks play in facilitating organizational diversity, or making possible various alternative forms of production. The clearest and most important recent example is franchising.

Trademarks are the “cornerstone of a franchise system.” *Susser v. Carvel Corp.*, 206 F. Supp. 636, 640 (S.D.N.Y. 1962), *aff'd*, 332 F.2d 505 (1965). The trademark of the franchisor is the identifiable symbol of continuity; it indicates the presence of the national brand at each location. Thus, whatever the precise nature of the franchise, the franchisor and franchisee are very likely to be parties to a trademark license agreement.

Here again we see the stretching of traditional theory. The individual source from which the national brand emanates is the franchisor. This is often a remote corporate entity, whereas one could argue that the franchisee is the real “source” (at the local level) of the goods. To maintain uniformity (and stay on the good side of the abandonment issue; see below), the franchisor almost invariably imposes certain contractual requirements on the franchisee. Yet it is still the franchisee, in the last instance, who actually runs the establishment where the goods are sold. See James M. Treece, *Trademark Licensing and Vertical Restraints in Franchising Arrangements*, 116 U. PA. L. REV. 435 (1968); Lynn M. LoPucki, *Toward a Trademark-Based Liability System*, 49 UCLA L. REV. 1099 (2002) (suggesting that tort liability should follow the trademark rather than the franchisee).

In economic terms, franchising is an interesting mix of contractual and integrated governance characteristics—a kind of hybrid organization in which the franchisee is neither an employee of the franchisor nor an arm's-length buyer of the franchisor's

goods. See James A. Brickley & Frederick H. Dark, *The Choice of Organizational Form: The Case of Franchising*, 18 J. FIN. ECON. 401, 403–07 (1987); Gillian K. Hadfield, *Problematic Relations: Franchising and the Law of Incomplete Contracts*, 42 STAN. L. REV. 927 (1990). The franchise trademark plays an interesting role in this relationship. It is one of the franchisor's great assets, one of the things it can sell to franchisees. Yet once a franchisee begins to use the trademark, he or she is in a position to harm the franchise's reputation by selling inferior quality goods. (Note that doing so hurts other franchisees as well.) Indeed, if many of the franchise's customers are travelers who come from afar and do not pass through often, a franchisee might be tempted to "free ride" off the quality investments of the franchisor and other franchisees by selling inferior goods. Many of the provisions in franchise agreements are directed at preventing such an outcome, e.g., agreements to purchase ingredients and other inputs from the franchisor, stipulations to frequent inspections, and profit-sharing arrangements. See Paul H. Rubin, *The Theory of the Firm and the Structure of the Franchise Contract*, 21 J.L. & ECON. 223 (1978).

What significance does the growth of franchising have for trademark doctrine? Note that once franchising has become widespread, we can no longer assume that the trademark indicates the maker of goods. Licensing, sponsorship, and affiliation become more important in a franchised world, and designation of actual source less important. Should we be concerned about the disaggregation of trademarks from the goods they represent? Does the selling of trademarks without goods attached to them make trademark owners less able to use the mark as a guarantee of quality? Alternatively, does it suggest that the trademark owner will invest even more in quality assurance, since the value of the mark is all it has to offer? See Mark A. Lemley & Mark P. McKenna, *Owning Mark(et)s*, 109 MICH. L. REV. 137 (2010).

b. Merchandising

Evidence is everywhere that a boom is under way in the licensing of trademarks. From sports team logos to university names to designer symbols, badges of affiliation and prestige are ever more common on products of all kinds. And, importantly, these badges come at a premium. As Robert Denicola has written,

[a]t any sporting goods store one can find plain, unadorned shirts, shorts, and jackets in assorted styles and colors. They are usually near the rear. Closer to the front are items apparently similar in all respects except one—they are prominently decorated with a variety of words and symbols. Some bear the names of athletic equipment manufacturers. Others display the names or insignia of professional sports teams, the name and seal of the state university, or the nickname and mascot of the local high school. They frequently cost significantly more than the items in the rear, yet they sell.

Robert C. Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603 (1983).

Turning logos into profit centers may make sense as a business strategy, but it poses problems for the legal system. The cases in this section highlight the fundamental problem: traditionally, trademarks were thought of as symbols representing products, rather than as products in and of themselves. Thus, traditional trademark law protects a trademark only because, and only insofar as, it is emblematic of the goodwill behind a product. The mark itself is not the point; it is simply a vehicle to convey useful information regarding a product's quality, prestige, and so on. The trademark guides the consumer to the transaction; sale of the underlying product is the "profit center."

This all changes when the trademark becomes the *subject* of the transaction rather than an adjunct to it. In such a transaction, the mark does not represent the product: it *is* the product. Consider the following case.



Board of Supervisors for Louisiana State University v. Smack Apparel Co.
United States Court of Appeals for the Fifth Circuit
550 F.3d 465 (5th Cir. 2008)

REAVLEY, CIRCUIT JUDGE:

These consolidated appeals concern a trademark dispute between four universities and an apparel company and its principal. The Universities alleged in the district court that the defendants violated the Lanham Act and infringed their trademarks by selling t-shirts with the schools' color schemes and other identifying indicia referencing the games of the schools' football teams. The district court granted summary judgment to the Universities for trademark infringement and conducted a jury trial as to damages, with the jury returning a verdict favoring the plaintiffs. . . . We conclude that the colors, content, and context of the offending t-shirts are likely to cause confusion as to their source, sponsorship, or affiliation, and we AFFIRM.

Background

The plaintiffs are Louisiana State University (LSU), the University of Oklahoma (OU), Ohio State University (OSU), the University of Southern California (USC), and Collegiate Licensing Company (CLC), which is the official licensing agent for the schools. The defendants are Smack Apparel Company and its principal, Wayne Curtiss (collectively Smack).

Each university has adopted a particular two-color scheme as its school colors (purple and gold for LSU . . . The Universities have used their respective color combinations for over one hundred years, and the color schemes are immediately recognizable to those who are familiar with the Universities. The schools use these color schemes in many areas associated with university life, including on campus signs and buildings, on printed brochures, journals, and magazines, and on materials sent to potential donors. The Universities also use the color schemes extensively in connection with their athletic programs, particularly on team uniforms, resulting in wide-spread recognition of the

colors among college sports fans. Each university operates a successful collegiate football program, and the respective football teams have appeared on numerous occasions in nationally televised football games that have been viewed by millions of people.

The schools also grant licenses for retail sales of products, including t-shirts, that bear the university colors and trademarks. In recent years, the total annual sales volume of products bearing the school colors along with other identifying marks has exceeded \$93 million for all the Universities combined. The Universities hold registered trademarks in their respective names and commonly used initials. They do not, however, possess registered trademarks in their color schemes.

. . . Since 1998 Smack has manufactured t-shirts targeted toward fans of college sports teams, and it uses school colors and printed messages associated with the Universities on its shirts. Smack sells some of the shirts over the Internet, but most are sold wholesale to retailers and t-shirt vendors. The shirts frequently appear alongside those that have been officially licensed by the Universities. The district court described these Smack shirt designs as follows:

. . . LSU (2 shirt designs): (1) “Beat Oklahoma” (front), “And Bring it Back to the Bayou!” and “2003 College Football National Championship” (back) (2) “2003 College Football National Champions” (front), colored circular depiction of game scores, with “2003 College Football National Champions” and “Sweet as Sugar” (back). These shirts refer to the 2004 Sugar Bowl contest in New Orleans between OU and LSU, which was played to determine the Bowl Championship Series national football champion.

In addition to the messages described above, each shirt included Smack’s own logo in a space approximately 2.5 inches wide and the words “Talkin’ the Talk.” . . .

The Universities claimed that Smack’s products are similar to and competed with goods sold or licensed by the Universities and are sold directly alongside merchandise authorized by the plaintiffs at or near events referenced in the shirts. In this way, according to the Universities, the sale of Smack’s products is likely to deceive, confuse, and mislead consumers into believing that Smack’s products are produced, authorized, or associated with the plaintiff Universities. The Universities sought injunctive relief, lost profits, damages, costs, and attorneys’ fees. . . .

II. Discussion

. . .

A. Protectable trademark and secondary meaning

. . . [T]he Universities do not claim that every instance in which their team colors appear violates their respective trademarks. Instead, the claimed trademark is in the colors on merchandise that combines other identifying indicia referring to the Universities. It is appropriate therefore to consider not only the color but also the entire context in which the color and other indicia are presented on the t-shirts at issue here.

. . .

There is no dispute in this case that for a significant period of time the Universities have been using their color schemes along with other indicia to identify and distinguish themselves from others. Smack admits in its brief that the Universities' colors are well known among fans "as a shorthand nonverbal visual means of identifying the universities." But according to Smack, the longstanding use of the school colors to adorn licensed products is not the same as public recognition that the school colors identify the Universities as a unique source of goods. We think, however, that the factors for determining secondary meaning and an examination of the context in which the school colors are used and presented in this case support the conclusion that the secondary meaning of the marks is inescapable.

The record shows that the Universities have been using their color combinations since the late 1800s. The color schemes appear on all manner of materials, including brochures, media guides, and alumni materials associated with the Universities. Significantly, each university features the color schemes on merchandise, especially apparel connected with school sports teams, and such prominent display supports a finding of secondary meaning. The record also shows that sales of licensed products combining the color schemes with other references to the Universities annually exceed the tens of millions of dollars. . . . The district court did not specifically refer to any consumer-survey evidence or direct consumer testimony, but it noted that Smack admitted it had incorporated the Universities' color schemes into its shirts to refer to the Universities and call them to the mind of the consumer. . . . Given the longstanding use of the color scheme marks and their prominent display on merchandise, in addition to the well-known nature of the colors as shorthand for the schools themselves and Smack's intentional use of the colors and other references, there is no genuine issue of fact that when viewed in the context of t-shirts or other apparel, the marks at issue here have acquired the secondary meaning of identifying the Universities in the minds of consumers as the source or sponsor of the products rather than identifying the products themselves. . . .

B. Likelihood of confusion

. . . Smack argues that there were genuine issues of material fact whether its t-shirt designs were likely to cause confusion among consumers. We disagree. The first digit [in the likelihood of confusion analysis], the type of mark, refers to the strength of the mark. Generally, the stronger the mark, the greater the likelihood that consumers will be confused by competing uses of the mark. We agree with the district court that the plaintiffs' marks, which have been used for over one hundred years, are strong. . . .

Smack presented photographs of three businesses in Louisiana, eight businesses in Ohio, and approximately 20 businesses in Oklahoma that incorporated in their signage color schemes similar to the school colors of LSU, OSU, and OU, respectively. The businesses included several restaurants and bars, a driving school, a pain management clinic, a theater, a furniture store, a dry cleaners, a motel, a donut shop, an apartment complex, and a car care company. All third-party use of a mark, not just use in the same industry as a plaintiff, may be relevant to whether a plaintiff's mark is strong or weak. But the key is whether the third-party use diminishes in the public's mind the association

The third digit in the likelihood of confusion analysis is the similarity of the products or services. We disagree with Smack's assertion that the district court did not find a great deal of similarity between the plaintiffs' products and the t-shirts at issue, as the district court specifically held that "[i]t is undisputed that both Smack and the universities market shirts bearing the same color schemes, logos, and designs." The district court went on to reject Smack's argument that its t-shirts differed from the Universities' products because of the use of irreverent phrases or slang language, reasoning that Smack's use of such phrases and language was a misuse of the Universities' good will in its marks. Smack denies that it appropriated the Universities' good will, but it does not make an argument here that its shirts are distinguishable from those of the Universities because of particular language on its shirts. We therefore find this factor weighs in favor of a likelihood of confusion.

Smack concedes that the fourth factor of the analysis—identity of retail outlets and purchasers—weighs in favor of a likelihood of confusion because the Universities' licensed products are often sold wholesale to the same retailers who purchase Smack's products.

The fifth digit is the identity of advertising media. . . . Although the t-shirts are sold to the public at the same retail outlets as officially licensed merchandise, Curtiss testified that beside limited sales on Smack's web site, Smack does not sell directly to the public and does not advertise. Curtiss testified that Smack sells mainly to wholesalers. Some of these wholesalers may include Smack's shirts in advertisements that promote their own business, but Curtiss was unable to provide much information about these ads. We conclude that this digit, based on trade show advertising, is minimally probative.

The sixth digit of confusion further supports a likelihood of confusion. Although not necessary to a finding of likelihood of confusion, a defendant's intent to confuse may alone be sufficient to justify an inference that there is a likelihood of confusion. As noted by the district court, Smack admitted that it "used school colors and 'other indicia' with the intent of identifying the university plaintiffs as the subject of the message expressed in the shirt design." Curtiss testified that it was "no coincidence" that Smack's shirts incorporated the color schemes of the plaintiff Universities and that he designed the shirts to make people think of the particular school that each shirt targeted. Smack asserts that its intent to copy is not the same as an intent to confuse. The circumstances of this case show, however, that Smack intended to capitalize on the potential for confusion. Smack knew that its shirts were sold in the same venues as and sometimes alongside officially licensed merchandise, and it intentionally incorporated color marks to create the kind of association with the Universities that would influence purchasers.

. . . Smack did not hope to sell its t-shirts because of some competitive difference in quality or design compared with the Universities' licensed products, but rather it intended to take advantage of the popularity of the Universities' football programs and the appearance of the school teams in the college bowl games. We have previously said that when a "mark was adopted with the intent of deriving benefit from the reputation of [the mark holder] that fact alone 'may be sufficient to justify the inference that there

is confusing similarity.” *Amstar Corp. v. Domino’s Pizza, Inc.* We believe that Smack’s admitted intent and the similarity in appearance between Smack’s shirts and the Universities’ licensed products is strong evidence of a likelihood of confusion.

Smack argues that an intent to confuse is negated by its use of its own logo and the words “Talkin’ the Talk,” which it maintains identifies it as the source of the shirt. We are not persuaded. Smack’s logo appears in a space that is only 2.5 inches wide. We cannot conclude, without more, that this small and inconspicuous placement of the logo would disabuse consumers of a mistaken belief that the Universities sponsored, endorsed or were otherwise affiliated with the t-shirts. Smack has not pointed to evidence that its own logo is recognizable by consumers or that it was acting to trade off its own reputation as a producer of specialty t-shirts. Nor are we convinced that Smack’s logo on the shirts acts as a disclaimer. The Universities point out that they require all licensed products to contain the licensee’s name. Therefore, a consumer could believe that Smack’s logo merely indicated that it was a licensee. We conclude that the intent digit weighs in favor of a conclusion that there is a likelihood of confusion.

The seventh digit is evidence of actual confusion. Evidence that consumers have been actually confused in identifying the defendant’s use of a mark as that of the plaintiff may be the best evidence of a likelihood of confusion. It is well established, however, that evidence of actual confusion is not necessary for a finding of a likelihood of confusion. The district court did not resolve whether there was sufficient evidence of actual confusion, and because such evidence is not required we also find it unnecessary to pass on the question further.⁶⁹

With respect to the eighth digit of confusion—the degree of care exercised by potential purchasers—the district court held that the t-shirts at issue are relatively inexpensive impulse items that are not purchased with a high degree of care. Where items are relatively inexpensive, a buyer may take less care in selecting the item, thereby increasing the risk of confusion. . . .

After reviewing the record, we conclude that there is no genuine issue of fact that Smack’s use of the Universities’ color schemes and other identifying indicia creates a likelihood of confusion as to the source, affiliation, or sponsorship of the t-shirts. As noted above, the digits of confusion—particularly the overwhelming similarity of the marks and the defendant’s intent to profit from the Universities’ reputation—compel this conclusion. This is so, we have noted, because Smack’s use of the Universities’ colors and indicia is designed to create the illusion of affiliation with the Universities and essentially obtain a “free ride” by profiting from confusion among the fans of the Universities’ football teams who desire to show support for and affiliation with those

⁶⁹ The Universities contend that there was evidence of actual confusion consisting of consumer surveys concerning two of the six t-shirt designs and testimony from Curtiss that “I have had people come up and go-at the booth and go, ‘Are these licensed?’” The evidence is arguably minimal, *see Amstar*, 615 F.2d at 263, but as discussed we need not resolve the matter.

teams. This creation of a link in the consumer's mind between the t-shirts and the Universities and the intent to directly profit therefrom results in "an unmistakable aura of deception" and likelihood of confusion.

Smack contends that there is no evidence that consumers care one way or the other whether t-shirts purchased for wear at a football game are officially licensed and that, absent evidence that consumers prefer licensed merchandise, it was error for the district court to conclude there was a likelihood of confusion. . . .

We hold that given the record in this case and the digits of confusion analysis discussed above—including the overwhelming similarity between the defendant's t-shirts and the Universities' licensed products, and the defendant's admitted intent to create an association with the plaintiffs and to influence consumers in calling the plaintiffs to mind—that the inescapable conclusion is that many consumers would likely be confused and believe that Smack's t-shirts were sponsored or endorsed by the Universities. The Universities exercise stringent control over the use of their marks on apparel through their licensing program. It is also undisputed that the Universities annually sell millions of dollars worth of licensed apparel. We further recognize the public's indisputable desire to associate with college sports teams by wearing team-related apparel. We are not persuaded that simply because some consumers might not care whether Smack's shirts are officially licensed the likelihood of confusion is negated. Whether or not a consumer *cares* about official sponsorship is a different question from whether that consumer would likely *believe* the product is officially sponsored. For the foregoing reasons, we conclude that a likelihood of confusion connecting the presence of the Universities' marks and the Universities' themselves was demonstrated in this case.

COMMENTS AND QUESTIONS

1. In what sense did Smack intend to confuse consumers? Does the court confuse an intent to "free ride"—to make money by reminding people of the plaintiff universities—with an intent to profit from confusion? Note in this regard that the plaintiffs introduced no evidence of actual confusion, and indeed what evidence there was suggested that consumers know the difference between licensed and unlicensed products.

Shouldn't it be possible to dispel that confusion with a sufficiently clear disclaimer? Does it matter that Smack's web site, where people must go to buy its T-shirts, says in large letters at the very top "Licensed ONLY by the First Amendment"?

2. The court says that "Whether or not a consumer *cares* about official sponsorship is a different question from whether that consumer would likely *believe* the product is officially sponsored." Why does it matter whether consumers think the shirts were (or legally had to be) licensed? Is the trademark owner injured if consumers think Smack had to get a license but don't care whether or not they bought licensed apparel? *See* Mark A. Lemley & Mark P. McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010) (arguing that consumers should have to be confused about something they care about).

3. Smack was careful not to use the name of any university or its sports team. It also used, not the exact university colors, but a recognizable variant on those colors. Shouldn't that be enough? What could Smack do to sell a T-shirt to LSU fans that wouldn't run afoul of the court's ruling? Would the use of the words "Got 7? We do" without the school colors but sold near the school on the eve of the big game still signify a particular university to consumers?

4. How does printing the logo on T-shirts lower consumer search costs? Are universities in the business of making T-shirts? If the logo does not summarize product attributes such as quality, why protect it?

A university or sports team logo does not summarize information about the quality of the hat; it demonstrates loyalty to a team. Indeed, many if not most sports logos are licensed to a broad array of products, many of differing degrees of quality. The "high end" Red Sox cap ("just like the pros wear!") is a far different product—qua hat—than the cheap synthetic cap costing a few dollars and sold in discount stores. The same is true for sweatshirts and t-shirts emblazoned with the logos of college and professional teams. Similar examples can be drawn from other avenues of commerce. Thus, outdoor equipment companies with a certain consumer cachet have been known to lend their logos for application to sport-utility vehicles. Yet no one, or very few, can suppose that companies specializing in backpacks, long underwear, and hiking boots have suddenly taken up truck production.

In these cases, the consumer is buying an image. The trademark owner possesses rights in a symbol associated with certain qualities. Lending that symbol to diverse products connects those products to the feelings the symbol evokes. (The same thing happens outside commerce as well; consider the difference when the "stars and stripes" image is added to a plain object such as a flag or a tombstone.)

Outside the university and professional sports context, many people have sought to trademark a picture or slogan they put on a T-shirt. Trademark law doesn't protect those images because consumers are likely to view them as ornamental, not source-identifying. As one court put it in rejecting plaintiff's claim to own the phrase "Lettuce Turnip the Beet" because it sold T-shirts bearing that phrase, absent some preexisting well-known mark, "there is *no* evidence . . . that consumers seek to purchase products based on [the trademark owner's reputation]. . . . Rather, consumers are interested in purchasing products displaying the pun. . . . [W]hile a source-identifying trademark may embody a pun, no one can claim exclusive rights to use the pun merely by printing it on t-shirts . . . or other similar products and calling it a "trademark.'" *LTTB, LLC v. Redbubble, Inc.*, 385 F. Supp. 3d 916 (N.D. Cal. 2019), *aff'd*, 840 Fed.Appx. 148 (9th Cir. 2021).

5. While many courts have ruled for plaintiffs in merchandising cases, particularly where universities or professional sports teams are involved, *see, e.g., Savannah College of Art & Design, Inc. v. Sportswear, Inc.*, 872 F.3d 1256 (11th Cir. 2020), other courts take the opposite approach. *See, e.g., Pennsylvania State Univ. v. Vintage Brand LLC*, 614 F. Supp. 3d 101 (M.D. Pa. 2022) (noting that university logos are likely ornamental,

logo tattoos are being applied on parts of the body traditionally covered by clothing. These owners fear that when pictures of people with logo tattoos in these places appear—sometimes in press outlets not fit for family viewing—the trademarks are denigrated.

What hurdles will the trademark owners have to clear to enforce their rights? (Are these marks attached to a product? Also, PMC will undoubtedly argue that sports team fanatics have long painted their faces in team colors, or drawn the team logo on their faces; and that even before PMC, some permanent tattoos consisting of corporate logos were popular, such as “Chevy,” “Red Sox Forever,” or, perhaps most common, “Harley Davidson.”) Are there any risks to letting the practice continue without any enforcement efforts? Does PMC, or its customers, have a defense not based in trademark law?

iii. Reverse Confusion

Trademark confusion ordinarily occurs when the junior user trades on the reputation of the trademark owner, confusing the public into thinking that its goods are associated with those of the senior trademark owner. At times, however, a large company will adopt the mark of a smaller trademark owner. In this case, the danger is presumably not that the junior user will trade on the smaller company’s goodwill. The risk, instead, is that the public will come to associate the mark not with its true owner but with the infringer (who has spent a great deal of money to advertise it). See *Ameritech, Inc. v. Am. Info. Techs. Corp.*, 811 F.2d 960, 964 (6th Cir. 1987) (explaining that the risk of reverse confusion is that “[t]he public comes to assume the senior user’s products are really the junior user’s or that the former has become somehow connected to the latter. The result is that the senior user loses the value of the trademark—its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets.”).

While reverse confusion considers the same likelihood of confusion factors courts use in a normal case, the way those factors work is somewhat different. Thus, in *Wreal, Inc. v. Amazon.com*, 38 F.4th 114 (11th Cir. 2022), the court reversed a grant of summary judgment in favor of Amazon. It held that consumers may wrongly conclude that Wreal’s FyreTV pornography-based TV set top box was in fact provided by Amazon, which sold a regular TV set top box under the name FireTV. The court discounted survey evidence showing that no one was confused. It emphasized the similarity of the marks and the closely related nature of the goods, just as a court would in a normal likelihood of confusion case. But the court noted that the strength of the mark factor worked differently in a reverse confusion case. It is the strength of the *defendant’s* mark that matters, because that strength may make it more likely consumers assume the plaintiff’s goods come from the defendant. The *Wreal* court also found that Amazon had bad intent—not because it intended to trade on the goodwill of FyreTV, which was only a small company, but because it was aware of the FyreTV mark and chose to disregard it in launching its own product.

Several courts have made it clear that reverse confusion is trademark infringement, and that the relative size of the companies does not matter. *See Uber Promotions, Inc. v. Uber Technologies, Inc.*, 162 F.Supp.3d 1253 (N.D. Fla. 2016). Indeed, companies have periodically been forced to halt or even retract major advertising campaigns because of reverse confusion problems. *See, e.g., Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365 (10th Cir. 1977); *Sands, Taylor & Wood v. Quaker Oaks*, 34 F.3d 1340 (7th Cir. 1994). Does that make sense? Won't it just cause more confusion among the many more consumers who are looking for the defendant's brand?

A related issue arises in the context of plagiarism of works of authorship, where the author claims that the copier engaged in "reverse passing off"—that is, selling the plaintiff's work as her own rather than vice versa. In *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), however, the Supreme Court made it clear that Lanham Act §43(a) does not prevent the uncredited copying of a work of authorship; any such rights must come from copyright law. *See* Jane C. Ginsburg, *The Right to Claim Authorship in U.S. Copyright and Trademark Laws*, 41 HOUS. L. REV. 263 (2004); David Nimmer, *The Moral Imperative Against Academic Plagiarism (Without a Moral Right Against Reverse Passing Off)*, 54 DEPAUL L. REV. 1 (2004). Note that a strong "right of attribution" is well-established in many foreign intellectual property systems, especially in Europe. *See* ROBERTA ROSENTHAL KWALL, *THE SOUL OF CREATIVITY: FORGING A MORAL RIGHTS LAW FOR THE UNITED STATES* (2009) (proposing stronger recognition of moral rights in the U.S.).

iv. Timing of Confusion

The tort of palming off focused on confusion at the point of sale. As marketing methods and consumer search activities have expanded, especially with the Internet, the temporal dimension of confusion has widened.

a. Initial Interest Confusion

What happens when confusion is dispelled before a product is ever purchased? For example, suppose that Burger King erects a large McDonald's sign by a highway exit. There is no McDonald's at that exit, so consumers won't end up thinking they are buying from one. However, they might decide to eat at Burger King once they have left the highway. Should this sort of deliberate effort to confuse consumers, but not at the point of purchase, be actionable?

Infringement can be based upon confusion that creates initial customer interest, even though any confusion is dispelled before the point of sale. This doctrine traces back to *Grottrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 365 F. Supp. 707, 717 (S.D.N.Y. 1973), *aff'd*, 523 F.2d 1331 (2d Cir. 1975), where the court found that a prospective piano purchaser may be lead to purchase a "Grottrian-Steinweg" piano because he was initially under the mistaken impression that the piano was affiliated with the "Steinway" brand: "Misled into an initial interest, a potential Steinway buyer may satisfy himself that the less expensive Grottrian-Steinweg is at least as good,

if not better, than a Steinway. Deception and confusion thus work to appropriate [Steinway's] good will." *See id.* at 717. Thus, even though the buyer was not confused at the point of purchase, initial interest confusion affected the buyer's search and arguably influenced her purchasing decision.

The Seventh Circuit has explained that

[t]he Lanham Act forbids a competitor from luring potential customers away from a producer by initially passing off its goods as those of the producer's, even if confusion as to the source of the goods is dispelled by the time any sales are consummated. This "bait and switch" of producers, also known as initial interest confusion, will affect the buying decision of consumers in the market for the goods, effectively allowing the competitor to get its foot in the door by confusing consumers.

Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376, 382 (7th Cir. 1996).



Multi Time Machine, Inc. v. Amazon.com, Inc.
United States Court of Appeals for the Ninth Circuit
804 F.3d 930 (9th Cir. 2015)

SILVERMAN, CIRCUIT JUDGE:

In the present appeal, we must decide whether the following scenario constitutes trademark infringement: A customer goes online to Amazon.com looking for a certain military-style wristwatch—specifically the “MTM Special Ops”—marketed and manufactured by Plaintiff Multi Time Machine, Inc. The customer types “mtm special ops” in the search box and presses “enter.” Because Amazon does not sell the MTM Special Ops watch, what the search produces is a list, with photographs, of several other brands of military style watches that Amazon *does* carry, specifically identified by their brand names—Luminox, Chase–Durer, TAWATEC, and Modus.

MTM brought suit alleging that Amazon's response to a search for the MTM Special Ops watch on its website is trademark infringement in violation of the Lanham Act. MTM contends that Amazon's search results page creates a likelihood of confusion, even though there is no evidence of any actual confusion and even though the other brands are clearly identified by name. The district court granted summary judgment in favor of Amazon, and MTM now appeals.

We affirm. “The core element of trademark infringement” is whether the defendant's conduct “is likely to confuse customers about the source of the products.” *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th Cir.1992). Because Amazon's search results page clearly labels the name and manufacturer of each product offered for sale and even includes photographs of the items, no reasonably prudent consumer accustomed to shopping online would likely be confused as to the source of the products. Thus, summary judgment of MTM's trademark claims was proper.

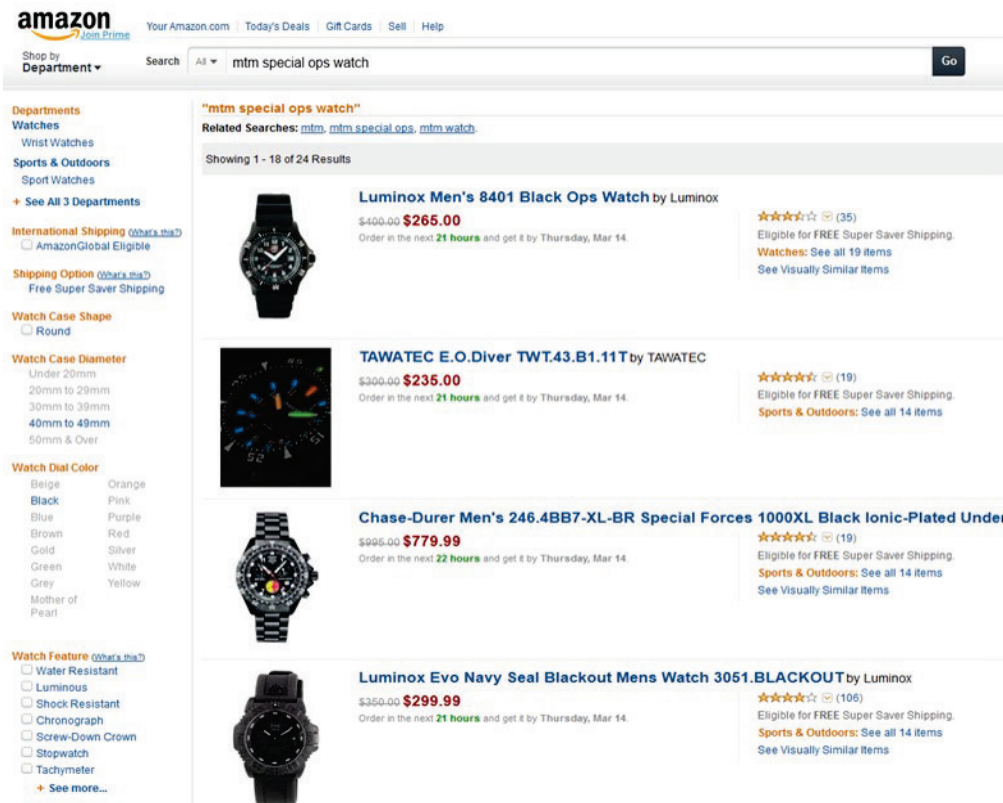
I. Factual and Procedural Background

MTM manufactures and markets watches under various brand names including MTM, MTM Special Ops, and MTM Military Ops. MTM holds the federally registered trademark “MTM Special Ops” for timepieces. MTM sells its watches directly to its customers and through various retailers. To cultivate and maintain an image as a high-end, exclusive brand, MTM does not sell its watches through Amazon.com. Further, MTM does not authorize its distributors, whose agreements require them to seek MTM’s permission to sell MTM’s products anywhere but their own retail sites, to sell MTM watches on Amazon.com. Therefore, MTM watches have never been available for sale on Amazon.com.

Amazon is an online retailer that purports to offer “Earth’s Biggest Selection of products.” Amazon has designed its website to enable millions of unique products to be sold by both Amazon and third party sellers across dozens of product categories.

Consumers who wish to shop for products on Amazon’s website can utilize Amazon’s search function. The search function enables consumers to navigate Amazon.com’s large marketplace by providing consumers with relevant results in response to the consumer’s query. In order to provide search results in which the consumer is most likely to be interested, Amazon’s search function does not simply match the words in the user’s query to words in a document, such as a product description in Amazon.com’s catalog. Rather, Amazon’s search function—like general purpose web search engines such as Google or Bing—employs a variety of techniques, including some that rely on user behavior, to produce relevant results. By going beyond exactly matching a user’s query to text describing a product, Amazon’s search function can provide consumers with relevant results that would otherwise be overlooked.

Consumers who go onto Amazon.com and search for the term “mtm special ops” are directed to a search results page. On the search results page, the search query used—here, “mtm special ops”—is displayed twice: in the search query box and directly below the search query box in what is termed a “breadcrumb.” The breadcrumb displays the original query, “mtm special ops,” in quotation marks to provide a trail for the consumer to follow back to the original search. Directly below the breadcrumb, is a “Related Searches” field, which provides the consumer with alternative search queries in case the consumer is dissatisfied with the results of the original search. Here, the Related Search that is suggested to the consumer is: “mtm special ops watch.” Directly below the “Related Searches” field is a gray bar containing the text “Showing 10 Results.” Then, directly below the gray bar is Amazon’s product listings. The gray bar separates the product listings from the breadcrumb and the “Related Searches” field. The particular search results page at issue is displayed below:



The screenshot shows the Amazon website search results for "mtm special ops watch". The search bar at the top contains the text "mtm special ops watch". Below the search bar, there are several filter categories on the left side, including "Departments", "Watches", "Sports & Outdoors", "International Shipping", "Shipping Option", "Watch Case Shape", "Watch Case Diameter", "Watch Dial Color", and "Watch Feature". The main content area displays four watch listings:

- Luminox Men's 8401 Black Ops Watch by Luminox**: Price \$400.00, **\$265.00**. Order in the next 21 hours and get it by Thursday, Mar 14. Rating: 4.5 stars (35 reviews).
- TAWATEC E.O.Diver TWT.43.B1.11T by TAWATEC**: Price \$300.00, **\$235.00**. Order in the next 21 hours and get it by Thursday, Mar 14. Rating: 4.5 stars (19 reviews).
- Chase-Durer Men's 246.4BB7-XL-BR Special Forces 1000XL Black Ionic-Plated Under**: Price \$995.00, **\$779.99**. Order in the next 22 hours and get it by Thursday, Mar 14. Rating: 4.5 stars (19 reviews).
- Luminox Evo Navy Seal Blackout Mens Watch 3051.BLACKOUT by Luminox**: Price \$350.00, **\$299.99**. Order in the next 21 hours and get it by Thursday, Mar 14. Rating: 4.5 stars (106 reviews).

MTM watches are not listed on the page for the simple reason that neither Amazon nor MTM sells MTM watches on Amazon. MTM filed a complaint against Amazon, alleging that Amazon's search results page infringes MTM's trademarks in violation of the Lanham Act. . . . The district court granted Amazon's motion for summary judgment. . . .

III. Discussion

To prevail on a claim of trademark infringement under the Lanham Act, "a trademark holder must show that the defendant's use of its trademark 'is likely to cause confusion, or to cause mistake, or to deceive.'" *Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt.*, 618 F.3d 1025, 1030 (9th Cir. 2010) (quoting 15 U.S.C. §1125(a)(1)–(a)(1)(A)). "The test for likelihood of confusion is whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks." *Dreamwerks Prod. Group v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998). "The confusion must 'be probable, not simply a possibility.'" *Murray v. Cable NBC*, 86 F.3d 858, 861 (9th Cir.1996).

Here, the district court was correct in ruling that there is no likelihood of confusion. Amazon is responding to a customer's inquiry about a brand it does not carry by doing no more than stating clearly (and showing pictures of) what brands it does carry. . . .

case “is a reasonably prudent consumer accustomed to shopping online.” *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1176 (9th Cir. 2010).

Turning to the second question, as MTM itself asserts, the labeling and appearance of the products for sale on Amazon’s web page is the most important factor in this case. This is because we have previously noted that clear labeling can eliminate the likelihood of initial interest confusion in cases involving Internet search terms. *See, e.g., Playboy Enters.*, 354 F.3d at 1030 n. 44 (explaining that clear labeling “might eliminate the likelihood of initial interest confusion that exists in this case”); *Network Automation*, 638 F.3d at 1154 (same). Indeed, MTM itself argues: “The common thread of [the Ninth Circuit’s decisions in *Brookfield*, *Playboy*, and *Network Automation*] is that liability under the Lanham Act can only be avoided as a matter of law where there is clear labeling to avoid the possibility of confusion—including initial interest confusion—resulting from the use of another’s trademark.” Thus, MTM agrees that summary judgment of its trademark claims is appropriate if there is clear labeling that avoids likely confusion.

Here, the products at issue are clearly labeled by Amazon to avoid any likelihood of initial interest confusion by a reasonably prudent consumer accustomed to online shopping. When a shopper goes to Amazon’s website and searches for a product using MTM’s trademark “mtm special ops,” the resulting page displays several products, all of which are clearly labeled with the product’s name and manufacturer in large, bright, bold letters and includes a photograph of the item. In fact, the manufacturer’s name is listed twice. For example, the first result is “Luminox Men’s 8401 Black Ops Watch by Luminox.” The second result is “Chase–Durer Men’s 246.4BB7–XL–BR Special Forces 1000XL Black Ionic–Plated Underwater Demolition Team Watch by Chase–Durer.” Because Amazon clearly labels each of the products for sale by brand name and model number accompanied by a photograph of the item, it is unreasonable to suppose that the reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods.

. . . MTM argues that because Amazon lists the search term “mtm special ops” at the top of the page, a consumer might conclude that the products displayed are types of MTM watches. But, merely looking at Amazon’s search results page shows that such consumer confusion is highly unlikely. None of these watches is labeled with the word “MTM” or the phrase “Special Ops,” let alone the specific phrase “MTM Special Ops.” Further, some of the products listed are not even watches. The sixth result is a book entitled “Survive!: The Disaster, Crisis and Emergency Handbook by Jerry Ahem.” The tenth result is a book entitled “The Moses Expedition: A Novel by Juan Gómez–Jurado.” No reasonably prudent consumer, accustomed to shopping online or not, would assume that a book entitled “The Moses Expedition” is a type of MTM watch or is in any way affiliated with MTM watches. Likewise, no reasonably prudent consumer accustomed to shopping online would view Amazon’s search results page and conclude that the products offered are MTM watches. It is possible that someone, somewhere might be confused by the search results page. But, “[u]nreasonable, imprudent and inexperienced web-shoppers are not relevant.” *Tabari*, 610 F.3d at 1176; *see also Network Automation*,

638 F.3d at 1153 (“[W]e expect consumers searching for expensive products online to be even more sophisticated.”). To establish likelihood of confusion, MTM must show that confusion is *likely*, not just *possible*. See *Murray*, 86 F.3d at 861.

MTM argues that in order to eliminate the likelihood of confusion, Amazon must change its search results page so that it explains to customers that it does not offer MTM watches for sale before suggesting alternative watches to the customer. We disagree. The search results page makes clear to anyone who can read English that Amazon carries only the brands that are clearly and explicitly listed on the web page. The search results page is unambiguous—not unlike when someone walks into a diner, asks for a Coke, and is told “No Coke. Pepsi.” See *Multi Time Mach., Inc. v. Amazon.com, Inc.*, 792 F.3d 1070, 1080–81 (9th Cir. 2015) (Silverman, J., dissenting).

In light of the clear labeling Amazon uses on its search results page, no reasonable trier of fact could conclude that Amazon’s search results page would likely confuse a reasonably prudent consumer accustomed to shopping online as to the source of the goods being offered. Cf. *Playboy*, 354 F.3d at 1030 n. 44 (Clear labeling “might eliminate the likelihood of initial interest confusion that exists in this case.”); *Network Automation*, 638 F.3d at 1154 (same). As Judge Berzon put it, “I do not think it is reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him.” *Playboy*, 354 F.3d at 1034–35 (9th Cir. 2004) (Berzon, J., concurring). . . .

The likelihood of confusion is often a question of fact, but not always. In a case such as this, where a court can conclude that the consumer confusion alleged by the trademark holder is highly unlikely by simply reviewing the product listing/advertisement at issue, summary judgment is appropriate. Cf. *M2 Software*, 421 F.3d at 1085 (explaining that summary judgment of a trademark claim is appropriate where the plaintiff has failed to present “sufficient evidence to permit a rational trier of fact to find that confusion is ‘probable,’ not merely ‘possible’”).

. . . However, if we were to evaluate each of the remaining *Sleekcraft* factors, those factors would not change our conclusion, here, because those factors are either neutral or unimportant.

“Actual confusion”—We have held that “[a] showing of actual confusion among significant numbers of consumers provides strong support for the likelihood of confusion.” *Playboy*, 354 F.3d at 1026 (noting that a strong showing by the plaintiff in regard to this factor alone can reverse a grant of summary judgment). However, here, there is no evidence of actual confusion. The only “evidence” MTM presented to the district court of actual confusion is the deposition testimony of MTM’s president stating that someone named Eric told him, in reference to Amazon’s web page, “it’s confusing.” Hearsay problems aside, this testimony is too speculative to show actual confusion because there is no evidence showing that Eric was a potential consumer. Indeed, at oral

argument, MTM conceded that it does not have evidence of actual consumer confusion. Therefore, this factor does not weigh in MTM's favor.

"Defendant's Intent"—We have also held that "[a] defendant's intent to confuse constitutes probative evidence of likely confusion: Courts assume that the defendant's intentions were carried out successfully." *Playboy*, 354 F.3d at 1028 (footnote omitted). MTM argues that the design of Amazon's search results page is evidence of its intent to cause confusion. The design, however, indisputably produces results that are clearly labeled as to the type of product and brand. Amazon has designed its results page to alleviate any possible confusion about the source of the products by clearly labeling each of its products with the product's name and manufacturer. Therefore, this factor also does not weigh in MTM's favor.

. . . [A]s we previously found in *Network Automation*, the remaining *Sleekcraft* factors are unimportant in a case, such as this, involving Internet search terms where the competing products are clearly labeled and the relevant consumer would exercise a high degree of care. See *Network Automation*, 638 F.3d at 1150–53 (finding "proximity of goods," "similarity of marks," "marketing channels," and "likelihood of expansion" to be unimportant in a trademark case involving Internet search terms where the advertisements are clearly labeled and the relevant consumers would exercise a high degree of care).

IV. Conclusion

In light of Amazon's clear labeling of the products it carries, by brand name and model, accompanied by a photograph of the item, no rational trier of fact could find that a reasonably prudent consumer accustomed to shopping online would likely be confused by the Amazon search results. Accordingly, we affirm the district court's grant of summary judgment in favor of Amazon.

AFFIRMED.

BEA, CIRCUIT JUDGE, dissenting:

Today the panel holds that when it comes to internet commerce, judges, not jurors, decide what labeling may confuse shoppers. In so doing, the court departs from our own trademark precedent and from our summary judgment jurisprudence. Because I believe that an Amazon shopper seeking an MTM watch might well initially think that the watches Amazon offers for sale when he searches "MTM Special Ops" are affiliated with MTM, I must dissent.

If her brother mentioned MTM Special Ops watches, a frequent internet shopper might try to purchase one for him through her usual internet retail sites, perhaps Overstock.com, Buy.com, and Amazon.com. At Overstock's site, if she typed "MTM special ops," the site would respond "Sorry, your search: 'mtm special ops' returned no results." Similarly, at Buy.com, she would be informed "0 results found. Sorry. Your search for mtm special ops did not return an exact match. Please try your search again."

Things are a little different over at “Earth’s most customer-centric company,” as Amazon styles itself. There, if she were to enter “MTM Special Ops” as her search request on the Amazon website, Amazon would respond with its page showing (1) MTM Special Ops in the search field (2) “MTM Specials Ops” again—in quotation marks—immediately below the search field and (3) yet again in the phrase “Related Searches: *MTM special ops watch*,” (emphasis in original) all before stating “Showing 10 Results.” What the website’s response will not state is the truth recognized by its competitors: that Amazon does not carry MTM products any more than do Overstock.com or Buy.com. Rather, below the search field, and below the second and third mentions of “MTM Special Ops” noted above, the site will display aesthetically similar, multi-function watches manufactured by MTM’s competitors. The shopper will see that Luminox and Chase–Durer watches are offered for sale, in response to her MTM query.

MTM asserts the shopper might be confused into thinking a relationship exists between Luminox and MTM; she may think that MTM was acquired by Luminox, or that MTM manufactures component parts of Luminox watches, for instance. As a result of this initial confusion, MTM asserts, she might look into buying a Luminox watch, rather than junk the quest altogether and seek to buy an MTM watch elsewhere. MTM asserts that Amazon’s use of MTM’s trademarked name is likely to confuse buyers, who may ultimately buy a competitor’s goods.

MTM may be mistaken. But whether MTM is mistaken is a question that requires a factual determination, one this court does not have authority to make. . . .

Capturing initial consumer attention has been recognized by our court to be a grounds for finding of infringement of the Lanham Act since 1997. *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1405 (9th Cir. 1997) (identifying “initial consumer attention” as a basis for infringement). In 1999, citing *Dr. Seuss*, we expressly adopted the initial interest confusion doctrine in the internet context, and never repudiated it. *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999). It may not apply where the competing goods or services are “clearly labeled” such that they cause only mere diversion, but whether such goods or services are clearly labeled so as to prevent a prudent internet shopper’s initial confusion depends on the overall function and presentation of the web page. The issue is whether a prudent internet shopper who made the search request and saw the Amazon result—top to bottom—would more likely than not be affected by that “initial interest confusion.” That is, an impression—when first shown the results of the requested MTM Special Ops search—that Amazon carries watches that have some connection to MTM, and that those watches are sold under the name Luminox or Chase–Durer. Whether there is likelihood of such initial interest confusion, I submit, is a jury question. Intimations in our case law that initial interest confusion is bad doctrine notwithstanding, it is the law of our circuit, and, I submit, the most fair reading of the Lanham Act.

. . . [T]he majority reads 15 U.S.C. §1125 to apply only at point of sale—the majority writes that it is unreasonable to suppose that a reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods where Luminox and Chase-Durer watches are labeled as such, but does not address the possibility that a reasonably prudent consumer might initially assume that those brands enjoyed some affiliation with MTM which, in turn, could cause such a shopper to investigate brands which otherwise would not have been of interest to her. . . .

On this record, a jury could infer that users who are confused by the search results are confused as to why MTM products are not listed. There is a question of fact whether users who are confused by the search result will wonder whether a competitor has acquired MTM or is otherwise affiliated with or approved by MTM. . . .

[T]he majority finds that Amazon’s intent weighs in favor of Amazon. A defendant’s intent is relevant because a “defendant’s intent to confuse constitutes probative evidence of likely confusion.” *Playboy*, 354 F.3d at 1029. MTM submitted evidence that Amazon vendors and customers had complained to Amazon because they did not understand why they received certain non-responsive search results when they searched for products that are not carried by Amazon. The evidence showed that Amazon employees did not take action to address the complaints by explaining to the public how its search function works. One Amazon employee noted that explaining [broad-based searching] to the public might draw customers’ and vendors’ unwanted scrutiny to the matter. Amazon did not disclose to shoppers that its search function responds to customer behavior.

As in *Playboy*, this evidence suggests, “at a minimum, that defendants do nothing to alleviate confusion . . . Although not definitive, this factor provides some evidence of an intent to confuse on the part of defendants.” *Playboy*, 354 F.3d at 1029. From evidence that “Earth’s most customer-centric company” took no action on these complaints, a jury could infer that Amazon intended to confuse its customers. . . .

COMMENTS AND QUESTIONS

1. Is Amazon engaged in “bait and switch” tactics? How difficult would it be for Amazon to indicate that it does not carry the brand indicated in the keyword search? What if Amazon’s search results were to indicate: “We don’t carry ‘MTM Special Ops’ brand, but we do have the following competing products”?

Could Amazon automate that process? How would its servers know when to generate such a statement? Consider that trademark owners might also sue if Amazon *did* carry their products but wrongly included a statement saying it did not.

2. Claims of initial interest confusion arise most frequently on the Internet. Early search engines categorized results in part by the site’s use of “metatags,” which are words on the page invisible to the user but which are read by computer search engines. Some companies began putting the names of their competitors’ products (or even just popular trademarks such as “Playboy”) into their metatags in an effort to draw unsus-

pecting consumers to their site. Is the use of a competitor's trademark in a metatag infringement? The cases seem to turn on whether there was a legitimate reason to make reference to the trademark on the web page. Compare *Brookfield Commc'ns v. West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999) (use of plaintiff's trademark in a website "metatag" was trademark infringement where it contributed to customer confusion) and *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359 (4th Cir. 2001) with *Playboy Enters. v. Welles*, 279 F.3d 796 (9th Cir. 2002) (use of "Playmate of the Year" in a metatag to accurately describe defendant's resume was not illegal).

Most search engines no longer use metatags. Instead, the issue of initial interest confusion comes up in the context of search results and ads which may divert Internet users to sites other than the one they are searching for. Should the same analysis apply to ad text that diverts consumer attention away from their "intended" search result?

2. *Doughney* is a particularly interesting application of the idea of initial interest confusion concept. The plaintiff, People for the Ethical Treatment of Animals (PETA), is an advocacy group opposed to eating meat, wearing fur, and conducting research on animals. The defendant registered the Internet domain name *peta.org*, where he set up a page entitled "People Eating Tasty Animals" that was a parody of PETA and its goals. The Fourth Circuit found that using the domain name *peta.org* impermissibly caused initial-interest confusion, even though visitors to the site immediately discovered that it had no affiliation with PETA and even though Doughney was not competing with PETA in any commercial sense. Is this result correct? Or should initial interest confusion be limited to cases in which the parties are direct competitors, as the Third Circuit held in *Checkpoint Sys. v. Check Point Software Techs.*, 269 F.3d 270 (3d Cir. 2001)? See Stacey L. Dogan & Mark A. Lemley, *Trademarks and Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004) (making the latter argument). The Fourth Circuit itself backed off from *Doughney* in *Lamparello v. Falwell*, 420 F.3d 309 (4th Cir. 2005) (holding that a parody of right-wing minister Jerry Falwell did not create initial interest confusion).

3. Some commentators have been critical of the expansion of confusion doctrines, particularly as regards the Internet. See, e.g., Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507 (2005). They argue that attraction of initial interest is easy to reverse in the Internet context—the confused surfer simply clicks the "back" button on their Internet browser. As one court explained,

what appears to concern Groeneveld is not so much initial-interest *confusion*, but initial interest, period. Groeneveld, in other words, simply does not want its customers to become interested in Lubecore as a potential competitor and possibly switch over. We cannot ascribe any other interpretation to Groeneveld's rather startling claim that evidence of diverted sales and declining revenues, which are the normal signs of a market opening up to competition, create "a reasonable inference of confusion and its likelihood." Groeneveld's desire to be the only game in town is perfectly natural; most companies would

Id. at 466. This same problem arises in the sale of “knockoff” versions of high quality goods on street corners and flea markets. The purchaser of a “Rolex” or “Omega” branded watch for \$10 on a street corner appreciates that he or she is not purchasing an authentic product. *See Rolex Watch U.S.A., Inc. v. Canner*, 645 F. Supp. 484 (S.D. Fla. 1986); *United States v. Torkington*, 812 F.2d 1347 (11th Cir. 1987). One might reasonably conclude, therefore, that there is no consumer confusion from counterfeiting. But courts have resisted that result. Some have pointed to a harm to the exclusivity of a luxury good:

[t]he creation of confusion in the post-sale context can be harmful in that if there are too many knockoffs in the market, sales of the originals may decline because the public is fearful that what they are purchasing may not be an original. Furthermore, the public may be deceived in the resale market if it requires expertise to distinguish between an original and a knockoff. Finally, the purchaser of an original is harmed by the widespread existence of knockoffs because the high value of originals, which derives in part from their scarcity, is lessened.

Hermes Int’l v. Lederer de Paris Fifth Ave., Inc., 219 F.3d 104, 108 (2d Cir. 2000). *See generally* MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §23:7; Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960 (1993). Other courts simply fall back on the declaration that “it cannot be the case” that a defendant can get away with profiting from a mark owner’s goodwill, whether or not the consumers are confused. *Coach, Inc. v. The Treasure Box, Inc.*, 2013 WL 2402922 (N.D. Ind. May 31, 2013).

The real issue with counterfeit goods is that some trademarks signal status or identity for some consumers. Some have referred to such commodities as “Veblen” goods, reflecting Thorstein Veblen’s theory of conspicuous consumption. *See* THORSTEIN VEBLEN, *THE THEORY OF THE LEISURE CLASS: AN ECONOMIC STUDY OF INSTITUTIONS* (1899). This theory posits that demand for status goods rise with increases in price. Purchasers of such goods may be interested in being associated with a particular brand—such as a Rolex watch, a t-shirt with the name and colors of a particular university, or a corporate brand—rather than in the quality of the product carrying that brand. *See* Rochelle C. Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397 (1990). Some purchasers of such goods may well prefer a less expensive, counterfeit version. They presumably would not be confused when purchasing such goods (e.g., an “Omega” watch sold on a street corner for \$10). A brand evokes an image, and consumers adopt the brand because they feel attached to the image or want to be associated with it.

The marketing of less expensive, lower quality imitations of status goods has different effects on the sellers and purchasers of authentic goods. The availability of counterfeit articles could conceivably divert some consumers who would otherwise purchase the authentic article even though they know it is not genuine, although this effect is likely to be relatively small due to the large price differential and the availability of the authentic goods for those who are interested. The lower quality of the counterfeit goods

could, however, erode the goodwill associated with the authentic manufacturer through post-sale confusion—on-lookers who mistake the shoddier counterfeit good for the authentic good and may be less inclined to purchase the authentic version by the trademark owner, thereby reducing sales by the trademark owner. In addition, due to the proliferation of non-easily recognized “fakes,” prior and potential purchasers of the authentic “status” goods may be less interested in owning a much less rare commodity. The value of ownership may be sullied. In essence, status goods exhibit a negative network externality, whereby proliferation of such goods erodes the value to prior purchasers. Some have criticized the extension of trademark law to protect such interests, which seem quite different than traditional confusion-based rationales. See Jeremy Sheff, *Veblen Brands*, 96 MINN. L. REV. 769 (2012); Barton Beebe, *Intellectual Property Law and the Sumptuary Code*, 123 HARV. L. REV. 809 (2010). How would one prove post-sale confusion? Who are the relevant consumers? Compare *General Motors Corp. v. Urban Gorilla LLC*, 500 F.3d 1222 (10th Cir. 2007) (denying injunction against company that made “body kits” that made another truck look like a Hummer; court found insufficient evidence of post-sale confusion) with *Ferrari S.p.A. v. Roberts*, 944 F.2d 1235, 1239 (6th Cir. 1991) (finding infringement in the sale of kit cars); see Kal Raustiala & Christopher Jon Sprigman, *Rethinking Post-Sale Confusion*, 108 TRADEMARK REP. 881, 903 (2018) (contending that post-sale confusion is rare and that courts should be required to show a clear connection between post-sale confusion and harm, and not just observer confusion; “and even if even if [post-sale] confusion is clearly established, defendants may be able to show that this confusion is, on balance, beneficial—or that a substantial chunk of it is beneficial, and hence any monetary award ought to be highly circumscribed.”).

PROBLEMS

Problem V-13. Bristol-Myers, a major pharmaceutical company, markets “Excedrin” pain reliever. Since 1968, B-M has marketed “Excedrin PM,” which is a pain reliever that does not interfere with sleep. Excedrin PM tablets are sold in a solid blue box whose color fades from dark at the top to light at the bottom. The box contains the words “Excedrin PM” in large white letters across the top third of the box. In the bottom right-hand corner of the box is a depiction of two tablets labeled “PM.” B-M also sells Excedrin PM capsules, which are packaged identically except that the background is green and the two capsules in the picture read “Excedrin PM.” Both the mark Excedrin PM and the dress of both boxes are registered with the Trademark Office.

In 1991, McNeil Pharmaceuticals introduced “Tylenol PM,” a pain reliever chemically identical to Excedrin PM. Tylenol PM tablets are sold in a solid blue box whose color fades from dark at the top to light at the bottom. The box contains the words “Tylenol PM” in large white and yellow letters across the top third of the box. In the bottom right-hand corner of the box is a depiction of two tablets, one labeled “Tylenol” and the

other labeled “PM.” McNeil also sells Tylenol PM capsules, which are packaged identically except that the background is blue and the two capsules in the picture both read “Tylenol PM.”

B-M sues McNeil, alleging that both its use of the term PM and its trade dress are likely to confuse consumers. Who should prevail?

Problem V-14. Two companies selling sparkling hard seltzer choose the brands “Brizzy” and “Vizzy,” respectively. They were unaware of each other. Does Vizzy infringe Brizzy?



v. *Dilution*

Nearly a century ago, Frank Schechter, a trademark practitioner, proposed to protect trademarks against loss of distinctiveness—what has come to be known as dilution. See Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927). This theory departed from the standard confusion-based account of trademark protection. Schechter believed that dilution better fit the ways that marks functioned in the marketplace and that courts ought to recognize that reality.

The famous 1898 British case of Kodak bicycles illustrated Schechter’s idea. See *Eastman Kodak Co. v. Kodak Cycle Co.*, 15 Rep. Pat. Cas. 105 (1898). The court there allowed the famous Kodak film company to stop the use of Kodak for bicycles, reasoning that Kodak would suffer harm from the use even if no one would think the film company was making bicycles. Schechter argued that “If ‘Kodak’ may be used for bath tubs and cakes . . . and ‘Ritz-Carlton’ for coffee, these marks must inevitably be lost in the commonplace words of the language, despite the originality and ingenuity in their contrivance, and the vast expenditures in advertising them which the courts concede should be protected to the same extent as plant and machinery.” 40 HARV. L. REV. at 830.

The dilution theory did not attract much support in the years following Schechter’s publication. See Robert G. Bone, *Schechter’s Ideas in Historical Context and Dilution’s*

Rocky Road, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 469 (2008). It was ignored in the formulation of the Lanham Act of 1946. Yet, beginning in 1947, a number of states passed anti-dilution statutes. Massachusetts led the way, followed over the next decade by Illinois, New York, and Georgia. In 1965, The U.S. Trademark Association adopted an anti-dilution provision to its Model State Trademark Bill.

The trademark dilution theory gradually gained salience and brand owners succeeded in persuading Congress to establish federal anti-dilution protection in the mid-1990s. The legislative history of the Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, codified at 15 U.S.C. §1125(c), which added a new§43(c) to the Lanham Act, explained that:

[This bill would] create a federal cause of action to protect famous marks from unauthorized users that attempt to trade upon the goodwill and established renown of such marks and, thereby, dilute their distinctive quality. The provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark. The bill defines the term “dilution” to mean “the lessening of the capacity of a famous mark to identify and distinguish goods or services regardless of the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistakes, or deception.” Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation. The protection of marks from dilution differs from the protection accorded marks from trademark infringement. Dilution does not rely upon the standard test of infringement, that is, likelihood of confusion, deception or mistake. Rather, it applies when the unauthorized use of a famous mark reduces the public’s perception that the mark signifies something unique, singular, or particular. As summarized in one decision:

Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another’s use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

Mortellito v. Nina of California, Inc., 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972).

In 2003, the Supreme Court interpreted that statute to prevent only *actual* dilution rather than a likelihood of dilution. *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003). Congress overrode this interpretation in 2006 to require only a likelihood of dilution, while at the same time changing the definition of dilution to make it harder to prove and expanding defenses to dilution. Section 43(c) of the Lanham Act now provides in part:

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief. Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the

owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

(2) Definitions

(A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

(C) For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) Exclusions. The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

“1999 Papal Visit Commemorative Official Commemorative Items,” and “Papal Visit 1999, St. Louis”). *But see Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999) (overturning a lower court decision finding “Avery” and “Dennison” to be famous trademarks).

Outside the domain name context, a few courts significantly reduced the standard for fame by finding that a mark can be “famous” in a narrow product market. *See Times Mirror Magazines v. Las Vegas Sporting News*, 212 F.3d 157 (3d Cir. 2000) (holding that “The Sporting News” is a famous mark).

When Congress revised the dilution statute in 2006, it tightened up the requirements to prove fame, in part by abolishing the concept of niche fame. The statute now requires that a mark be “widely recognized by the general consuming public of the United States.” The result has been that far fewer trademarks qualify for dilution protection than did so before 2006, even marks that some would regard as well known within their niches. *See Coach Servs. v. Triumph Learning, LLC*, 668 F.3d 1356 (Fed. Cir. 2012) (“Coach” is famous enough to be considered a strong mark for confusion purposes, but has not been proven famous for dilution purposes); *Bd. of Regents, the Univ. of Tex. Sys. v. KST Electric, Ltd.*, 550 F. Supp. 2d 657 (W.D. Tex. 2008) (finding that the longhorn silhouette associated with the University of Texas at Austin was not famous outside the “niche” of college sporting events); *Milbank Tweed Hadley & McCloy LLP v. Milbank Holding Corp.*, 82 U.S.P.Q.2d 1583 (C.D. Cal. 2007) (New York law firm Milbank not famous outside niche market).

3. *What About Descriptive Marks?* In *Nabisco, Inc. v. PF Brands*, 191 F.3d 208 (2d Cir. 1999), the court suggested that the FTDA requires proof of both distinctiveness of the plaintiff’s mark and fame in order to receive federal protection. The practical effect of this interpretation was to exclude descriptive marks from dilution protection. McDonald’s, United Airlines, Ace Hardware, and American Airlines would not have been eligible for federal dilution protection under the Second Circuit approach because they lack inherently distinctive marks (even though they could well meet the “fame” requirement).

The 2006 revisions to the dilution statute reversed this decision, making it clear in subsection (c)(1) that famous marks can be either inherently distinctive or have acquired distinctiveness. Should the law extend dilution protection to descriptive marks? Is there a greater need for companies in other fields to use those marks than there is to use an inherently distinctive mark? Consider *Visa Int’l Serv. Ass’n v. JSL Corp.*, 610 F.3d 1088 (9th Cir. 2010) (holding that eVisa for an English language school in Japan diluted the famous Visa credit card mark; the court concluded that the term “visa” had only one meaning, and it was a credit card). Can the use of an English language term (“visa”) dilute the brand significance of a mark even if the term is used in its descriptive sense? Could Apple Computer sue a seller of fruit that used the term “apple” prominently?

As reflected in the *Nabisco* case through its protection of the product configuration of Pepperidge Farms’ cracker, the FTDA can protect trade dress as well as more traditional trademarks. *See also Sunbeam Prods. v. West Bend Co.*, 123 F.3d 246 (5th Cir.

1998). For criticism of this application of dilution, see Paul Heald, *Exposing the Malign Application of the Federal Dilution Statute to Product Configurations*, 5 J. INTELL. PROP. L. 415 (1995).



Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC
United States Court of Appeals for the Fourth Circuit
507 F.3d 252 (4th Cir. 2007)

NIEMEYER, Circuit Judge:

Louis Vuitton Malletier S.A., a French corporation located in Paris, that manufactures luxury luggage, handbags, and accessories, commenced this action against Haute Diggity Dog, LLC, a Nevada corporation that manufactures and sells pet products nationally, alleging trademark infringement under 15 U.S.C. §1114(1)(a), trademark dilution under 15 U.S.C. §1125(c), copyright infringement under 17 U.S.C. §501, and related statutory and common law violations. Haute Diggity Dog manufactures, among other things, plush toys on which dogs can chew, which, it claims, parody famous trademarks on luxury products, including those of Louis Vuitton Malletier. The particular Haute Diggity Dog chew toys in question here are small imitations of handbags that are labeled “Chewy Vuiton” and that mimic Louis Vuitton Malletier’s LOUIS VUITTON handbags.

On cross-motions for summary judgment, the district court concluded that Haute Diggity Dog’s “Chewy Vuiton” dog toys were successful parodies of Louis Vuitton Malletier’s trademarks, designs, and products, and on that basis, entered judgment in favor of Haute Diggity Dog on all of Louis Vuitton Malletier’s claims.

On appeal, we agree with the district court that Haute Diggity Dog’s products are not likely to cause confusion with those of Louis Vuitton Malletier and that Louis Vuitton Malletier’s copyright was not infringed. On the trademark dilution claim, however, we reject the district court’s reasoning but reach the same conclusion through a different analysis. Accordingly, we affirm.

I

Louis Vuitton Malletier S.A. (“LVM”) is a well known manufacturer of luxury luggage, leather goods, handbags, and accessories, which it markets and sells worldwide. In connection with the sale of its products, LVM has adopted trademarks and trade dress that are well recognized and have become famous and distinct. Indeed, in 2006, BusinessWeek ranked LOUIS VUITTON as the 17th “best brand” of all corporations in the world and the first “best brand” for any fashion business.

LVM has registered trademarks for “LOUIS VUITTON,” in connection with luggage and ladies’ handbags (the “LOUIS VUITTON mark”); for a stylized monogram of “LV,” in connection with traveling bags and other goods (the “LV mark”); and for a monogram canvas design consisting of a canvas with repetitions of the LV mark along with four-pointed stars, four-pointed stars inset in curved diamonds, and four-pointed

flowers inset in circles, in connection with traveling bags and other products (the “Monogram Canvas mark”). In 2002, LVM adopted a brightly-colored version of the Monogram Canvas mark in which the LV mark and the designs were of various colors and the background was white (the “Multicolor design”), created in collaboration with Japanese artist Takashi Murakami. For the Multicolor design, LVM obtained a copyright in 2004. In 2005, LVM adopted another design consisting of a canvas with repetitions of the LV mark and smiling cherries on a brown background (the “Cherry design”).

As LVM points out, the Multicolor design and the Cherry design attracted immediate and extraordinary media attention and publicity in magazines such as *Vogue*, *W*, *Elle*, *Harper’s Bazaar*, *Us Weekly*, *Life and Style*, *Travel & Leisure*, *People*, *In Style*, and *Jane*. The press published photographs showing celebrities carrying these handbags, including Jennifer Lopez, Madonna, Eve, Elizabeth Hurley, Carmen Electra, and Anna Kournikova, among others. When the Multicolor design first appeared in 2003, the magazines typically reported, “The Murakami designs for Louis Vuitton, which were the hit of the summer, came with hefty price tags and a long waiting list.” *People Magazine* said, “the wait list is in the thousands.” The handbags retailed in the range of \$995 for a medium handbag to \$4500 for a large travel bag. The medium size handbag that appears to be the model for the “Chewy Vuiton” dog toy retailed for \$1190. The Cherry design appeared in 2005, and the handbags including that design were priced similarly—in the range of \$995 to \$2740. LVM does not currently market products using the Cherry design.

The original LOUIS VUITTON, LV, and Monogram Canvas marks, however, have been used as identifiers of LVM products continuously since 1896.

During the period 2003–2005, LVM spent more than \$48 million advertising products using its marks and designs, including more than \$4 million for the Multicolor design. It sells its products exclusively in LVM stores and in its own in-store boutiques that are contained within department stores such as Saks Fifth Avenue, Bloomingdale’s, Neiman Marcus, and Macy’s. LVM also advertises its products on the Internet through the specific websites www.louisvuitton.com and www.eluxury.com.

Although better known for its handbags and luggage, LVM also markets a limited selection of luxury pet accessories—collars, leashes, and dog carriers—which bear the Monogram Canvas mark and the Multicolor design. These items range in price from approximately \$200 to \$1600. LVM does not make dog toys.

Haute Diggity Dog, LLC, which is a relatively small and relatively new business located in Nevada, manufactures and sells nationally—primarily through pet stores—a line of pet chew toys and beds whose names parody elegant high-end brands of products such as perfume, cars, shoes, sparkling wine, and handbags. These include—in addition to Chewy Vuiton (LOUIS VUITTON)—Chewnel No. 5 (Chanel No. 5), Furcedes (Mercedes), Jimmy Chew (Jimmy Choo), Dog Perignonn (Dom Perignon), Sniffany & Co. (Tiffany & Co.), and Dogior (Dior). The chew toys and pet beds are plush, made of polyester, and have a shape and design that loosely imitate the signature product of the targeted brand. They are mostly distributed and sold through pet stores, although one or

two Macy's stores carries Haute Diggity Dog's products. The dog toys are generally sold for less than \$20, although larger versions of some of Haute Diggity Dog's plush dog beds sell for more than \$100.

Haute Diggity Dog's "Chewy Vuiton" dog toys, in particular, loosely resemble miniature handbags and undisputedly evoke LVM handbags of similar shape, design, and color. In lieu of the LOUIS VUITTON mark, the dog toy uses "Chewy Vuiton"; in lieu of the LV mark, it uses "CV"; and the other symbols and colors employed are imitations, but not exact ones, of those used in the LVM Multicolor and Cherry designs. . . .

[The court found that the Chewy Vuiton toys were successful parodies that were not likely to confuse consumers.]

III

LVM also contends that Haute Diggity Dog's advertising, sale, and distribution of the "Chewy Vuiton" dog toys dilutes its LOUIS VUITTON, LV, and Monogram Canvas marks, which are famous and distinctive, in violation of the Trademark Dilution Revision Act of 2006 ("TDRA"), 15 U.S.C.A. §1125(c) (West Supp. 2007). It argues, "Before the district court's decision, Vuitton's famous marks were unblurred by any third party trademark use." "Allowing defendants to become the first to use similar marks will obviously blur and dilute the Vuitton Marks." It also contends that "Chewy Vuiton" dog toys are likely to tarnish LVM's marks because they "pose a choking hazard for some dogs."

Haute Diggity Dog urges that, in applying the TDRA to the circumstances before us, we reject LVM's suggestion that a parody "automatically" gives rise to "actionable dilution." Haute Diggity Dog contends that only marks that are "identical or substantially similar" can give rise to actionable dilution, and its "Chewy Vuiton" marks are not identical or sufficiently similar to LVM's marks. It also argues that "[its] spoof, like other obvious parodies," "tends to increase public identification' of [LVM's] mark with [LVM]," quoting *Jordache [Enterprises, Inc. v. Hogg Wyld, Ltd.]*, 828 F.2d 1482, 1490 (10th Cir. 1987), rather than impairing its distinctiveness, as the TDRA requires. As for LVM's tarnishment claim, Haute Diggity Dog argues that LVM's position is at best based on speculation and that LVM has made no showing of a likelihood of dilution by tarnishment. . . .

[T]o state a dilution claim under the TDRA, a plaintiff must show:

- (1) that the plaintiff owns a famous mark that is distinctive;
- (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark;
- (3) that a similarity between the defendant's mark and the famous mark gives rise to an association between the marks; and
- (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark.

To determine whether a junior mark is likely to dilute a famous mark through blurring, the TDRA directs the court to consider all factors relevant to the issue, including six factors that are enumerated in the statute:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

15 U.S.C.A. §1125(c)(2)(B). Not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors. But a trial court must offer a sufficient indication of which factors it has found persuasive and explain why they are persuasive so that the court’s decision can be reviewed. The district court did not do this adequately in this case. Nonetheless, after we apply the factors as a matter of law, we reach the same conclusion reached by the district court.

We begin by noting that parody is not automatically a complete defense to a claim of dilution by blurring where the defendant uses the parody as its own designation of source, i.e., as a trademark. Although the TDRA does provide that fair use is a complete defense and allows that a parody can be considered fair use, it does not extend the fair use defense to parodies used as a trademark. As the statute provides:

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

- (A) Any fair use . . . *other than as a designation of source for the person’s own goods or services*, including use in connection with . . . parodying. . . .

15 U.S.C.A. §1125(c)(3)(A)(ii) (emphasis added). Under the statute’s plain language, parodying a famous mark is protected by the fair use defense only if the parody is not “a designation of source for the person’s own goods or services.”

The TDRA, however, does not require a court to ignore the existence of a parody that is used as a trademark, and it does not preclude a court from considering parody as part of the circumstances to be considered for determining whether the plaintiff has made out a claim for dilution by blurring. Indeed, the statute permits a court to consider “all relevant factors,” including the six factors supplied in §1125(c)(2)(B).

Thus, it would appear that a defendant’s use of a mark as a parody is relevant to the overall question of whether the defendant’s use is likely to impair the famous mark’s

distinctiveness. Moreover, the fact that the defendant uses its marks as a parody is specifically relevant to several of the listed factors. For example, factor (v) (whether the defendant intended to create an association with the famous mark) and factor (vi) (whether there exists an actual association between the defendant's mark and the famous mark) directly invite inquiries into the defendant's intent in using the parody, the defendant's actual use of the parody, and the effect that its use has on the famous mark. While a parody intentionally creates an association with the famous mark in order to be a parody, it also intentionally communicates, if it is successful, that it is not the famous mark, but rather a satire of the famous mark. See *PETA*, 263 F.3d at 366. That the defendant is using its mark as a parody is therefore relevant in the consideration of these statutory factors.

Similarly, factors (i), (ii), and (iv)—the degree of similarity between the two marks, the degree of distinctiveness of the famous mark, and its recognizability—are directly implicated by consideration of the fact that the defendant's mark is a successful parody. Indeed, by making the famous mark an object of the parody, a successful parody might actually enhance the famous mark's distinctiveness by making it an icon. The brunt of the joke becomes yet more famous. See *Hormel Foods*, 73 F.3d at 506 (observing that a successful parody "tends to increase public identification" of the famous mark with its source); see also *Yankee Publ'g Inc. v. News Am. Publ'g Inc.*, 809 F. Supp. 267, 272–82 (S.D.N.Y. 1992) (suggesting that a sufficiently obvious parody is unlikely to blur the targeted famous mark).

In sum, while a defendant's use of a parody as a mark does not support a "fair use" defense, it may be considered in determining whether the plaintiff-owner of a famous mark has proved its claim that the defendant's use of a parody mark is likely to impair the distinctiveness of the famous mark.

In the case before us, when considering factors (ii), (iii), and (iv), it is readily apparent, indeed conceded by Haute Diggity Dog, that LVM's marks are distinctive, famous, and strong. The LOUIS VUITTON mark is well known and is commonly identified as a brand of the great Parisian fashion house, Louis Vuitton Malletier. So too are its other marks and designs, which are invariably used with the LOUIS VUITTON mark. It may not be too strong to refer to these famous marks as icons of high fashion.

While the establishment of these facts satisfies essential elements of LVM's dilution claim, see 15 U.S.C.A. §1125(c)(1), the facts impose on LVM an increased burden to demonstrate that the distinctiveness of its famous marks is likely to be impaired by a successful parody. Even as Haute Diggity Dog's parody mimics the famous mark, it communicates simultaneously that it is not the famous mark, but is only satirizing it. See *PETA*, 263 F.3d at 366. And because the famous mark is particularly strong and distinctive, it becomes more likely that a parody will not impair the distinctiveness of the mark. In short, as Haute Diggity Dog's "Chewy Vuiton" marks are a successful parody, we conclude that they will not blur the distinctiveness of the famous mark as a unique identifier of its source.

It is important to note, however, that this might not be true if the parody is so similar to the famous mark that it likely could be construed as actual use of the famous mark itself. Factor (i) directs an inquiry into the “degree of similarity between the junior mark and the famous mark.” If Haute Diggity Dog used the actual marks of LVM (as a parody or otherwise), it could dilute LVM’s marks by blurring, regardless of whether Haute Diggity Dog’s use was confusingly similar, whether it was in competition with LVM, or whether LVM sustained actual injury. *See* 15 U.S.C.A. §1125(c)(1). Thus, “the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable” under the TDRA because the unauthorized use of the famous marks themselves on unrelated goods might diminish the capacity of these trademarks to distinctively identify a single source. *Moseley*, 537 U.S. at 431 (quoting H.R. REP. NO. 104-374, at 3 (1995), as reprinted in 1995 U.S.C.C.A.N. 1029, 1030). This is true even though a consumer would be unlikely to confuse the manufacturer of KODAK film with the hypothetical producer of KODAK pianos.

But in this case, Haute Diggity Dog mimicked the famous marks; it did not come so close to them as to destroy the success of its parody and, more importantly, to diminish the LVM marks’ capacity to identify a single source. Haute Diggity Dog designed a pet chew toy to imitate and suggest, but not use, the marks of a high-fashion LOUIS VUITTON handbag. It used “Chewy Vuiton” to mimic “LOUIS VUITTON”; it used “CV” to mimic “LV”; and it adopted imperfectly the items of LVM’s designs. We conclude that these uses by Haute Diggity Dog were not so similar as to be likely to impair the distinctiveness of LVM’s famous marks.

In a similar vein, when considering factors (v) and (vi), it becomes apparent that Haute Diggity Dog intentionally associated its marks, but only partially and certainly imperfectly, so as to convey the simultaneous message that it was not in fact a source of LVM products. Rather, as a parody, it separated itself from the LVM marks in order to make fun of them.

In sum, when considering the relevant factors to determine whether blurring is likely to occur in this case, we readily come to the conclusion, as did the district court, that LVM has failed to make out a case of trademark dilution by blurring by failing to establish that the distinctiveness of its marks was likely to be impaired by Haute Diggity Dog’s marketing and sale of its “Chewy Vuiton” products.

B

LVM’s claim for dilution by tarnishment does not require an extended discussion. To establish its claim for dilution by tarnishment, LVM must show, in lieu of blurring, that Haute Diggity Dog’s use of the “Chewy Vuiton” mark on dog toys harms the reputation of the LOUIS VUITTON mark and LVM’s other marks. LVM argues that the possibility that a dog could choke on a “Chewy Vuiton” toy causes this harm. LVM has, however, provided no record support for its assertion. It relies only on speculation about whether a dog could choke on the chew toys and a logical concession that a \$10 dog toy made in China was of “inferior quality” to the \$1190 LOUIS VUITTON handbag. The speculation begins with LVM’s assertion in its brief that “defendant Woofie’s admitted

that ‘Chewy Vuiton’ products pose a choking hazard for some dogs. Having prejudged the defendant’s mark to be a parody, the district court made light of this admission in its opinion, and utterly failed to give it the weight it deserved,” citing to a page in the district court’s opinion where the court states:

At oral argument, plaintiff provided only a flimsy theory that a pet may some day choke on a Chewy Vuiton squeak toy and incite the wrath of a confused consumer against LOUIS VUITTON.

Louis Vuitton Malletier, 464 F. Supp. 2d at 505. The court was referring to counsel’s statement during oral argument that the owner of Woofie’s stated that “she would not sell this product to certain types of dogs because there is a danger they would tear it open and choke on it.” There is no record support, however, that any dog has choked on a pet chew toy, such as a “Chewy Vuiton” toy, or that there is any basis from which to conclude that a dog would likely choke on such a toy.

We agree with the district court that LVM failed to demonstrate a claim for dilution by tarnishment. *See Hormel Foods*, 73 F.3d at 507. . . .

The judgment of the district court is AFFIRMED.

COMMENTS AND QUESTIONS

1. Louis Vuitton also argued that people would be confused by the Chewy Vuiton dog toys, pointing out that Louis Vuitton sold upscale dog collars. Are consumers likely to be confused by the defendant’s use of Chewy Vuitton for dog toys? If not, why doesn’t that fact also dispose of the dilution case? Should a dilution claim be able to save a failed trademark infringement claim? If so, what role is there left for a trademark infringement claim in such a case? Is dilution a form of “super-trademark law”? In *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003), the court said:

Unlike traditional infringement law, the prohibitions against trademark dilution are not the product of common-law development, and are not motivated by an interest in protecting consumers.

Is that right? If not protecting consumers, what purpose does dilution law serve?

2. Louis Vuitton continues to push the limits of trademark dilution law. In *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012), the economy car manufacturer Hyundai aired a thirty-second commercial titled “Luxury,” which included “a four-second scene of an inner-city basketball game played on a lavish marble court with a gold hoop.” The scene also included a basketball bearing marks meant to evoke the Louis Vuitton Monogram. The Court rejected Hyundai’s parody defense based in large part on deposition testimony from Hyundai representatives that conclusively established that the car company had no intention for the commercial to make any statement about Louis Vuitton at all. On that basis, the court concluded that Hyundai had “disclaimed any intention to parody, criticize or comment upon Louis Vuitton” and that the ad was only intended to make a “broader social comment” about

“what it means for a product to be luxurious.” The decision has been sharply criticized. See 4 MCCARTHY §24:120.

3. Marks need not be identical to prove dilution. See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) (applying dilution to goldfish-shaped cheddar crackers that were similar to the plaintiff’s famous goldfish cheddar crackers). If the marks are not identical, how similar must they be? Obviously, the likelihood of confusion test cannot apply here. But there must be some degree of similarity, or consumers would not associate the defendant’s mark with the plaintiff’s. One court has held that the marks must be more similar for a finding of dilution than for a finding of consumer confusion. *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786 (6th Cir. 2004) (“Powerzone” not similar enough to dilute “AutoZone”). Does this make sense? Consider what the Supreme Court said in *Moseley*:

We do agree, however, with [the] conclusion that, at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user’s mark with a famous mark is not sufficient to establish actionable dilution. [S]uch mental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA. For even though Utah drivers may be reminded of the circus when they see a license plate referring to the “greatest snow on earth,” it by no means follows that they will associate “the greatest show on earth” with skiing or snow sports, or associate it less strongly or exclusively with the circus. “Blurring” is not a necessary consequence of mental association. (Nor, for that matter, is “tarnishing.”)

Moseley, 537 U.S. at 418.

What more than association is required? The statute requires blurring that impairs the distinctiveness of the famous mark, though the statutory factors aren’t actually directed at establishing such impairment. How can the plaintiff prove it? See *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011) (holding that marks need not be identical or nearly identical; it is sufficient if they are similar enough that one “is likely to impair the distinctiveness” of another). Some have argued that the effort is doomed and proving dilution is impossible because it is “an entirely empty concept.” See Jeremy N. Sheff, *Finding Dilution*, in RESEARCH HANDBOOK ON TRADE-MARK LAW REFORM 351 (Graeme Dinwoodie & Mark Janis eds. 2021).

4. *Nature of Harm Cognizable for Dilution Purposes.* Dilution doctrine, as developed by the courts, comprises two principal types of harms: blurring and tarnishment. *Nabisco*, 191 F.3d at 208, illustrates the former: Nabisco’s use of goldfish-shaped cheese crackers allegedly reduces the exclusive association that consumers have between the mark and Pepperidge Farm. But how is one to prove that a mark has been blurred? Is blurring something that we can identify only after the fact, once a term like Acme or Federal is in widespread use for a variety of goods?

Tarnishment arises where a junior user undermines the image that consumers hold of a famous mark by using the mark to advertise unsavory products. For example, the marketing of posters printed with the words “Enjoy Cocaine” featuring the same typeface and red and white color scheme as Coca-Cola’s “Enjoy Coca-Cola” advertisements was found to tarnish Coca-Cola’s famous mark. *See Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972); *see also Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979) (dilution to promote a pornographic movie by suggesting that Dallas Cowboys Cheerleaders were participants and to use actresses whose costumes resembled those of the Dallas Cowboys cheerleaders).

By contrast, using a mark to criticize the mark’s owner is not tarnishment under the statute. Nor is it illegal to use the mark to display or refer to the plaintiff’s own product, even if it is in a context the plaintiff might find repugnant. For example, in *Wham-O, Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254 (C.D. Cal. 2003), the owner of the Slip ‘N Slide trademark sued the makers of the film *Dickie Roberts: Former Child Star* over a scene in which the fictional Roberts injured himself by misusing a Slip ‘N Slide water slide. The court held that the film’s depiction of the product was “silly” but could not tarnish the plaintiff’s mark. *See also Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913 (N.D. Ill. 2003) (depicting plaintiff’s bulldozers being used by a villain in a children’s movie did not tarnish plaintiff’s marks). Rather, tarnishment occurs only when the famous mark is used on the *defendant’s* unsavory goods, causing the public to draw a connection between the plaintiff’s goods and the defendant’s.

5. *Defenses.* The statute sets out a number of defenses to a dilution claim; we discuss them in Section E(3)(ii).

6. *International Scope of Dilution Protection.* The Paris Convention, including Article 6*bis*, is silent on the protection of trademarks against dilution. GATT-TRIPs signatory countries, however, must now provide some form of protection against dilution of a mark, at least if it is famous.

Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods and services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakech, Morocco, Apr. 15, 1994, Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), at Article 16(3). For congressional approval, *see* Uruguay Rounds Agreements Act, Pub. L. No. 103-465, Dec. 8, 1994. Why can a mark not currently used in a country be protected against dilution in another country? Does it matter whether the mark is registered? Should foreign marks be protected against dilution in anticipation of their possible entry into the market? This provision has been used to target “trademark pirates”: individuals who identify famous

Problem V-16. Spotify is a widely used music streaming service. A marijuana grower decides to brand its goods (legal in some states but not others) “Potify.” Is Spotify famous? Does Potify blur or tarnish the Spotify mark?

Problem V-17. Starbucks is a famous trademark for gourmet coffee. The Black Bear Micro Roastery, a small coffee shop in New York, decides to sell a dark-roasted blend of coffee it calls “Charbucks Blend.” The term Charbucks Blend is used under a prominent logo that reads Black Bear Micro Roastery.

Does Charbucks dilute Starbucks? Under what theory of dilution? What evidence would help you resolve the question?

Problem V-18. Between 1937 and 1949, J. R. R. Tolkien wrote THE LORD OF THE RINGS, which went on to become one of the best-selling novel series. Adaptations of the novels for radio, theatre, and film have expanded LOTR popularity. The Saul Zaentz Company acquired the intellectual property rights to the classic novels and licenses a wide range of merchandise associated with the iconic series.

In March 2017, Bro Gnarley opened “The Lord of the Dings,” a surfboard repair shop in Malibu, California. In addition to repairing surfboards, Bro sells tee shirts featuring images of Frodo, Gandalf, and other LOTR characters on surfboards displayed above “The Lord of the Dings” in script reminiscent of the LOTR novels and motion picture posters. In July 2017, Alex Fender renamed his automotive repair shop in Sonoma, California, “The Lord of the Dings.” He also sells promotional tee shirts featuring LOTR characters, automobile images, and “The Lord of the Dings” logo. In January 2018, Bruce Ellery opened a dent repair franchising company named “The Lord of the Dings.” What advice would you provide The Saul Zaentz Company, Bro Gnarley, Alex Fender, and Bruce Ellery about trademark protection and liability?

4. Cybersquatting

The emergence of the Internet created a new problem for trademark owners: cybersquatting. By paying a modest registration fee, anyone could register an unregistered domain name. The only rule governing registration was first-come, first-served. And in the early days of the Internet, domain names—terms like “microsoft.com” that mapped to a particular Internet location—were the primary way people found companies they were looking for. This led to a flurry of registration—a veritable Internet gold rush. Several opportunists landed on the strategy of registering domains comprising well-known trademarks. They in turn offered them to the true trademark owner at a steep price. Some registrants threatened to post disparaging information on a website at the domain. *See, e.g., Virtual Works, Inc. v. Volkswagen of America, Inc.*, 238 F.3d 264 (4th Cir. 2001). Others registered the domain names of their competitors or political groups with which they disagreed.

Courts saw the injustice in this activity, but could not easily find a confusion-based trademark violation. With passage of the Federal Trademark Dilution Act of 1996, some courts used the newly-minted dilution theory. Many of these cases, however, distorted the dilution requirements, finding all manner of obscure trademarks famous. *See, e.g., Intermatic, Inc. v. Toeppen*, 947 F. Supp. 1227 (N.D. Ill. 1996) (“Intermatic”); *Teletech Customer Care Mgmt., Inc. v. Tele-Tech Company, Inc.*, 977 F. Supp. 1407 (C.D. Cal. 1997) (“Teletech”); *Panavision Int’l v. Toeppen*, 141 F. 3d 1316 (9th Cir. 1998) (“Panavision”); *Archdiocese of St. Louis v. Internet Entment Grp.*, 34 F. Supp. 2d 1145 (E.D. Mo. 1999) (“Papal Visit 1999,” “Pastoral Visit,” “1999 Papal Visit Commemorative Official Commemorative Items,” and “Papal Visit 1999, St. Louis”).

Congress addressed these concerns by passing the Anticybersquatting Consumer Protection Act of 1999 (“ACPA”). The statute added §43(d) to the Lanham Act, which provides that:

A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of title 18 or section 220506 of title 36.

§43(d)(1)(A), 15 U.S.C. §1125(d)(1)(A). The statute contains an *in rem* provision that allows the trademark owner to proceed against the domain name itself in the judicial district where the domain name registrar, domain name registry, or other domain name authority registered or assigned the domain name is located. In this way, the trademark owner can gain cancellation or transfer of the domain name even if it cannot obtain *in personam* jurisdiction over the registrant.

The ACPA eliminated the strain on developing dilution law and provided an effective remedy for cybersquatting. Some cases emerged raising questions about whether the registrant had “bad faith intent to profit” or instead an intent to criticize or make fun. *Compare People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359 (4th Cir. 2001) (finding an individual who set up a page entitled “People Eating Tasty Animals” at peta.org, the expected site of animal-rights group People for the Ethical Treatment of Animals, to be engaged in cybersquatting) *with Bosley Med. Inst. v. Kremer*,

403 F.3d 672 (9th Cir. 2005) (finding no violation of ACPA for operating a noncommercial gripe site); *Lamparello v. Falwell*, 420 F.3d 309 (4th Cir. 2005) (finding that no violation of the ACPA where a young gay man maintained a gripe site criticizing the Reverend Jerry Falwell at www.falwell.com for his anti-gay preaching).

At nearly the same time that the ACPA was enacted, the Internet Corporation for Assigned Names and Numbers (“ICANN”), which oversees the Internet address system, established the Uniform Domain Name Dispute Resolution Policy (“UDRP”). All domain name registrants agree to be bound by ICANN policies, including the UDRP, when they register a domain. The UDRP parallels the ACPA in terms of its standard for transferring domain names. The UDRP’s arbitration process, which relies upon a large pool of trademark and Internet attorneys, operates far more quickly and less expensively than federal court adjudication. As a result, the UDRP has largely supplanted the ACPA. Thousands of garden-variety domain name disputes have been resolved through the UDRP process. Any party, however, has the right to pursue a domain name dispute in federal court pursuant to the ACPA.

In recent years, the significance of the ACPA and the UDRP has somewhat faded because of changes in how people use the Internet. With the rise of effective search engines, Internet users increasingly find companies they are looking for the same way they find anything else—by typing the name into a search bar. Indeed, some browsers have now integrated the search function into the URL window, so typing in, say, www.microsoft.com runs the same search as typing “Microsoft” into Google’s search bar. Nonetheless, domain names continue to exist as addresses and sources, and parties continue to dispute whether the use of a domain name that another claims as a trademark is confusing. See *Wooster Floral & Gifts v. Green Thumb Floral & Garden Center*, Slip Opinion No.2020-Ohio-5614 (Ohio S.Ct. 2020) (Green Thumb, a florist in Wooster, could use woosterfloral.com without confusing consumers because the website made clear that it was run by Green Thumb). For example, information about this book (and related information) can be conveniently remembered (and found) by going to IP-NTA.com. (Notice how we slipped in that little advertisement.) Furthermore, the Internet Committee on Assigned Names and Numbers (ICANN) continues to release new top-level domains, creating more domains (and more opportunity for trademark disputes).

5. Indirect Infringement

Tiffany Inc. v. eBay Inc.

United States Court of Appeals for the Second Circuit

600 F.3d 93 (2d Cir. 2010)



SACK, Circuit Judge:

eBay, Inc. (“eBay”), through its eponymous online marketplace, has revolutionized the online sale of goods, especially used goods. It has facilitated the buying and selling

by hundreds of millions of people and entities, to their benefit and eBay's profit. But that marketplace is sometimes employed by users as a means to perpetrate fraud by selling counterfeit goods.

Plaintiffs Tiffany (NJ) Inc. and Tiffany and Company (together, "Tiffany") have created and cultivated a brand of jewelry bespeaking high-end quality and style. Based on Tiffany's concern that some use eBay's website to sell counterfeit Tiffany merchandise, Tiffany has instituted this action against eBay, asserting various causes of action—sounding in trademark infringement, trademark dilution and false advertising—arising from eBay's advertising and listing practices. For the reasons set forth below, we affirm the district court's judgment with respect to Tiffany's claims of trademark infringement and dilution but remand for further proceedings with respect to Tiffany's false advertising claim.

Background

...

eBay

eBay is the proprietor of www.ebay.com, an Internet-based marketplace that allows those who register with it to purchase goods from and sell goods to one another. It "connect[s] buyers and sellers and [] enable[s] transactions, which are carried out directly between eBay members." *Tiffany*, 576 F. Supp. 2d at 475. In its auction and listing services, it "provides the venue for the sale [of goods] and support for the transaction[s], [but] it does not itself sell the items" listed for sale on the site, nor does it ever take physical possession of them. Thus, "eBay generally does not know whether or when an item is delivered to the buyer."

eBay has been enormously successful. More than six million new listings are posted on its site daily. At any given time it contains some 100 million listings.

eBay generates revenue by charging sellers to use its listing services. For any listing, it charges an "insertion fee" based on the auction's starting price for the goods being sold and ranges from \$0.20 to \$4.80. For any completed sale, it charges a "final value fee" that ranges from 5.25% to 10% of the final sale price of the item. Sellers have the option of purchasing, at additional cost, features "to differentiate their listings, such as a border or bold-faced type." . . .

Tiffany

Tiffany is a world-famous purveyor of, among other things, branded jewelry. Since 2000, all new Tiffany jewelry sold in the United States has been available exclusively through Tiffany's retail stores, catalogs, and website, and through its Corporate Sales Department. It does not use liquidators, sell overstock merchandise, or put its goods on sale at discounted prices. It does not—nor can it, for that matter—control the "legitimate secondary market in authentic Tiffany silvery jewelry," i.e., the market for second-hand Tiffany wares. The record developed at trial "offere[d] little basis from which to discern the actual availability of authentic Tiffany silver jewelry in the secondary market."

Sometime before 2004, Tiffany became aware that counterfeit Tiffany merchandise was being sold on eBay's site. Prior to and during the course of this litigation, Tiffany conducted two surveys known as "Buying Programs," one in 2004 and another in 2005, in an attempt to assess the extent of this practice. Under those programs, Tiffany bought various items on eBay and then inspected and evaluated them to determine how many were counterfeit. Tiffany found that 73.1% of the purported Tiffany goods purchased in the 2004 Buying Program and 75.5% of those purchased in the 2005 Buying Program were counterfeit. The district court concluded, however, that the Buying Programs were "methodologically flawed and of questionable value," and "provide[d] limited evidence as to the total percentage of counterfeit goods available on eBay at any given time." The court nonetheless decided that during the period in which the Buying Programs were in effect, a "significant portion of the 'Tiffany' sterling silver jewelry listed on the eBay website . . . was counterfeit," and that eBay knew "that some portion of the Tiffany goods sold on its website might be counterfeit." The court found, however, that "a substantial number of authentic Tiffany goods are [also] sold on eBay." . . .

Anti-Counterfeiting Measures

Because eBay facilitates many sales of Tiffany goods, genuine and otherwise, and obtains revenue on every transaction, it generates substantial revenues from the sale of purported Tiffany goods, some of which are counterfeit. "eBay's Jewelry & Watches category manager estimated that, between April 2000 and June 2004, eBay earned \$4.1 million in revenue from completed listings with 'Tiffany' in the listing title in the Jewelry & Watches category." Although eBay was generating revenue from all sales of goods on its site, including counterfeit goods, the district court found eBay to have "an interest in eliminating counterfeit Tiffany merchandise from eBay . . . to preserve the reputation of its website as a safe place to do business." The buyer of fake Tiffany goods might, if and when the forgery was detected, fault eBay. Indeed, the district court found that "buyers . . . complain[ed] to eBay" about the sale of counterfeit Tiffany goods. "[D]uring the last six weeks of 2004, 125 consumers complained to eBay about purchasing 'Tiffany' items through the eBay website that they believed to be counterfeit."

Because eBay "never saw or inspected the merchandise in the listings," its ability to determine whether a particular listing was for counterfeit goods was limited. Even had it been able to inspect the goods, moreover, in many instances it likely would not have had the expertise to determine whether they were counterfeit. *Id.* at 472 n.7 ("[I]n many instances, determining whether an item is counterfeit will require a physical inspection of the item, and some degree of expertise on the part of the examiner.").

Notwithstanding these limitations, eBay spent "as much as \$20 million each year on tools to promote trust and safety on its website." For example, eBay and PayPal set up "buyer protection programs," under which, in certain circumstances, the buyer would be reimbursed for the cost of items purchased on eBay that were discovered not to be

Tiffany, not eBay, maintains the Tiffany “About Me” page. With the headline “**BUYER BEWARE,**” the page begins: “**Most of the purported TIFFANY & CO. silver jewelry and packaging available on eBay is counterfeit.**” It also says, *inter alia*:

The only way you can be certain that you are purchasing a genuine TIFFANY & CO. product is to purchase it from a Tiffany & Co. retail store, via our website (www.tiffany.com) or through a Tiffany & Co. catalogue. Tiffany & Co. stores do not authenticate merchandise. A good jeweler or appraiser may be able to do this for you.

In 2003 or early 2004, eBay began to use “special warning messages when a seller attempted to list a Tiffany item.” *Tiffany[(NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463, 491 (S.D.N.Y.2008)]*. These messages “instructed the seller to make sure that the item was authentic Tiffany merchandise and informed the seller that eBay ‘does not tolerate the listing of replica, counterfeit, or otherwise unauthorized items’ and that violation of this policy ‘could result in suspension of [the seller’s] account.’” The messages also provided a link to Tiffany’s “About Me” page with its “buyer beware” disclaimer. If the seller “continued to list an item despite the warning, the listing was flagged for review.”

In addition to cancelling particular suspicious transactions, eBay has also suspended from its website “‘hundreds of thousands of sellers every year,’ tens of thousands of whom were suspected [of] having engaged in infringing conduct.” eBay primarily employed a “‘three strikes rule’” for suspensions, but would suspend sellers after the first violation if it was clear that “‘the seller ‘listed a number of infringing items,’ and ‘[selling counterfeit merchandise] appears to be the only thing they’ve come to eBay to do.’” But if “‘a seller listed a potentially infringing item but appeared overall to be a legitimate seller, the ‘infringing items [were] taken down, and the seller [would] be sent a warning on the first offense and given the educational information, [and] told that . . . if they do this again, they will be suspended from eBay.’”

By late 2006, eBay had implemented additional anti-fraud measures: delaying the ability of buyers to view listings of certain brand names, including Tiffany’s, for 6 to 12 hours so as to give rights-holders such as Tiffany more time to review those listings; developing the ability to assess the number of items listed in a given listing; and restricting one-day and three-day auctions and cross-border trading for some brand-name items.

The district court concluded that “eBay consistently took steps to improve its technology and develop anti-fraud measures as such measures became technologically feasible and reasonably available.” *Id.* at 493.

eBay’s Advertising

At the same time that eBay was attempting to reduce the sale of counterfeit items on its website, it actively sought to promote sales of premium and branded jewelry, including Tiffany merchandise, on its site. Among other things, eBay “advised its sellers to take advantage of the demand for Tiffany merchandise as part of a broader effort to

grow the Jewelry & Watches category.” And prior to 2003, eBay advertised the availability of Tiffany merchandise on its site. eBay’s advertisements trumpeted “Mother’s Day Gifts!,” a “Fall FASHION BRAND BLOWOUT,” “Jewelry Best Sellers,” “GREAT BRANDS, GREAT PRICES,” or “Top Valentine’s Deals,” among other promotions. It encouraged the viewer to “GET THE FINER THINGS.” These advertisements provided the reader with hyperlinks, at least one of each of which was related to Tiffany merchandise—“Tiffany,” “Tiffany & Co. under \$150,” “Tiffany & Co,” “Tiffany Rings,” or “Tiffany & Co. under \$50.”

eBay also purchased sponsored-link advertisements on various search engines to promote the availability of Tiffany items on its website. *Tiffany*, 576 F. Supp. 2d at 480. In one such case, in the form of a printout of the results list from a search on Yahoo! for “tiffany,” the second sponsored link read “**Tiffany** on eBay. Find **tiffany** items at low prices. With over 5 million items for sale every day, you’ll find all kinds of unique [unreadable] Marketplace. www.ebay.com.” Tiffany complained to eBay of the practice in 2003, and eBay told Tiffany that it had ceased buying sponsored links. The district court found, however, that eBay continued to do so indirectly through a third party.

. . . Tiffany appeals from the district court’s judgment for eBay.

Discussion

. . .

I. Direct Trademark Infringement

. . . Tiffany alleges that eBay infringed its trademark in violation of section 32 of the Lanham Act. The district court described this as a claim of “direct trademark infringement,” *Tiffany*, 576 F. Supp. 2d at 493, and we adopt that terminology. Under section 32, “the owner of a mark registered with the Patent and Trademark Office can bring a civil action against a person alleged to have used the mark without the owner’s consent.” *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 145–46 (2d Cir. 2007). We analyze such a claim “under a familiar two-prong test. The test looks first to whether the plaintiff’s mark is entitled to protection, and second to whether the defendant’s use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant’s goods.” *Savin Corp. v. Savin Group*, 391 F.3d 439, 456 (2d Cir. 2004). In the district court, Tiffany argued that eBay had directly infringed its mark by using it on eBay’s website and by purchasing sponsored links containing the mark on Google and Yahoo! *Tiffany*, 576 F. Supp. 2d at 494. Tiffany also argued that eBay and the sellers of the counterfeit goods using its site were jointly and severally liable. The district court rejected these arguments on the ground that eBay’s use of Tiffany’s mark was protected by the doctrine of nominative fair use. . . .

We agree with the district court that eBay’s use of Tiffany’s mark on its website and in sponsored links was lawful. eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay’s uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay’s website. . . .

II. Contributory Trademark Infringement

The more difficult issue, and the one that the parties have properly focused our attention on, is whether eBay is liable for contributory trademark infringement—i.e., for culpably facilitating the infringing conduct of the counterfeiting vendors. Acknowledging the paucity of case law to guide us, we conclude that the district court correctly granted judgment on this issue in favor of eBay.

A. Principles

Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts. *See, e.g., Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1148 (7th Cir. 1992); *cf. Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005) (“[T]hese doctrines of secondary liability emerged from common law principles and are well established in the law.”). The Supreme Court most recently dealt with the subject in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982). There, the plaintiff, Ives, asserted that several drug manufacturers had induced pharmacists to mislabel a drug the defendants produced to pass it off as Ives’. According to the Court, “if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially [sic] responsible for any harm done as a result of the deceit.” *Id.* at 854. The Court ultimately decided to remand the case to the Court of Appeals after concluding it had improperly rejected factual findings of the district court favoring the defendant manufacturers. *Id.* at 857–59.

Inwood’s test for contributory trademark infringement applies on its face to manufacturers and distributors of goods. Courts have, however, extended the test to providers of services.

The Seventh Circuit applied *Inwood* to a lawsuit against the owner of a swap meet, or “flea market,” whose vendors were alleged to have sold infringing Hard Rock Café T-shirts. *See Hard Rock Café*, 955 F.2d at 1148–49. The court “treated trademark infringement as a species of tort,” *Id.* at 1148, and analogized the swap meet owner to a landlord or licensor, on whom the common law “imposes the same duty . . . [as *Inwood*] impose[s] on manufacturers and distributors,” *Id.* at 1149; *see also Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996) (adopting *Hard Rock Café*’s reasoning and applying *Inwood* to a swap meet owner).

Speaking more generally, the Ninth Circuit concluded that *Inwood*’s test for contributory trademark infringement applies to a service provider if he or she exercises sufficient control over the infringing conduct. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999); *see also id.* (“Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark permits the expansion of *Inwood Lab.*’s ‘supplies a product’ requirement for contributory infringement.”). . . .

B. Discussion

prong of the *Inwood* test.” *Id.* at 508. eBay had argued that “such generalized knowledge is insufficient, and that the law demands more specific knowledge of individual instances of infringement and infringing sellers before imposing a burden upon eBay to remedy the problem.” *Id.*

The district court concluded that “while eBay clearly possessed general knowledge as to counterfeiting on its website, such generalized knowledge is insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem.” *Id.* at 508. The court reasoned that *Inwood*’s language explicitly imposes contributory liability on a defendant who “continues to supply its product[—in eBay’s case, its service—]to *one* whom it knows or has reason to know is engaging in trademark infringement.” *Id.* at 508. The court also noted that plaintiffs “bear a high burden in establishing ‘knowledge’ of contributory infringement,” and that courts have

been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement. In *Inwood*, Justice White emphasized in his concurring opinion that a defendant is not “require[d] . . . to refuse to sell to dealers who merely *might* pass off its goods.”

Id. at 508–09 (quoting *Inwood*, 456 U.S. at 861) (White, J., concurring).

Accordingly, the district court concluded that for Tiffany to establish eBay’s contributory liability, Tiffany would have to show that eBay “knew or had reason to know of specific instances of actual infringement” beyond those that it addressed upon learning of them. Tiffany failed to make such a showing.

On appeal, Tiffany argues that the distinction drawn by the district court between eBay’s general knowledge of the sale of counterfeit Tiffany goods through its website, and its specific knowledge as to which particular sellers were making such sales, is a “false” one not required by the law. Tiffany posits that the only relevant question is “whether all of the knowledge, when taken together, puts [eBay] on notice that there is a substantial problem of trademark infringement. If so and if it fails to act, [eBay] is liable for contributory trademark infringement.”

We agree with the district court. For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary. . . .

We find helpful the Supreme Court’s discussion of *Inwood* in a subsequent *copyright* case, *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). There, defendant Sony manufactured and sold home video tape recorders. *Id.* at 419, 104 S.Ct. 774. Plaintiffs Universal Studios and Walt Disney Productions held copyrights on various television programs that individual television-viewers had taped using the defendant’s recorders. The plaintiffs contended that this use of the recorders constituted copyright infringement for which the defendants should be held contributorily liable.

claiming to have been duped into buying counterfeit Tiffany products sold on eBay. The risk of alienating these users gives eBay a reason to identify and remove counterfeit listings. Indeed, it has spent millions of dollars in that effort.

Moreover, we agree with the district court that if eBay had reason to suspect that counterfeit Tiffany goods were being sold through its website, and intentionally shielded itself from discovering the offending listings or the identity of the sellers behind them, eBay might very well have been charged with knowledge of those sales sufficient to satisfy *Inwood*'s "knows or has reason to know" prong. *Tiffany*, 576 F. Supp. 2d at 513–14. A service provider is not, we think, permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way. *See, e.g., Hard Rock Café*, 955 F.2d at 1149 ("To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate."); *Fonovisa*, 76 F.3d at 265 (applying *Hard Rock Café*'s reasoning to conclude that "a swap meet can not disregard its vendors' blatant trademark infringements with impunity").¹⁵ In the words of the Seventh Circuit, "willful blindness is equivalent to actual knowledge for purposes of the Lanham Act." *Hard Rock Café*, 955 F.2d at 1149.

eBay appears to concede that it knew as a general matter that counterfeit Tiffany products were listed and sold through its website. Without more, however, this knowledge is insufficient to trigger liability under *Inwood*. The district court found, after careful consideration, that eBay was not willfully blind to the counterfeit sales. That finding is not clearly erroneous. eBay did not ignore the information it was given about counterfeit sales on its website.

III. Trademark Dilution

... The district court rejected Tiffany's dilution by blurring claim on the ground that "eBay never used the TIFFANY Marks in an effort to create an association with its own product, but instead, used the marks directly to advertise and identify the availability of authentic Tiffany merchandise on the eBay website." *Tiffany*, 576 F. Supp. 2d at 524. The court concluded that "just as the dilution by blurring claim fails because eBay has never used the [Tiffany] Marks to refer to eBay's own product, the dilution by tarnishment claim also fails."

We agree. There is no second mark or product at issue here to blur with or to tarnish "Tiffany."

Tiffany argues that counterfeiting dilutes the value of its product. Perhaps. But insofar as eBay did not itself sell the goods at issue, it did not itself engage in dilution.

¹⁵ To be clear, a service provider is not contributorially liable under *Inwood* merely for failing to anticipate that others would use its service to infringe a protected mark. *Inwood*, 456 U.S. at 854 n.13 (stating that for contributory liability to lie, a defendant must do more than "reasonably anticipate" a third party's infringing conduct (internal quotation marks omitted)). But contributory liability may arise where a defendant is (as was eBay here) made aware that there was infringement on its site but (unlike eBay here) ignored that fact.

Tiffany argued unsuccessfully to the district court that eBay was liable for contributory dilution. Assuming without deciding that such a cause of action exists, the court concluded that the claim would fail for the same reasons Tiffany's contributory trademark infringement claim failed. . . .

Conclusion

For the foregoing reasons, we affirm the judgment of the district court with respect to the claims of trademark infringement and dilution. [W]e return the cause to the district court for further proceedings with respect to Tiffany's false advertising claim.

COMMENTS AND QUESTIONS

1. Both patent law and copyright law have well-developed doctrines of indirect infringement. Defendants are liable for contributory infringement if, although they did not themselves infringe the patent or copyright, they assisted or encouraged others to infringe. Liability for contributory infringement extends to the makers and vendors of machines on which infringements are performed, but only if the machines are not capable of a substantial noninfringing use. As *Tiffany* suggests, the equivalent doctrine in trademark law is narrower. *Cf. Perfect 10, Inc. v. Visa Int'l Service Ass'n*, 494 F.3d 788, 806 (9th Cir. 2007) ("The tests for secondary trademark infringement are even more difficult to satisfy than those required to find secondary copyright infringement."). Why?

2. Courts have held that indirect infringement of trademarks extends to manufacturers and distributors, as well as to flea market operators. In *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992), the Seventh Circuit applied the *Inwood* test for contributory trademark liability to the operator of a flea market and found that the operator would be liable for the copyright infringement of vendors it permits on its premises if it knows or has reason to know that the vendor "is acting or will act tortiously." And in *Omega SA v. 375 Canal*, 984 F.3d 244 (2d Cir. 2021), the court held that the owners of a building could be liable for contributory infringement even if they were not aware of specific acts of counterfeiting as long as they were willfully blind to the possible existence of counterfeit sales. However, the premises owner still "has no affirmative duty to take precautions against the sale of counterfeits." *Id.*; *Hard Rock*, 955 F.2d at 1149.

Is this result defensible? Does it extend to newspapers that print advertisements by counterfeiters? To graphics and print shops that print ads? To those who sell furniture or office supplies to counterfeiters?

3. Did the *Tiffany* court reach the correct result? Should the law take into account who can more efficiently bear the burden of policing for counterfeits? How does eBay's VeRO system compare to the DMCA safe harbors? *See* Stacey L. Dogan, *Principles Standards vs. Boundless Discretion: Approaches to Intermediary Trademark Liability Online*, 37 COLUM. J. L. & THE ARTS 503 (2014). Approaches to this problem vary across countries. In China, as in the U.S., the law generally favors online marketplace

platforms. See Ying Du, *Secondary Liability for Trademark Infringement Online Legislation and Judicial Decisions in China*, 37 COLUM. J. L. & ARTS 541 (2014). In Europe, many countries are more protective of trademark owners, many of which are luxury brands with a long provenance. See e.g., *S.A. Louis Vuitton Malletier v. eBay, Inc.*, Tribunal de Commerce de Paris, Première Chambre B. (Paris Commercial Court), Case No. 200677799 (June 30, 2008) (eBay violated Louis Vuitton trademarks by passively allowing infringers to sell goods online).

4. *Technological Advances in Counterfeit Detection and Enforcement.* Online platforms are increasingly relying on sophisticated new strategies that use collaboration with brand owners and collaboration with brand owners to detect counterfeit goods. Amazon has two such initiatives. Transparency by Amazon enables brand owners to apply unique codes to its products to ensure that only authentic units are shipped. Customers can use the Transparency app to authenticate the units. This program entails significant labeling costs.

Amazon's Project Zero goes further, using three tools: (1) machine learning to scan and analyze billions of listings per day and remove counterfeit products; (2) a counterfeit removal tool, which enables enrolled brands to remove counterfeit products; and (3) product serialization, which enables Amazon to verify the authenticity of products based on the brand owners attaching a unique serial code to its products. To participate in the program, brand owners must own the trademark that they seek to protect and have a 90% acceptance rate on infringement submissions. Amazon reserves the right to remove sellers who don't maintain a 99% removal accuracy rate to reduce the risk of anti-competitive activities.

5. A number of trademark owners have sued Google and other Internet search engines, alleging that their ads (which are targeted based on Internet keywords selected by the advertiser) infringe their trademarks. In *GEICO v. Google*, 2005 WL 1903128 (E.D. Va. Aug. 8, 2005), the district court rejected such a claim, ruling that the plaintiff could not demonstrate that the mere sale of a keyword confused consumers. The court left open the possibility that the advertisers themselves might be liable for infringement if the text of the ads were confusing, and that Google might be liable for contributory infringement if it encouraged such confusion. See also Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004) (arguing for this approach). Does it make sense to distinguish between ads that are likely to confuse consumers and those that aren't? Or is the mere use of a trademark as a keyword problematic even if no one will be confused by the resulting ad? Even if an advertiser is liable for running a confusing ad, is Google contributing to that infringement? How? What could Google do to avoid liability, short of terminating its entire advertising program?

6. Is a company that produces custom T-shirts to order a direct infringer or a contributory infringer if it turns out that the T-shirt designs submitted by third parties are infringing. See *The Ohio State Univ. v. Redbubble, Inc.*, 989 F.3d 435 (6th Cir. 2021)

(holding that Redbubble could be liable for direct infringement because it manufactured the infringing products even though it did not design them).

6. False Advertising

Section 43(a) of the Lanham Act includes a specific prohibition on false or misleading advertising:

(a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which— . . .

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.



MillerCoors, LLC v. Anheuser-Busch Companies, LLC
United States District Court, Western District of Wisconsin
2019 WL 2250644 (W.D. Wis. 2019)

WILLIAM M. CONLEY, District Judge:

During Super Bowl LIII, defendant Anheuser-Busch launched an advertising campaign highlighting plaintiff MillerCoors use of corn syrup in brewing Miller Lite and Coors Light, as compared to Anheuser-Busch's use of rice in its flagship light beer, Bud Light. This lawsuit followed, with MillerCoors asserting a claim of false advertising under the Lanham Act, 15 U.S.C. §1125(a)(1)(B).

Before the court is plaintiff's motion for preliminary injunction.

UNDISPUTED FACTS

A. Relevant Light Beer Market

. . . Currently, Bud Light has the largest market share of the U.S. market for light beers, while Miller Lite and Coors Light have the second and third-highest share of the U.S. market for light beer, respectively. . . .

B. Beer Brewing Process and Ingredients

The first step in brewing beer is to create a nutrient substrate, called "wort," that yeast needs for fermentation. The sugars in the wort are sourced from malt, or from a combination of malt and starchy grains like corn or rice. Plaintiff asserts that the sugar source is selected based on the style and taste characteristics, which defendant does not dispute, although pointing out that cost may also be a factor. Defendant further represents that corn syrup is less expensive than rice.

The Miller Lite King, with a supply of Miller Lite at his side, responds, “That’s not our corn syrup. We received our shipment this morning.... Try the Coors Light Castle. They also use corn syrup.”

- The party then embarks on another arduous journey to deliver the barrel to the Coors Light Castle.
- Upon arrival, the Bud Light King again announces, “Oh brewers of Coors Light, is this corn syrup yours?” The Coors Light King answers, “Well, well, well. Looks like the corn syrup has come home to be brewed. To be clear, we brew Coors Light with corn syrup.”
- The commercial closes with the written statement and voice over, “Bud Light, Brewed with no Corn Syrup.”

...

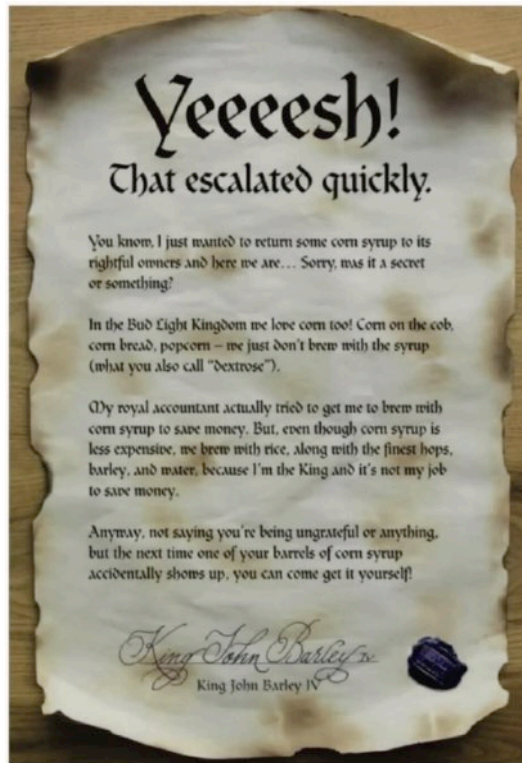
During the Super Bowl, Anheuser-Busch also aired two 15-second commercials, “Medieval Barbers” and “Trojan Horse Occupants.” Collectively, these commercials, like Special Delivery, also state that Miller Lite and Coors Light are “made with corn syrup.” Since the Super Bowl, these ads have aired 257 and 566 times, respectively.

...

In addition to these television commercials, Anheuser-Busch has also launched print-media and billboard campaigns, including three sequential billboards which read:

1. Bud Light 100% less corn syrup than Coors Light.
2. and . . . wait for it . . .
3. 100% less corn syrup than Miller Lite.

Anheuser-Busch has also used its Twitter account to further this campaign. Three days after the Super Bowl, Anheuser-Busch’s Twitter account displayed the following image:



A few weeks later, Anheuser-Busch Natural Light's Twitter account contained the following image, displaying a Miller Lite can next to a Karo corn syrup bottle as if in a family portrait:



[Anheuser-Busch ran additional advertisements poking fun at MillerCoors and highlighted the use of sugar in the MillerCoors lite beer. The NEW YORK TIMES quoted Anheuser-Busch’s vice president of communications stating “We stand behind the Bud Light transparency campaign and have no plans to change the advertising.”]

D. Anheuser-Busch’s Intent in Launching Campaign

On February 7, 2019, Beer Business Daily reported that according to Andy Goeler, Anheuser-Busch’s head of marketing for Bud Light, told its distributors that:

[Anheuser-Busch] did focus-group the heck out of this [Special Delivery] ad, and found consumers generally don’t differentiate between high fructose corn syrup and corn syrup, and that it is a major triggering point in choosing brands to purchase, particularly among women.

In an interview with Food and Wine Magazine, in response to the question, “What is wrong with corn syrup?,” Goeler responded:

People started to react to corn syrup, they started to react to no preservatives, and they started to react to no artificial flavors. There are things that consumers on their own had perceptions -- for whatever reason -- that there were ingredients they preferred not to consume if they didn’t have to. So it was pretty clear to us what to highlight. If you look at our packaging, we highlight all three of those. No corn syrup. No artificial flavors. No preservatives. It was purely driven by consumer desire.

The interviewer then noted that Anheuser-Busch had “decided to focus on corn syrup instead of no preservative or things like that,” and asked Goeler why he thought “consumers see corn syrup as something they don’t want?” (Id. at 4.) In response, Goeler explained, “I think it’s probably an ingredient some prefer not to consume is the simple answer. . . . [S]ome consumers—for their own personal reasons—have concluded that they prefer not putting something like corn syrup, if they had a choice, into their body.”

...

E. MillerCoors’ Consumer Survey

In support of its motion for preliminary injunction, MillerCoors retained Dr. Yoram Wind, a professor at the University of Pennsylvania Wharton School of Business with expertise in consumer behavior and marketing, to conduct a survey of consumers. Wind surveyed 2,034 consumers who were shown either a test or control version of the “Mountain Folk” commercial described above. Of the total respondents, 1,016 were randomly assigned to view the test ad, and 1,018 were randomly assigned to view a control ad.

The control ad was the same commercial as the test ad, but with an added, prominent disclaimer: “While corn syrup is used during the brewing of Miller Lite and Coors Light, there is NO corn syrup in the Miller Lite and Coors Light you drink.”

According to Wind’s analysis, “61 percent of respondents who saw the test stimulus believe that corn syrup is in the Miller Lite and/or Coors Light you drink (3 percent who

said ‘In Drink’ plus 58 percent who said ‘Both Brewed with and in Drink’). In contrast, only 26 percent of respondents who saw the control stimulus (3 percent who said ‘In Drink’ plus 23 percent who said ‘Both Brewed with and in Drink’) have that belief.” Wind, further opined, that the difference in perception of 35% of consumers “is both economically and statistically significant.” Wind also concluded based on an analysis of open-ended responses that the phrase “ ‘made with’ used in the Bud Light commercial to describe the relationship between Miller Lite and/or Coors Light and corn syrup is ambiguous.”

In support of its motion, plaintiff contends that the advertisements exploit or further misconceptions about corn syrup and high fructose corn syrup (“HFCS”). The corn syrup MillerCoors uses in its brewing process is a distinct substance from HFCS. . . . about corn syrup and HFCS, despite the fact that they are very different products.” With respect to the survey, Wind concluded that “more respondents who saw the test stimulus (24 percent) than who saw the control stimulus (19 percent) believed that the commercial says, suggests, or implies that corn syrup and high fructose corn syrup are the same.”

F. Consumer Communications

In January 2019, before the launch of the advertising campaign at issue in this lawsuit, “MillerCoors had received virtually no consumer communications related to corn syrup.” After the Super Bowl, through March 22, 2019, MillerCoors received 179 communications related to corn syrup. . . . “Twenty-two percent of consumer communications noted that the presence of corn syrup will have an impact on their likelihood of purchasing Miller Lite and/or Coors Light, with 18 percent likely to end or decrease their purchases of Miller Lite and/or Coors Light and 4 percent noting a likelihood to begin or increase their purchases of Miller Lite and/or Coors Light.”

...

OPINION

...

I. Likelihood of Success on the Merits

“To prevail on a deceptive-advertising claim under the Lanham Act, a plaintiff must establish that (1) the defendant made a material false statement of fact in a commercial advertisement; (2) the false statement actually deceived or had the tendency to deceive a substantial segment of its audience; and (3) the plaintiff has been or is likely to be injured as a result of the false statement.” *Eli Lilly & Co. v. Arla Foods, Inc.*, 893 F.3d 375, 381–82 (7th Cir. 2018) (citing *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 819 (7th Cir. 1999)). The Seventh Circuit recognizes two types of “false statements”: (1) “those that are literally false” and (2) “those that are literally true but misleading.” *Id.* at 382 (citing *Hot Wax*, 191 F.3d at 820).

The required proof varies based on which type of statement is at issue. A literally false statement is “an explicit representation of fact that on its face conflicts with reality.” *Eli Lilly*, 893 F.3d at 382. The type of statements that fall into this category are

“bald-faced, egregious, undeniable, [and] over the top.” *Schering-Plough Healthcare Prods., Inc. v. Schwarz Pharma, Inc.*, 586 F.3d 500, 513 (7th Cir. 2009). As such, “[a] literally false statement will necessarily deceive consumers, so extrinsic evidence of actual consumer confusion is not required.” *Eli Lilly*, 893 F.3d at 382.

For statements that are literally true but misleading, “the plaintiff ordinarily must produce evidence of actual consumer confusion in order to carry its burden to show that the challenged statement has ‘the tendency to deceive a substantial segment of its audience.’” *Id.* at 382 (quoting *Hot Wax*, 191 F.3d at 819–20). At the preliminary injunction stage, however, a consumer survey or other “hard evidence of actual consumer confusion” is not required. *Id.* Instead, the Seventh Circuit instructs that district courts should analyze “the ads themselves, the regulatory guidance, and the evidence of decreased demand.” *Id.*

In its brief, plaintiff argues that it may also demonstrate that an ad has the tendency to deceive a substantial segment by showing that the “defendant has intentionally set out to deceive the public, and the defendant’s deliberate conduct in this regard is of an egregious nature.” *Johnson & Johnson * Merck Consumer Pharm. Co. v. Smithkline Beecham Corp.*, 960 F.2d 294, 298–99 (2d Cir. 1992) (“J&J * Merck”) Such evidence gives rise to a presumption “that consumers are, in fact, being deceived,” and then “the burden shifts to the defendant to demonstrate the absence of consumer confusion.” *Id.* (internal citation and quotations marks omitted). . . .

A. Misleading Statements

Recognizing that the alleged misleading statement must be considered in context of the full advertisement, *Hot Wax*, 191 F.3d at 820, plaintiff nonetheless focuses its argument around four misleading statements: (1) “made with,” “brewed with” or “uses” corn syrup; (2) Bud Light has “100% less corn syrup than Miller Lite or Coors Light” or that it has “no corn syrup”; (3) referring to corn syrup as an “ingredient”; and (4) corn syrup is used to “save money” or is “less expensive.”

1. “made with,” “brewed with” or “uses”

There is no dispute that the statements that Miller Lite and Coors Light “use” or are “made with” or “brewed with” corn syrup are literally true. Instead, plaintiff argues that “when viewed as a whole, [the advertisements] deceive[] consumers into believing that Miller Lite and Coors Light final products actually contain corn syrup and thus are unhealthy and inferior to Bud Light.” Plaintiff’s argument also turns on its representation, grounded in expert opinion, that there is no corn syrup in either end product. . . .

Here, plaintiff MillerCoors would grasp onto this distinction between a product being “derived from” an ingredient as compared to “actually contain[ing]” the ingredient. In particular, plaintiff argues that defendant’s advertisements blur this line or, at minimum, this language “do[es] not foreclose the possibility in consumers[’] minds that corn syrup is added as a finishing ingredient to the beer.” As defendant points out, however,

there is no affirmative duty to disclose or disclaim if the advertisement at issue is not false or misleading.

More to the point, . . . viewing the “made with,” “brewed with” or “uses” statements in the context of the full commercials here, there are no express or implicit messages that the corn syrup is actually in the finished product. [T]he Bud Light commercials containing the “made with” or “brewed with” language show delivery of a large barrel of corn syrup, but do not show corn syrup being added to the finished Miller Lite or Coors Light products. Moreover, unlike Ricelyte, Bud Light is apparently brewed with grains of rice, not some derivative syrup.

Plaintiff also directs the court to *Eli Lilly and Company v. Arla Foods, Inc.*, 893 F.3d 375 (7th Cir. 2018), in which the Seventh Circuit affirmed the district court’s entry of a preliminary injunction against a cheese manufacturer’s advertisements implying that milk from recombinant bovine somatotropin (“rbST”)-treated cows was unwholesome. The advertisements at issue stated that “Arla cheese contains no ‘weird stuff’ or ‘ingredients that you can’t pronounce’—in particular, no milk from cows treated with [rbST],” and depicted rbST as “a cartoon monster with razor sharp horns and electric fur.” Critically, at least at the preliminary injunction stage, the defendant cheese producer conceded that “rbST-derived dairy products are the same quality, nutrition, and safety as other dairy products.”

The Seventh Circuit determined that the explicit statements were accurate: “RbST is an artificial growth hormone given to some cows, and Arla does not use milk from those cows.” *Id.* at 382. The court, however, affirmed the district court’s analysis of the evidence—“the ads themselves, the regulatory guidance, and the evidence of decreased demand”—to conclude that the advertisements were misleading. Specifically, the court explained:

the ad campaign centers on disparaging dairy products made from milk supplied by rbST-treated cows. The ads draw a clear contrast between Arla cheese (high quality, nutritious) and cheese made from rbST-treated cows (impure, unwholesome). The use of monster imagery, “weird stuff” language, and child actors combine to colorfully communicate the message that responsible consumers should be concerned about rbST-derived dairy products.

Id. at 382–83.

Here, too, the *Eli Lilly* decision is distinguishable on the basis that the Bud Light “made with,” “brewed with” or “uses” ads do not disparage corn syrup or otherwise expressly draw attention to any negative health consequences. (See Def.’s Opp’n 24 (distinguishing *Eli Lilly* and other comparative ads on the basis that the ads at issue here are “whimsical, humorous and no message of disgust or danger from drinking the beers are communicated verbally or in imagery”).) In fairness, plaintiff’s counsel rightly points out that this link may have been unnecessary here, since at least some consumers appear to associate corn syrup, and particularly high fructose corn syrup, with harmful health consequences, or certainly defendant hoped.

These advertisements, unlike the ones described above, do not contain any reference to Miller Lite and Coors Light being “made with” or “brewed with” corn syrup; instead, these advertisements—either in stating what is not in Bud Light or in stating what is in Miller Lite or Coors Light—cross the line from simply being susceptible to misunderstanding to being misleading, or, at minimum, the court finds that plaintiff is likely to succeed in making such a showing.

3. Ingredient

Next, plaintiff points to references to “corn syrup” being an “ingredient.” As an initial point, it is not clear what constitutes an “ingredient” in the context of beer. As the parties acknowledged during the hearing, there are no labeling requirements with respect to ingredients for beer. See 27 C.F.R. §7.22 (requiring name, class, name and address of permit holder, net contents and alcohol content). Even in the food context, as far as this court could find, “ingredient” is not defined, but appears to cover items that are used in the production of a food product, even if not in the end product (e.g., leavening items). See 21 C.F.R. §101.4 (setting for designation of ingredients for food labeling). . . .

[T]he use of “ingredient” must also be considered in context. In most of the advertisements, defendant uses the word ingredient or lists ingredients in conjunction with the “made with” or “brewed with” language. For example, in the Cave Explorers commercial, one character reads out-loud what is written on the inside of the cave, “Coors Light is made with barley, water, hop extract and corn syrup,” followed by another character reading out-loud from a different writing, “Bud Light is made with barley, rice, water, hops and no corn syrup.” The same is true for the first Thespians advertisement and the Mountain Folk advertisements. *See ad transcript (using “made with” to list ingredients in Bud Light and Miller Lite); ad transcript (using “made with” to list ingredients in Bud Light, Miller Lite and Coors Light).*

There is one exception. In the most recent commercial, released March 20, 2019, the Bud Light King states,

Miller, Miller, Miller. I’ve been made aware of your recent advertisement. I brought you your shipment of corn syrup, and this is how you repay me?

Look if you’re this set on imitating our kingdom, may I suggest also imitating us by putting an ingredients label on your packaging. People want to know *what ingredients are in their beer*.

But what do I know? I’m just the king of a kingdom that doesn’t brew beer with corn syrup.

(emphasis added). For the same reason that the “100% less corn syrup,” “no corn syrup” or “corn syrup” language is problematic, the court also concludes that plaintiff is likely to succeed in demonstrating that this language is misleading because it crosses the line to encourage a reasonable consumer to believe that corn syrup is actually contained in the final product. . . .

B. Intent to Deceive

To date, plaintiff's strongest evidence is defendant's own statements indicating that in launching this campaign, it was both aware of and intended to exploit consumer concerns about corn syrup (and high fructose corn syrup in particular). . . .

As the court indicated during the hearing, these statements support a finding that defendant was aware of consumer concerns about and the likelihood of confusion surrounding corn syrup and HFCS, and that defendant hoped consumers would interpret advertising statements about "made with corn syrup" or "brewed with corn syrup" as corn syrup actually being in the finished products. . . .

Because all advertising seems to be an effort to exploit consumer likes and dislikes, interests and fears, applying the Lanham Act to neutral, truthful statements intended to exploit or take advantage of consumer beliefs is problematic, especially in light of the arguable value of comparative advertisements in promoting intelligent consumer decision-making. Absent additional guidance from the Seventh Circuit, the court is unwilling, at this stage in the proceedings, to rely on intent as the hook to find plaintiff likely to succeed on demonstrating that the "made with," "brewed with," or "uses" corn syrup statements are misleading.

C. Evidence of Confusion

. . .

Plaintiff principally relies on the surveys finding that "a net (after account for the control group) of 35% of consumers were misled by the ad into thinking that Miller Lite and Coors Light contain corn syrup." Plaintiff directs the court to cases holding that survey evidence that "at least 15% of consumers have been misled" constitutes a "substantial percentage" for purposes of satisfying the second element of a Lanham Act claim. (citing *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm., Co.*, 290 F.3d 578, 594 (3d Cir. 2002); *Eli Lilly Co. v. Arla Foods, Inc.*, 2017 WL 4570547, at *9 (E.D. Wis. June 15, 2017), *aff'd* 893 F.3d 375 (7th Cir. 2018).)

In response, defendant, largely through a declaration of its own expert, John R. Hauser, Sc.D., offers several challenges to the reliability of the survey and this 35% figure. . . .

Perhaps these challenges cast some doubt on survey results showing a difference in perception between the control and test advertisement of 35% of consumers, but defendant and its expert fall short of providing a basis to reject the survey results out of hand. Moreover, as plaintiff points out and as described above, the Seventh Circuit has repeatedly rejected the notion that survey evidence is required to obtain a preliminary injunction. *See, e.g., Eli Lilly*, 893 F.3d at 382.

. . . .

In sum, the court finds that plaintiff's evidence is sufficient to support a finding at the preliminary injunction stage that it has some likelihood of success in proving defendant's advertisements deceived or have the tendency to deceive a substantial segment

of consumers to believe that Miller Lite and Coors Light actually contain corn syrup. Of course, for the reasons explained above, these results are only relevant to those ads that the court concluded cross the line between susceptible to misunderstanding and misleading because of the language used and the context surrounding that language. . .

IV. Injunction

Based on the above discussion, the court will grant a limited injunction, enjoining defendant from using the following language in its commercials, print advertisements and social media:

- Bud Light contains “100% less corn syrup”;
- Bud Light in direct reference to “no corn syrup” without any reference to “brewed with,” “made with” or “uses”;
- Miller Lite and/or Coors Light and “corn syrup” without including any reference to “brewed with,” “made with” or “uses”; and
- Describing “corn syrup” as an ingredient “in” the finished product.

With reference to the above described advertisements, the court specifically intends to include, without limiting, defendant’s display of the following advertisements:

- “100% less corn syrup” billboards
- Second Thespians commercial; and
- Bud Light King commercial.¹¹

COMMENTS AND QUESTIONS

1. The Second Circuit has taken the position that “[w]hether or not the statements made in the advertisements are literally true, §43(a) of the Lanham Act encompasses more than blatant falsehoods. It embraces innuendo, indirect intimations, and ambiguous suggestions evidenced by the consuming public’s misapprehension of the hard facts underlying an advertisement.” *Vidal Sassoon, Inc. v. Bristol-Myers Co.*, 661 F.2d 272 (2d Cir. 1981) (comparison ad that misled consumers as to the extent and methodology of the survey conducted was actionable under §43(a)).

In some cases, unlike *MillerCoors*, the advertisement is literally false on its face. In such cases, the courts will presume that consumers will be deceived by the statements, obviating the need for the plaintiff to prove that consumers are actually confused. *See, e.g., Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134 (9th Cir. 1997); *Cashmere & Camel Hair Mfg. Inst. v. Saks Fifth Ave*, 284 F.3d 402 (1st Cir. 2002) (misrepresentation as to the percentage of cashmere in a sweater was literally false, and so was presumed to have deceived consumers). The Third Circuit has gone so far as to hold that a completely unsubstantiated advertising claim is necessarily literally false, triggering the

¹¹ [The Seventh Circuit remanded the case on procedural grounds relating to how the injunction was implemented 940 F.3d 922 (7th Cir. 2019)].

presumption. *Novartis Consumer Health Inc. v. Johnson & Johnson-Merck Consumer Pharms. Co.*, 290 F.3d 578 (3d Cir. 2002).

But only factual claims can be false. Puffery – calling your product the “best pizza” – is not actionable because it’s not a testable or verifiable claim. *Pizza Hut, Inc. v. Papa John’s Int’l*, 227 F.3d 489 (5th Cir. 2000). What about a national bakery chain’s claim to be “local”? See *Bimbo Bakeries v. Sycamore*, 39 F.4th 1250 (10th Cir. 2022) (holding the claim not actionable because the term “local” could have multiple meanings).

Can we even be sure whether a statement is true? Consider representations that a food product is “organic.” Can we assess the truth of these claims without knowing what consumers understand them to mean? What if consumers are not of one mind, so that the claim is considered accurate by some but inaccurate by others? For an exploration of these issues, see Rebecca Tushnet, *It Depends on What the Meaning of “False” Is: Falsity and Misleadingness in Commercial Speech Doctrine*, 41 LOY. L.A. L. REV. 227 (2007).

Most courts have created a third category—claims that are “literally false by necessary implication.” These are claims that are literally true but that everyone would understand to mean something that is untrue. For instance, a claim that my tuna is “dolphin free” might be literally true if there are no dolphins in the can. But the public is sure to understand the statement as a claim that no dolphins were harmed in the catching of the tuna. If that implication is untrue, the statement is literally false by necessary implication. Notably, courts in these cases do not require proof of consumer perception or deception, instead grouping these claims with those that are actually false.

Both false and misleading statements must also be material. A claim about an irrelevant fact—say, a statement that my company employs 11,000 people when in fact it employs only 10,950—may be literally false, but it is unlikely to harm the plaintiff. Materiality can be shown by evidence that consumers care about the claim. Alternatively, claims about the intrinsic characteristics of either the plaintiff’s or the defendant’s product are automatically deemed material.

2. What did Anheuser-Busch do wrong in its initial advertisement? Did it say that Miller Lite was bad for consumers? Or did it simply rely on the fact that, for reasons of their own, people prefer to avoid beer brewed with corn syrup? The creation of often artificial brand distinctions is an integral part of product advertising. Is there anything wrong with creating such distinctions? Does it matter that, as here, the ad takes advantage of misinformed consumers rather than misleading them itself?

Suppose that Anheuser-Busch had never mentioned its own product or compared the two, but had merely questioned the wisdom of using corn syrup. Would MillerCoors have a cause of action under §43(a)? Traditionally, the answer was no. Before the Trademark Law Revision Act of 1988, §43(a) prohibited only false or misleading statements about the advertiser’s *own* product. Disparagement of the plaintiff’s product, while likely actionable under state law tort theories, did not violate the Lanham Act. See *Bernard Food Indus. v. Dietene Co.*, 415 F.2d 1279 (7th Cir. 1969). The 1988 Amendments

to §43 clearly reverse this rule, at least as to statements made in “commercial advertising or promotion.” Should federal law provide a cause of action for disparagement of goods or competitors? Johnson & Johnson also sued under state law, specifically §§ 349, 350 of the New York General Business Law. These provisions cover, respectively, unfair trade practices in general and false advertising, and they are representative of state law false advertising statutes.

3. The Seventh Circuit largely affirmed the district court’s decision:

By choosing a word such as ‘ingredients’ with multiple potential meanings, Molson Coors brought this problem on itself. It is enough for us to hold that it is not ‘false or misleading’ (§ 1125(a)(1)) for a seller to say or imply, of a business rival, something that the rival says about itself. . . .

The judgment is affirmed to the extent that it denies Molson Coors’s request for an injunction . . . and reversed to the extent that the Bud Light advertising or packaging has been enjoined . . .

Molson Coors Beverage Company USA LLC v. Anheuser-Busch Companies, LLC, 957 F.3d 837, 839 (7th Cir. 2020).

4. While advertisements comparing products or attacking one product often come from a competitor in the market, this is not necessarily the case. Consumers’ rights groups like Consumer’s Union (publisher of the popular magazine *Consumer Reports*) regularly compare competing products against each other. Government agencies do the same on occasion, and irate consumers have been known to vent their frustration by advertising the defects of a product they are particularly unhappy with. Do these comparisons or disparagements—which presumably are made by neutral third parties rather than competitors—fall within the scope of §43(a)? The legislative history suggests that §43(a) was not intended to reach “consumer or editorial comment” by a group like Consumer’s Union. CONG. REC. H10420-21 (daily ed. Oct. 19, 1988) (statement of Rep. Kastenmeier). The dilution provisions of § 43(c) expressly exempt news reporting and comparative advertising from the reach of that section.

5. *What is “advertising”?* Certainly television and print advertisements fall within the scope of the false advertising prohibition. But what about flyers handed out on the street? Sales presentations? Letters to a customer? The general rule is that the Lanham Act does not apply to isolated statements or correspondence to individuals. But in *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379 (5th Cir. 1996), the court concluded that a series of sales presentations made to bottlers qualified as advertising for purposes of the Lanham Act. *See also Champion Labs. v. Parker-Hannifin*, 2009 WL 1266924 (E.D. Mich. Apr. 30, 2009) (presentation to General Motors could be “commercial promotion” where GM was the only market for the product); *but see Sports Unlimited v. Lankford Enters.*, 275 F.3d 996 (10th Cir. 2002) (distribution of defamatory information to between two and seven people did not constitute “commercial advertising”); *First Health Grp. Corp. v. BCE Emergis Corp.*, 269 F.3d 800 (7th Cir. 2001) (person-to-person pitches aren’t advertising).

Public Regulation, Industry Self-Policing and Private Litigation, 20 GA. L. REV. 1 (1985) (comparing benefits of three different sources of ad regulation, and arguing for expansion of private litigation in various cases).

10. *Remedies*. Plaintiffs overwhelmingly seek injunctive relief in §43(a) advertising cases. Damages can be difficult to prove and quickly stopping the false advertising is a high priority. In some cases, however, they seek—and obtain—damages. *See, e.g., U-Haul Int'l v. Jartran, Inc.*, 793 F.2d 1034 (9th Cir. 1986) (sustaining \$40 million award of defendant's profits calculated with reference to defendant's advertising costs). Indeed, some courts will award some presumptive damages when claims are proven literally false. *See Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1146 (9th Cir. 1997). Other courts, however, require proof that the defendant has benefited from the false advertisements. *See Logan v. Burgers Ozark Country Cured Hams*, 263 F.3d 447 (5th Cir. 2001). At least one commentator has argued that damages ought to be more liberally awarded. *See Arthur Best, Monetary Damages for False Advertising*, 49 U. PITT. L. REV. 1 (1987) (advocating a presumption that ads cause economic injury, and that courts use a defendant's expenditures on the challenged ads as an approximate measure of the injury they caused plaintiff). Do we need enhanced damages remedies in these cases? Or does the nature of competition provide sufficient incentive for competitors to challenge false advertisements?

11. *First Amendment Limitations*. Suing a defendant for making false statements in the press raises obvious First Amendment concerns. *See Rebecca Tushnet, It Depends on What the Meaning of "False" Is: Falsity and Misleadingness in Commercial Speech Doctrine*, 41 LOY. L.A. L. REV. 227 (2007); C. Edwin Baker, *Advertising and the Democratic Process*, 140 U. PA. L. REV. 2097 (1992). Most of the cases involving independent testing agencies, as well as a number of the direct competitor disparagement cases, are litigated as First Amendment cases, in which the plaintiff must prove falsity plus actual malice if she is a public figure. *See, e.g., Bose Corp. v. Consumers Union of U.S., Inc.*, 466 U.S. 485 (1984). Section E(3)(ii) discusses the interplay of parody and trademark protection.

E. DEFENSES

Like patent and copyright law, trademark law has a broad range of defenses. We have already addressed invalidity, functionality, and genericness doctrines earlier in the chapter because they relate to protectability of the mark at all. This section explores other trademark defenses.

1. Abandonment

i. Cessation of Use



Major League Baseball Properties, Inc. v. Sed Non Olet Denarius, Ltd.
United States District Court for the Southern District of New York
817 F. Supp. 1103 (S.D.N.Y. 1993)

MOTLEY, DISTRICT JUDGE.

I. Introduction

Plaintiffs, Major League Baseball Properties, Inc. (“Properties”) and Los Angeles Dodgers, Inc. (“Los Angeles”), allege in their Amended Complaint that the conduct of the . . . defendants [corporate operators of three restaurants, and their principals] (hereinafter collectively “The Brooklyn Dodger”) . . . constitute: a) an infringement upon the rights of plaintiffs’ trademarks in violation of 15 U.S.C. §§1114 and 1117; b) a wrongful appropriation of plaintiffs’ trademarks in violation of 15 U.S.C. §1125; c) a violation of plaintiffs’ common law trademark and property rights; d) a violation of plaintiffs’ rights under the New York General Business Law §368-d; e) unfair competition; and f) the intentional use by defendants of a counterfeit mark in violation of 15 U.S.C. §1117(b).

Each of these six causes of action is alleged to flow from defendants’ use of the words “The Brooklyn Dodger” as the name and servicemark of the restaurants which defendants have operated in Brooklyn, New York, beginning in March 1988. Plaintiffs initially sought permanent injunctive relief, an accounting of profits, the destruction of physical items containing the allegedly infringing marks, monetary damages, and attorneys’ fees.

By their Answer and Amended Answer defendants denied any infringement of plaintiffs’ alleged right to use a “Brooklyn Dodger” trademark. Defendants also pleaded the defenses of abandonment by plaintiffs of any “Brooklyn Dodgers” mark which plaintiffs may have owned at one time, as well as laches. The abandonment defense was premised upon the plaintiffs’ failure to make any commercial or trademark use of the “Brooklyn Dodgers” name for at least 25 years after Los Angeles left Brooklyn in 1958. The laches defense was premised upon the fact that plaintiffs waited for more than a year and a half after learning of defendants’ use of the allegedly infringing trademark before advising defendants of any alleged infringement. During this period defendants expended substantial resources and monies in establishing their restaurants in Brooklyn, New York. . . .

Finally, in their Amended Answer, defendants counterclaimed for the cancellation of various trademark registrations for “Brooklyn Dodgers” filed by plaintiffs after defendants’ application to register the “Brooklyn Dodger” servicemark was filed on April 28, 1988. . . .

II. Findings of Facts

...

Plaintiff Los Angeles is a corporation with offices and its principal place of business in Los Angeles, California. It is the owner of the Los Angeles Dodgers, a professional baseball team which, since 1958, has played baseball in Los Angeles, California under the name the “Los Angeles Dodgers.” . . . Prior to 1958 the same professional baseball team played baseball in Brooklyn, New York and were known as the “Brooklyn Dodgers” or the “Dodgers.”

In 1958, the team moved the site of its home games from Brooklyn to Los Angeles. . . . It pointedly changed its name to Los Angeles Dodgers, Inc. . . .

By agreement with the Major League Clubs, Properties has been granted the exclusive right to market, license, publish, publicize, promote nationally, and protect the trademarks owned by the Major League Clubs, including those owned by the Los Angeles Dodgers. . . .

. . . By 1991, retail sales of licensed Major League Baseball merchandise were in excess of \$2 billion. [Plaintiffs estimate that of the total Dodgers merchandising revenue, only \$9 million of 1991 sales carried the *Brooklyn* Dodgers name.]

. . . On March 17, 1988 SNOD began doing business as a restaurant under the name “The Brooklyn Dodger Sports Bar and Restaurant.” . . .

It was the individual defendants’ decision that their restaurants would emphasize the multiple themes of fun, sports and Brooklyn. Their intention was to create a nostalgic setting where Brooklynites could relax and reminisce about times gone by. . . .

They initially chose to name their establishment “Ebbets Field” after the former baseball park located in Brooklyn, New York in which a baseball team known as the “Brooklyn Dodgers” played baseball until October, 1957. . . .

[Defendants rejected the name “Ebbets Field” because of a conflict with a small restaurant elsewhere in New York.]

The defendants knew that the departure of the “Brooklyn Dodgers” in 1958 had been accompanied by monumental hard feelings in the Borough of Brooklyn. In fact the relocation was one of the most notorious abandonments in the history of sports. . . . At the time defendants selected their logo, they were aware that Los Angeles owned federal trademark registrations for the word “Dodgers.” . . . However, at no time during their consideration of the “Brooklyn Dodger” name did the individual defendants have any reason to believe that “The Brooklyn Dodger” mark was being used by Los Angeles, and certainly not for restaurant or tavern services. . . . When considering the use of the “Brooklyn Dodger” mark, at no time was there any discussion among the individual defendants and Brian Boyle about trading on the goodwill of Los Angeles in Brooklyn. . . . Indeed, non-party witness Brian Boyle, a life-long Brooklyn resident, testified that, given the acrimonious abandonment of Brooklyn by Los Angeles, the idea of trading on Los Angeles’ “goodwill” in Brooklyn is almost “laughable.”

C. Defendants' Use of the Trademark

In connection with each of defendants' [three] "The Brooklyn Dodger" restaurants, defendants make and/or made prominent use of the "Dodger" name and the "Brooklyn Dodger" name, with the word "Dodger" in stylized script, in the color blue, and in blue script.

The defendants' composite design mark consisted of three words: "The," "Brooklyn" and "Dodger" are entwined with one another and with an impish character, . . . which was styled after the Charles Dickens' character, the "Artful Dodger" from the novel *Oliver Twist*, leaning against the "r" in "Dodger." . . . Defendants, however, make significant use of their logo without the cartoon character to promote their business, including on merchandise such as apparel, in advertisements, on their letterhead and as part of their servicemark.

Defendants' logo is similar to Los Angeles' trademarks. The name "Brooklyn Dodger" is similar to the name "Brooklyn Dodgers" as used by plaintiffs. The script used by the defendants in their logo is similar to that used in Los Angeles' trademarks. The color blue used by defendants is similar to the color blue used by and associated with Los Angeles' [team] in Brooklyn. The swash or tail of the word "Dodger" used by defendants is similar to that used in Los Angeles' trademarks in terms of style and length. . . .

In selecting their logo, defendants intentionally sought to reproduce the Brooklyn Dodgers' trademarks. Indeed, the script for the defendants' logo was intentionally chosen by defendants to track the script used by the Brooklyn Dodgers. . . .

D. Plaintiffs' Use of the Trademark

. . .

Plaintiffs' use of the "Brooklyn Dodgers" mark was based upon its physical location, until October 1957, in Brooklyn, New York. However, in 1959, Los Angeles made prominent commercial use and reference to their Brooklyn heritage and trademarks in connection with the promotion of Roy Campanella Night, honoring the former Brooklyn Dodgers player and present employee. . . . Los Angeles made prominent use of their trademarks incorporating the word "Brooklyn" at their annual oldtimers games. . . . Oldtimers games are commercial baseball exhibitions at which former players are honored and perform so that older fans can recall the past and younger fans can learn about the history of the Club.

[The court describes extensive licensing and use of the Los Angeles Dodgers trademarks, including for food services and restaurants.]

While plaintiffs have from time to time made use of their former "Brooklyn Dodgers" mark occasionally and sporadically for historical retrospective[s] such as "Old Timer's Day" festivities, the documentary proof establishes that, following its departure from Brooklyn, Los Angeles' earliest licensing of the "Brooklyn Dodgers" mark occurred on April 6, 1981.

Plaintiffs argue that their “Dodgers” mark without a geographical reference—that is, “Dodgers” alone—is a protected use infringed by defendants’ actions. However, in this context, “Brooklyn” is more than a geographic designation or appendage to the word “Dodgers.” The “Brooklyn Dodgers” was a non-transportable cultural institution separate from the “Los Angeles Dodgers” or the “Dodgers” who play in Los Angeles. It is not simply the “Dodgers,” (and certainly not the “Los Angeles Dodgers”), that defendants seek to invoke in their restaurant; rather defendants specifically seek to recall the nostalgia of the cultural institution that was the “Brooklyn Dodgers.” It was the “Brooklyn Dodgers” name that had acquired secondary meaning in New York in the early part of this century, prior to 1958. It was that cultural institution that Los Angeles abandoned.

. . . In this case, in order to maintain use of the mark, Los Angeles would have had to continue to use “Brooklyn Dodgers” as the name of its baseball team. Only in this way would the public continue to identify the name with the team. *Defiance Button Mach. Co. v. C & C Metal Products Corp.*, 759 F.2d 1053, 1059 (2d Cir. 1985). . . .

Rather than using the “Brooklyn Dodgers” mark in the ordinary course of trade, a more accurate description of Los Angeles’ use of the mark, at least between 1958 and 1981, was given by its General Counsel in a 1985 letter to someone seeking to use it on a novelty item:

Since the Dodgers moved to Los Angeles in 1958 the name “Brooklyn Dodgers” has been reserved strictly for use in conjunction with items of historical interest.

. . . Under the law, such warehousing is not permitted. . . . Rights in a trademark are lost when trademarks are “warehoused” as plaintiffs attempted to “warehouse” the “Brooklyn Dodgers” mark for more than two (2) decades. . . . Plaintiffs’ failure to use the “Brooklyn Dodgers” trademark between 1958, when Los Angeles left Brooklyn, and 1981 constitutes abandonment of the trademark. . . .

Abandonment under the Lanham Act, however, requires both nonuse and intent not to resume use. . . .

Once prima facie abandonment has been proven, the trademark registrants—in this case plaintiffs—must carry their burden of producing evidence that there was an intent to resume use of the trademark. *Cerveceria India*, 892 F.2d at 1025–26. . . .

. . . Rather than merely proving that it did not intend to abandon its trademark, the trademark registrant must demonstrate that it intended to use or resume use. *See Exxon*, 695 F.2d at 99, 102–03 (“Stopping at an ‘intent not to abandon’ [rather than ‘intent to

resume where the trademark owner had an excusable reason for nonuse—that is, where nonuse was involuntary. *See, e.g., Defiance Button Machine Co. v. C & C Metal Products Corp.*, 759 F.2d 1053, 1059 (2d Cir. 1985) (no abandonment where cessation of business was involuntary); *American International Group, Inc. v. American International Airways, Inc.*, 726 F. Supp. 1470 (E.D. Pa. 1989) (where airline declared bankruptcy, remaining goodwill and lack of intent to abandon precluded finding abandonment).

resume’] tolerates an owner’s protecting a mark with neither commercial use nor plans to resume commercial use. Such a license is not permitted by the Lanham Act”). . . .

. . . Plaintiffs have in no way demonstrated their intent to resume commercial use of the “Brooklyn Dodgers” mark within two years after Los Angeles left Brooklyn in 1958 or at anytime within the ensuing quarter century. . . .

2. Resumption

Having determined that plaintiffs abandoned the “Brooklyn Dodgers” mark, the next inquiry is to determine the effect of that abandonment, given that plaintiffs have recently resumed limited use of the trademark. . . .

. . . [I]f plaintiffs have any interest in a “Brooklyn Dodgers” mark, that interest arose in 1981 when commercial use of the mark resumed after a twenty-three (23) year hiatus. Plaintiffs’ preemptive rights in the “Brooklyn Dodgers” mark would extend only to the precise goods on or in connection with which the trademark was used since its resumption (i.e. clothing, jewelry, novelty items).

In other words, the fact that plaintiffs resumed use prior to defendants’ use does not mean that plaintiffs may preclude defendants’ use of the mark in their restaurant business in Brooklyn. . . .

Accordingly, the court declines to enjoin defendants’ very limited use of the “Brooklyn Dodger” mark by defendants for use in connection with its local restaurants directed toward older Brooklyn Dodgers fans in the Brooklyn community in the city of New York. . . .

COMMENTS AND QUESTIONS

1. Would the result change if “The Brooklyn Dodger” restaurant began selling Brooklyn Dodger t-shirts? Other memorabilia?

2. The Lanham Act defines abandonment as follows:

A mark shall be deemed to be “abandoned” when either of the following occurs:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for three consecutive years shall be prima facie evidence of abandonment. “Use” of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to . . . lose its significance as a mark. . . .

Lanham Act §45, 15 U.S.C. §1127. The *Dawn Donut* case, *infra*, deals with the §45(2) type of abandonment.

3. If trademark rights are essentially about protecting consumers from confusion, why does the legal standard require anything other than a showing that the mark’s meaning has faded sufficiently so that it can now be “reclaimed” by another? Why does the

statute settle for a presumption; why not a per se rule, perhaps based on a longer period—say ten years? Cf. Note, *The Song Is Over But the Melody Lingers On: Persistence of Goodwill and the Intent Factor in Trademark Abandonment*, 56 *FORDHAM L. REV.* 1003, 1006–07 (1988) (“[W]hen a trademark has persisting or residual goodwill, even after a period of nonuse, doubts should be resolved in favor of the trademark owner and against the competitor charging abandonment. . . . [Courts] should . . . make it as difficult as possible to find a trademark abandoned whenever goodwill in the mark persists.”). What arguments can you think of in favor of this liberal rule? Against? Should there be an incentive to aggressively “recycle” marks that have shown some usefulness? The abandonment rule has led parties to race to acquire once-popular trademarks. Won’t that just confuse consumers? Professors Dogan and Lemley argue that companies should not be permitted to race to grab up abandoned marks that still carry goodwill in the minds of consumers because those consumers will be injured when a new company starts selling different products under the same mark. See Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 *TRADE-MARK REP.* 1223 (2007).

Do you think the association between the name “Brooklyn Dodgers” and the major league baseball team now located in Los Angeles had faded sufficiently for someone else to reclaim the name? What if the defendant had set up a baseball team with that name? Do the unusual facts in this case—especially the animosity between ex-Brooklyn Dodger fans and the Los Angeles Dodgers—suggest why a per se rule might not make sense in every case? Is the court right to assume the absence of “goodwill” here, where consumers recognize the Dodger mark but simply have bad associations with it? Or does the continual connection in the public’s mind suggest an ongoing role for trademark law? Courts sometimes stretch the law to avoid finding abandonment where it seems clear the defendant just wants to trade on the residual goodwill in the name. See *Tiger Lily Ventures v. Barclays Capital Inc.*, 35 F.4th 1352 (Fed. Cir. 2022) (holding that “Lehman Brothers” had not been abandoned by former investment bank that had not practiced in fourteen years but was still in bankruptcy proceedings).

4. Are there reasons to limit the abandonment doctrine where it may affect personal names that clearly seem to “belong” to the trademark owner? In *Abdul-Jabaar v. General Motors*, 85 F.3d 407, 411 (9th Cir. 1996), the court rejected defendant’s claim that basketball star Kareem Abdul-Jabaar had abandoned his birth name, Lew Alcindor. The court established a per se rule: “A proper name thus cannot be deemed abandoned throughout its possessor’s life, despite his failure to use it. . . .”

PROBLEMS

Problem V-19. Until 1972, the Humble Oil & Refining Co. was one of the largest producers and sellers of gasoline in the world. In that year, after a merger with Esso, Humble decided to change its name to Exxon, an arbitrary mark it had selected for the purpose. The company invested an enormous amount of money advertising the new

was no abandonment by plaintiff of its registrations, and that therefore defendant was not entitled to have plaintiff's registrations of trademarks cancelled.]

LUMBARD, CIRCUIT JUDGE [dissenting in part]. . . .

The final issue presented is raised by defendant's appeal from the dismissal of its counterclaim for cancellation of plaintiff's registration on the ground that the plaintiff failed to exercise the control required by the Lanham Act over the nature and quality of the goods sold by its licensees.

We are all agreed that the Lanham Act places an affirmative duty upon a licensor of a registered trademark to take reasonable measures to detect and prevent misleading uses of his mark by his licensees or suffer cancellation of his federal registration. The Act, 15 U.S.C.A. §1064, provides that a trademark registration may be cancelled because the trademark has been "abandoned." And "abandoned" is defined in 15 U.S.C.A. §1127 to include any act or omission by the registrant which causes the trademark to lose its significance as an indication of origin.

Prior to the passage of the Lanham Act many courts took the position that the licensing of a trademark separately from the business in connection with which it had been used worked an abandonment. *Reddy Kilowatt, Inc. v. MidCarolina Electric Cooperative, Inc.*, 4 Cir., 1957, 240 F.2d 282, 289; *American Broadcasting Co. v. Wahl Co.*, 2 Cir., 1941, 121 F.2d 412, 413; *Everett O. Fisk & Co. v. Fisk Teachers' Agency, Inc.*, 8 Cir., 1924, 3 F.2d 7, 9. The theory of these cases was that:

A trade-mark is intended to identify the goods of the owner and to safeguard his good will. The designation if employed by a person other than the one whose business it serves to identify would be misleading. Consequently, "a right to the use of a trade-mark or a trade-name cannot be transferred in gross."

American Broadcasting Co. v. Wahl Co., *supra*, 121 F.2d at page 413.

Other courts were somewhat more liberal and held that a trademark could be licensed separately from the business in connection with which it had been used provided that the licensor retained control over the quality of the goods produced by the licensee. *E.I. DuPont de Nemours & Co. v. Celanese Corporation of America*, 1948, 167 F.2d 484, 35 CCPA 1061. . . . But even in the *DuPont* case the court was careful to point out that naked licensing, viz. the grant of licenses without the retention of control, was invalid. *E.I. DuPont de Nemours & Co. v. Celanese Corporation of America*, *supra*, 167 F.2d at page 489.

The Lanham Act clearly carries forward the view of these latter cases that controlled licensing does not work an abandonment of the licensor's registration, while a system of naked licensing does. 15 U.S.C.A. §1055 provides:

Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of

such mark or of its registration, provided such mark is not used in such manner as to deceive the public. . . .¹³

Without the requirement of control, the right of a trademark owner to license his mark separately from the business in connection with which it has been used would create the danger that products bearing the same trademark might be of diverse qualities. See *American Broadcasting Co. v. Wahl Co.*, *supra*; *Everett O. Fisk & Co. v. Fisk Teachers' Agency, Inc.*, *supra*. If the licensor is not compelled to take some reasonable steps to prevent misuses of his trademark in the hands of others the public will be deprived of its most effective protection against misleading uses of a trademark. The public is hardly in a position to uncover deceptive uses of a trademark before they occur and will be at best slow to detect them after they happen. Thus, unless the licensor exercises supervision and control over the operations of its licensees the risk that the public will be unwittingly deceived will be increased and this is precisely what the Act is in part designed to prevent. See SEN. REPORT NO. 1333, 79th Cong., 2d Sess. (1946). Clearly the only effective way to protect the public where a trademark is used by licensees is to place on the licensor the affirmative duty of policing in a reasonable manner the activities of his licensees.

The critical question on these facts therefore is whether the plaintiff sufficiently policed and inspected its licensees' operations to guarantee the quality of the products they sold under its trademarks to the public. The trial court found that: "By reason of its contacts with its licensees, plaintiff exercised legitimate control over the nature and quality of the food products on which plaintiff's licensees used the trademark 'Dawn.' Plaintiff and its licensees are related companies within the meaning of Section 45 of the Trademark Act of 1946." It is the position of the majority of this court that the trial judge has the same leeway in determining what constitutes a reasonable degree of supervision and control over licensees under the facts and circumstances of the particular case as he has on other questions of fact; and particularly because it is the defendant who has the burden of proof on this issue they hold the lower court's finding not clearly erroneous.

I dissent from the conclusion of the majority that the district court's findings are not clearly erroneous because while it is true that the trial judge must be given some discretion in determining what constitutes reasonable supervision of licensees under the Lanham Act, it is also true that an appellate court ought not to accept the conclusions of the district court unless they are supported by findings of sufficient facts. It seems to me that the only findings of the district judge regarding supervision are in such general and conclusory terms as to be meaningless. In the absence of supporting findings or of undisputed evidence in the record indicating the kind of supervision and inspection the plaintiff actually made of its licensees, it is impossible for us to pass upon whether there was such supervision as to satisfy the statute. There was evidence before the district

¹³ [Lanham Act §45 now reads in relevant part: "The term 'related company' means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used." 15 U.S.C. §1127. The portion of 15 U.S.C. § 1055 (Lanham Act §5) quoted just above in the case has not changed.—EDS.]

court in the matter of supervision, and more detailed findings thereon should have been made.

Plaintiff's licensees fall into two classes: (1) those bakers with whom it made written contracts providing that the baker purchase exclusively plaintiff's mixes and requiring him to adhere to plaintiff's directions in using the mixes; and (2) those bakers whom plaintiff permitted to sell at retail under the "Dawn" label doughnuts and other baked goods made from its mixes although there was no written agreement governing the quality of the food sold under the Dawn mark.⁶

The contracts that plaintiff did conclude, although they provided that the purchaser use the mix as directed and without adulteration, failed to provide for any system of inspection and control. Without such a system plaintiff could not know whether these bakers were adhering to its standards in using the mix or indeed whether they were selling only products made from Dawn mixes under the trademark "Dawn."

The absence, however, of an express contract right to inspect and supervise a licensee's operations does not mean that the plaintiff's method of licensing failed to comply with the requirements of the Lanham Act. Plaintiff may in fact have exercised control in spite of the absence of any express grant by licensees of the right to inspect and supervise.

The question then, with respect to both plaintiff's contract and non-contract licensees, is whether the plaintiff in fact exercised sufficient control.

Here the only evidence in the record relating to the actual supervision of licensees by plaintiff consists of the testimony of two of plaintiff's local sales representatives that they regularly visited their particular customers and the further testimony of one of them, Jesse Cohn, the plaintiff's New York representative, that "in many cases" he did have an opportunity to inspect and observe the operations of his customers. The record does not indicate whether plaintiff's other sales representatives made any similar efforts to observe the operations of licensees.

Moreover, Cohn's testimony fails to make clear the nature of the inspection he made or how often he made one. His testimony indicates that his opportunity to observe a licensee's operations was limited to "those cases where I am able to get into the shop"

⁶ On cross-examination plaintiff's president conceded that during 1949 and 1950 the company in some instances, the number of which is not made clear by his testimony, distributed its advertising and packaging material to bakers with whom it had not reached any agreement relating to the quality of the goods sold in packages bearing the name "Dawn." It also appears from plaintiff's list of the 16 bakers who were operating as exclusive Dawn shops at the time of the trial that plaintiff's contract with 3 of these shops had expired and had not been renewed and that in the case of 2 other such shops the contract had been renewed only after a substantial period of time had elapsed since the expiration of the original agreement. The record indicates that these latter 2 bakers continued to operate under the name "Dawn" and purchase "Dawn" mixes during the period following the expiration of their respective franchise agreements with the plaintiff. Particularly damaging to plaintiff is the fact that one of the 2 bakers whose franchise contracts plaintiff allowed to lapse for a substantial period of time has also been permitted by plaintiff to sell doughnuts made from a mix other than plaintiff's in packaging labeled with plaintiff's trademark.

and even casts some doubt on whether he actually had sufficient technical knowledge in the use of plaintiff's mix to make an adequate inspection of a licensee's operations.

The fact that it was Cohn who failed to report the defendant's use of the mark "Dawn" to the plaintiff casts still further doubt about the extent of the supervision Cohn exercised over the operations of plaintiff's New York licensees.

Thus I do not believe that we can fairly determine on this record whether plaintiff subjected its licensees to periodic and thorough inspections by trained personnel or whether its policing consisted only of chance, cursory examinations of licensees' operations by technically untrained salesmen. The latter system of inspection hardly constitutes a sufficient program of supervision to satisfy the requirements of the Act.

. . . I would direct the district court to order the cancellation of plaintiff's registrations if it should find that the plaintiff did not adequately police the operations of its licensees. . . .

The district court's denial of an injunction restraining defendant's use of the mark "Dawn" on baked and fried goods and its dismissal of defendant's [abandonment] counterclaim are affirmed.

COMMENTS AND QUESTIONS

1. Despite its age and the fact that it was a dissent, Judge Lumbard's discussion in *Dawn Donut* regarding licensee supervision and abandonment is still the standard in the area. See MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §26.14.

2. Trademark rights are regularly lost because of unsupervised licensing. See, e.g., *Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867 (10th Cir. 1995) (denying plaintiff's advertising-related trademark claim because rights were lost due to unsupervised license); *Barcamerica Int'l USA Trust v. Tyfield Importers, Inc.*, 289 F.2d 589 (9th Cir. 2002) (finding lack of express contractual right to inspect and supervise licensee's operation as well as no actual supervision).

3. The *Celanese* case cited in *Dawn Donut*, *E.I. du Pont de Nemours & Co. v. Celanese Corporation*, 167 F.2d 484 (C.C.P.A. 1948), was one of the first cases to establish the legitimacy of trademark licensing over the objection that licensing necessarily entailed an abandonment. Obviously, the growth of franchising, character merchandising, and related practices depended on such a holding. Much modern business would be impossible if corporations could not expand their brand names in these ways. See D(2)(i)(2)(a) (discussing franchising and merchandising).

Franchising requires sufficient exercise of control so that the customer receives a consistent experience:

There is no rule that trademark proprietors must ensure "high quality" goods—or that "high quality" permits unsupervised licensing. "Kentucky Fried Chicken" is a valid mark, see *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368 (5th Cir.1977), though neither that chain nor any other fast-food franchise receives a star (or even a mention) in the *Guide*

mark to goods differing in character or species from the article to which it was originally attached.”).

As originally applied, the rule against assignments in gross was quite strict; in general, a firm was required to assign tangible assets along with the trademark. *See, e.g., Pepsico, Inc. v. Grapette Co.*, 416 F.2d 285 (8th Cir. 1969) (invalidating the assignment of soft drink trademark (Peppy) for failure to transfer any assets including formula or process for making the beverage associated with the mark). More recently, however, the traditional rule has been relaxed, partly in recognition of the increased frequency and importance of trademark-related transactions. The contemporary rule can be seen operating in cases involving assignment of “soft” trademark-related assets, such as customer lists, production formulas (as opposed to machinery), and even amorphous “goodwill.” *See, e.g., In re Roman Cleanser Co.*, 802 F.2d 207 (6th Cir. 1986) (validating transfer of trademark in satisfaction of security interest in it, together with formulas and customer lists); *Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666 (7th Cir. 1982) (assignment of Money Store trademark by senior user for \$1 not invalid; nominal recitation of “goodwill” in assignment contract, without transfer of any other assets, was enough). *Cf.* WILLIAM M. LANDES & RICHARD A. POSNER, *TRADEMARK LAW: AN ECONOMIC PERSPECTIVE*, 30 J.L. & ECON. 265, 274–75 (1987) (arguing that the “assignment in gross” doctrine makes sense only in “final period” cases, where sellers of goods are leaving the market and hence do not care if consumers are disappointed by the low quality of the assignee’s goods).

The rule against assignments in gross makes sense from the point of view of protecting consumer associations between a mark and an underlying product. If the symbol changes hands and is now used to “refer to” a different product, consumers might be confused. (Imagine if language experts decided to change the meaning of a common word, without telling anyone.) As Landes and Posner, *supra*, argue, the risk of confusion is greatest when the trademark assignor is leaving the market.

COMMENTS AND QUESTIONS

1. This rationale for the “No Assignment in Gross” doctrine assumes that consumers cannot perceive the lower quality of the assignee’s product when they look at the product. What if the assignee uses the mark on a completely different type of product altogether? Wouldn’t consumers understand that circumstances have changed if they see the mark attached to new goods? (On the other hand, if they would, why buy the mark at all for use on different goods?)

Should we encourage the transfer of trademarks that have proven effective? Why restrict transfers to those accompanied by underlying assets? *See* Irene Calboli, *Trademark Assignment “With Goodwill”: A Concept Whose Time Has Gone*, 57 FLA. L. REV. 771 (2005); Allison Sell McDade, Note, *Trading in Trademarks—Why the Anti-Assignment in Gross Doctrine Should Be Abolished When Trademarks Are Used as Collateral*, 77 TEX. L. REV. 465 (1998) (focusing on the use of trademarks as security interests); *but see* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*,

108 YALE L.J. 1687 (1999) (supporting the doctrine as consistent with the consumer-oriented focus of trademark law). What would happen to consumer expectations if a lending company foreclosed on a trademark?

2. Does (or should) the law similarly prohibit the original trademark owner from significantly decreasing the quality of his or her goods, or from changing the type of product to which the mark is attached? See 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §17.09 (citing cases and arguing that this would amount to deceit under the Lanham Act). The latter may be an issue for registered marks, where the classification of goods is important.

3. Article 21 of the General Agreements on Tariffs and Trade, which entered into force in the United States in 1995, provides that “the owner of a registered trademark shall have the right to assign his trademark with or without the transfer of the business to which the trademark belongs.” Does this article require the United States to abolish the rule against assignment in gross?

4. *Foreign Rejection of the “No Assignment in Gross” Doctrine*. Japan, for example, recognizes private property rights in the trademark itself. Therefore, assignments in gross are valid even if totally divorced from any goodwill. Trademark rights are also severable; they may be assigned by class, providing the goods of the remaining classification would not cause confusion with the goods of the class assigned. See generally Kazuko Matsuo, *Trademarks*, in 4 DOING BUSINESS IN JAPAN (Zentaro Kitagawa ed., 1991).

2. Exhaustion/First Sale

As with patent and copyright law, once a trademark owner or licensee sells a trademarked good, the buyer of that good is free to resell the good without permission of the trademark owner. The IP protection governing that product is “exhausted” after the first authorized sale. As the Ninth Circuit has explained, “the right of a producer to control distribution of its trademarked product does not extend beyond the first sale of the product.” See *Sebastian Int’l v. Longs Drug Stores Corp.*, 53 F.3d 1073 (9th Cir. 1995). With the right to resell the product comes the right to accurately represent to the buyer that it is a genuine trademarked product. See *Bluetooth SIG Inc. v. FCA US LLC*, 30 F.4th 870 (9th Cir. 2022). The first sale doctrine, however, applies only to authorized sales of genuine products.

The exhaustion doctrine is subject to important limitations relating to resale of goods without requisite quality control requirements, repackaging of goods, and repair and reconditioning of goods. It also arises with regard to importation of goods.

i. Resale Without Requisite Quality Control

The resale of goods can violate quality control standards set by the trademark owner. Such sales interfere with the essential link between the source and the quality of the goods. In *Warner-Lambert Co. v. Northside Development Corp.*, 86 F.3d 3 (2d Cir.

1996), the maker of Halls[®] cough drops sought to enjoin a wholesaler from selling the product beyond its freshness expiration date. The court held that

[d]istribution of a product that does not meet the trademark holder's quality control standards may result in the devaluation of the mark by tarnishing its image. If so, the non-conforming product is deemed for Lanham Act purposes not to be the genuine product of the holder, and its distribution constitutes trademark infringement.

Id. at 6; *see also Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104 (4th Cir. 1991). Nonetheless, a broad application of this rule would enable trademark owners to nullify the exhaustion doctrine. The Third Circuit has warned that

“quality control” is not a talisman the mere utterance of which entitles the trademark owner to judgment. . . . Rather, the test is whether the quality control procedures established by the trademark owner are likely to result in differences between the products such that consumer confusion regarding the sponsorship of the products could injure the trademark owner's goodwill.

Iberia Goods Corp. v. Romeo, 150 F.3d 298, 304 (1998). Notwithstanding that warning, one court has allowed claims that the resale of legitimate Williams-Sonoma product on Amazon.com by third-party sellers was not protected by the first sale doctrine because consumers might believe Williams-Sonoma authorized the sales. *See Williams-Sonoma, Inc. v. Amazon.com, Inc.*, 2019 WL 7810815 (N.D. Cal. 2019). If that were the law, it would effectively eliminate the first sale doctrine.

ii. Repackaged Goods

Even where goods satisfy the legitimate quality concerns of a trademark owner, the repackaging or rebottling of the trademarked goods for sale by another entity could potentially undermine consumers' perception as to the nature and quality of trademarked goods. Nonetheless, the Supreme Court in *Prestonettes v. Coty*, 264 U.S. 359 (1924), held that “[w]hen the mark is used in such a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.” The Court held that a repackager could resell the trademarked goods of an unaffiliated vendor so long there was no confusion, which could be accomplished through a suitable disclaimer indicating how the repackaged product had been altered and that the reseller was not affiliated with the source of the underlying trademarked product. Thus, courts hold that legitimate purchasers of trademarked goods can generally repackage and resell such goods with the original trademark so long as they (1) disclose that the product has been repackaged; (2) reveal their name; (3) disclaim any affiliation with the trademark owner; and (4) not give undue prominence to the trademark of the source of the repackaged good. Such safeguards balance the exhaustion principle, limiting consumer confusion, and protecting trademark owners' goodwill.

iii. *Repaired and Reconditioned Goods*

The first sale doctrine does not extend to the sale of goods once they have been materially altered. Similar concerns can arise when purchasers of trademarked goods repair or recondition them for resale. But repair and reconditioning is not a material alteration in the product. As with repackaged goods, repaired and reconditioned goods can be resold under the original source's trademark so long as the reseller discloses the nature, quality, and source of the goods, including what repairs were made. *See Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947) (holding that a reseller of reconditioned spark plugs need not remove the original trademark so long as the repaired goods were stamped "repaired" or "used" on each plug and the cartons disclosed that the plugs were reconditioned and indicated the reseller's name). That is why the owner of, say, a Toyota Prius can resell it as a Toyota Prius even though it has been repaired. The Court noted, however, that trademark infringement might nonetheless occur where "the reconditioning or repair would be so extensive or basic that it would be a misnomer to call the article by its original name, even though the works 'used' or 'repaired' were added." *Id.* at 129. Thus, the Ninth Circuit enjoined a reconditioner of Rolex watches from using the Rolex trademark on repaired watches incorporating non-Rolex parts. *See Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704 (9th Cir. 1999). This rule, however, does not afford Rolex or any other original source with a monopoly in the market for replacement parts. *See Karl Storz Endoscopy-America, Inc. v. Fiber Tech Medical, Inc.*, 4 Fed. Appx. 128 (4th Cir. 2001) (holding that the Lanham Act does not prevent the owner of a trademarked product from choosing the source of repair parts so long as there is no misrepresentation of the repairer's source of part or affiliation with the trademark owner of the product in question); *Hamilton Int'l Ltd. v. Vortic LLC*, 13 F.4th 264 (2d Cir. 2021) (affirming judgment for defendant watchmaker that created and sold watches using refurbished parts from plaintiff's antique watches that bore the plaintiff's trademark, where defendant had sufficiently disclosed that its refurbished watches were not affiliated with plaintiff).

Some courts have held that there is a material alteration, and therefore reselling a product is illegal if doing so voids the warranty. *See Otter Prods. LLC v. Triplenet Pricing Inc.*, 572 F. Supp. 3d 1066 (D. Colo. 2021). That approach would seem to make it difficult to sell repaired goods, or even unrepaired ones, including used cars.

3. Fair Use

Trademark law features two "fair use" doctrines: (i) descriptive or "classic" fair use; and (ii) nontrademark or nominative fair use. Despite their similarity in name, the doctrines cover very different things. And both are distinct from the fair use doctrine in copyright law.

Trademark law's descriptive fair use doctrine derives from the limitations of descriptive marks. When there is only one or but a few ways to communicate effectively, trademark law permits competitors leeway. We don't want owners of descriptive marks to monopolize the power of descriptive terms. They may only leverage the secondary

meaning that they have acquired. Hence, trademark law needs to strike a delicate balance in which some potential confusion is tolerated.

Trademark law's nominative fair use doctrine, also known as non-trademark use, concerns circumstances in which the defendant uses the plaintiff's mark, not to brand its own goods, but to talk about the plaintiff's goods.

i. Descriptive/“Classic” Fair Use

We previewed the descriptive fair use doctrine in the *Zatarain's* case. But properly understood, fair use is a defense to a trademark infringement claim. As the following case explains, however, it has a complex procedural posture.



KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.
Supreme Court of the United States
543 U.S. 111 (2004)

JUSTICE SOUTER delivered the opinion of the Court.

The question here is whether a party raising the statutory affirmative defense of fair use to a claim of trademark infringement, 15 U.S.C. §1115(b)(4), has a burden to negate any likelihood that the practice complained of will confuse consumers about the origin of the goods or services affected. We hold it does not.

I

Each party to this case sells permanent makeup, a mixture of pigment and liquid for injection under the skin to camouflage injuries and modify nature's dispensations, and each has used some version of the term “micro color” (as one word or two, singular or plural) in marketing and selling its product. Petitioner KP Permanent Make-Up, Inc., claims to have used the single-word version since 1990 or 1991 on advertising flyers and since 1991 on pigment bottles. Respondents Lasting Impression I, Inc., and its licensee, MCN International, Inc. (Lasting, for simplicity), deny that KP began using the term that early, but we accept KP's allegation as true for present purposes. . . . The PTO registered the mark to Lasting in 1993, and in 1999 the registration became incontestable. §1065.

It was also in 1999 that KP produced a 10-page advertising brochure using “micro-color” in a large, stylized typeface, provoking Lasting to demand that KP stop using the term. Instead, KP sued Lasting in the Central District of California, seeking, on more than one ground, a declaratory judgment that its language infringed no such exclusive right as Lasting claimed. Lasting counterclaimed, alleging, among other things, that KP had infringed Lasting's “Micro Colors” trademark.

KP sought summary judgment on the infringement counterclaim, based on the statutory affirmative defense of fair use, 15 U.S.C. §1115(b)(4). After finding that Lasting had conceded that KP used the term only to describe its goods and not as a mark, the District Court held that KP was acting fairly and in good faith because undisputed facts showed that KP had employed the term “microcolor” continuously from a time before

succeeds in making out a prima facie case of trademark infringement, including the element of likelihood of consumer confusion, the defendant may offer rebutting evidence to undercut the force of the plaintiff's evidence on this (or any) element, or raise an affirmative defense to bar relief even if the prima facie case is sound, or do both. But it would make no sense to give the defendant a defense of showing affirmatively that the plaintiff cannot succeed in proving some element (like confusion); all the defendant needs to do is to leave the factfinder unpersuaded that the plaintiff has carried its own burden on that point. A defendant has no need of a court's true belief when agnosticism will do. Put another way, it is only when a plaintiff has shown likely confusion by a preponderance of the evidence that a defendant could have any need of an affirmative defense, but under Lasting's theory the defense would be foreclosed in such a case." [I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant." *Shakespeare Co. v. Silstar Corp.*, 110 F.3d, at 243. Nor would it make sense to provide an affirmative defense of no confusion plus good faith, when merely rebutting the plaintiff's case on confusion would entitle the defendant to judgment, good faith or not. . . .

B

Since the burden of proving likelihood of confusion rests with the plaintiff, and the fair use defendant has no free-standing need to show confusion unlikely, it follows (contrary to the Court of Appeals's view) that some possibility of consumer confusion must be compatible with fair use, and so it is. The common law's tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first. *Canal Co. v. Clark*, 13 Wall., at 323–324, 327. The Lanham Act adopts a similar leniency, there being no indication that the statute was meant to deprive commercial speakers of the ordinary utility of descriptive words. "If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase." *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d, at 30. See also *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 201 (1985) (noting safeguards in Lanham Act to prevent commercial monopolization of language); *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (C.A.2 1995) (noting importance of "protect[ing] the right of society at large to use words or images in their primary descriptive sense"). This right to describe is the reason that descriptive terms qualify for registration as trademarks only after taking on secondary meaning as "distinctive of the applicant's goods," 15 U.S.C. §1052(f), with the registrant getting an exclusive right not in the original, descriptive sense, but only in the secondary one associated with the markholder's goods, 2 MCCARTHY, *supra*, §11:45, p. 11–90 ("The only aspect of the mark which is given legal protection is that penumbra or fringe of secondary meaning which surrounds the old descriptive word").

While we thus recognize that mere risk of confusion will not rule out fair use, we think it would be improvident to go further in this case, for deciding anything more would take us beyond the Ninth Circuit's consideration of the subject. It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair. Two Courts of Appeals have found it relevant to consider such scope, and commentators and amici here have urged us to say that the degree of likely consumer confusion bears not only on the fairness of using a term, but even on the further question whether an originally descriptive term has become so identified as a mark that a defendant's use of it cannot realistically be called descriptive. *See Shakespeare Co. v. Silstar Corp.*, 110 F.3d, at 243 (“[T]o the degree that confusion is likely, a use is less likely to be found fair . . .” (emphasis deleted)); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d, at 1059; RESTATEMENT §28.

Since we do not rule out the pertinence of the degree of consumer confusion under the fair use defense, we likewise do not pass upon the position of the United States, as amicus, that the “used fairly” requirement in §1115(b)(4) demands only that the descriptive term describe the goods accurately. Accuracy of course has to be a consideration in assessing fair use, but the proceedings in this case so far raise no occasion to evaluate some other concerns that courts might pick as relevant, quite apart from attention to confusion. The Restatement raises possibilities like commercial justification and the strength of the plaintiff's mark. RESTATEMENT §28. As to them, it is enough to say here that the door is not closed.

III

In sum, a plaintiff claiming infringement of an incontestable mark must show likelihood of consumer confusion as part of the prima facie case, 15 U.S.C. §1115(b), while the defendant has no independent burden to negate the likelihood of any confusion in raising the affirmative defense that a term is used descriptively, not as a mark, fairly, and in good faith, §1115(b)(4).

Because we read the Court of Appeals as requiring KP to shoulder a burden on the issue of confusion, we vacate the judgment and remand the case for further proceedings consistent with this opinion.

COMMENTS AND QUESTIONS

1. *A Delicate, Contextual Balance.* The Supreme Court's decision highlights the ambivalent quality of trademark law's classic fair use doctrine: “some possibility of consumer confusion must be compatible with fair use.” On remand, the Ninth Circuit held that while no longer determinative, consumer confusion was still relevant in deciding whether a use was fair. 408 F.3d 596 (9th Cir. 2005). The court endorsed the RESTATEMENT (THIRD) OF UNFAIR COMPETITION §28 cmt. b balancing test for applying the descriptive fair use defense:

the strength of the plaintiff's mark and the extent of likely or actual confusion are important factors in determining whether a use is fair. Surveys and other

evidence relating to the perceptions of prospective purchasers are thus relevant to the application of the defense, and a use that is likely to create substantial confusion will not ordinarily be considered a fair use. . . .

The court emphasized that “to the degree that confusion is likely, a use is less likely to be found fair.” 408 F.3d at 607–08.

2. *Burden of Proof.* We usually think of defendants bearing the burden of proving a defense. Based on its interpretation of Lanham Act §33(b), 15 U.S.C. §1115(b), however, the Court found that the classic fair use defense is intertwined with the plaintiff’s evidentiary burden to show that the defendant’s actual practice is likely to confuse consumers as to the source of the goods or services in question. The Court notes that this burden must be borne in mind when interpreting the statute’s affirmative defense to “use [] the name, term, or device charged to be an infringement is a use, otherwise than as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin . . .” §33(b)(4). The Court resolves this tension by holding that the defendant need not negate a showing of likelihood of confusion to prevail on its defense. This suggests that the plaintiff’s effective burden in a case involving a classic fair use defense is higher than merely proving likelihood of confusion.

3. *Is the Classic Fair Use Defense Limited to Descriptive Marks?* While the statute speaks in terms of a defendant’s use “to describe” an attribute of the defendant’s product, both the Second and Ninth Circuits have held that the defense is available for inherently distinctive marks as well. See *Car-Freshner Corp. v. S.C. Johnson & Son*, 70 F.3d 267, 269 (2d Cir. 1995); *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir. 2003); 1 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §11.17[1] (endorsing the application to inherently distinctive marks).

Does this make sense? How can someone use another’s inherently distinctive mark to describe their own products? See, e.g., *Sazerac Brands LLC v. Peristyle, LLC*, 892 F.3d 853 (6th Cir. 2018) (holding that the defendant’s accurate and good faith reference to the geographic fact that its bourbon is made in “the Former Old Taylor Distillery”—named for Colonel Edmund Haynes Taylor, Jr., a famous distiller in the late 19th century—on its bourbon product was fair use notwithstanding the plaintiff’s trademark on “Old Taylor” for its bourbon product); *Tiffany & Co. v. Costco Wholesale Corp.*, 971 F.3d 74 (2d Cir. 2020) (holding that Costco could raise a fair use defense where it described the shape and setting of the diamond rings it sold as “Tiffany” rings because “Tiffany” had come to be associated with a particular style of ring, albeit one popularized by Tiffany & Co.).

4. *Classic Fair Use Rescues Romance.* In *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond’s USA*, 125 F.3d 28 (2d Cir. 1997), the plaintiff had registered the trademark “Sealed With a Kiss” for a brand of long-lasting lipstick. Plaintiff sued after the defendant began an advertising campaign for its own brand of lipstick that encouraged users to place a lipstick “kiss” on a postcard and mail it to someone. The defendant’s campaign used the phrase “Seal it with a Kiss!!” The court held that the phrase

“sealed with a kiss” was in common use and that the defendant was not liable because it merely used that common phrase in its descriptive (rather than its trademark) sense. *See also McZeal v. Amazon Servs. LLC*, 2021 WL 5213099 (C.D. Cal. Nov. 8, 2021) (defendant was entitled to refer to its product as a “smart walkie talkie” despite plaintiff’s claim to own a trademark in the term).

That last point is important. Defendants who also seek to use a descriptive term as a mark won’t be able to take advantage of the fair use defense. *See Lifeguard Licensing Corp. v. Ann Arbor T-shirt Co.*, 2018 WL 3364388 (S.D.N.Y. July 9, 2018).

ii. *Nontrademark (or Nominative) Use*

In *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302 (9th Cir. 1992), USA Today asked its readers: “Who’s the best on the block?” This feature commented that “New Kids on the Block are pop’s hottest group. Which of the five is your fave? Or are they a turn off? . . . Each call [to a 900 number] costs 50 cents. Results in Friday’s Life Section.” In finding that this use of the band’s name did not infringe its trademark rights, Judge Kozinski articulated the contours and elements of the nominative use doctrine:

[W]e may generalize a class of cases where the use of the trademark does not attempt to capitalize on consumer confusion or to appropriate the cachet of one product for a different one. Such nominative use of a mark—where the only word reasonably available to describe a particular thing is pressed into service—lies outside the strictures of trademark law: Because it does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition; such use is fair because it does not imply sponsorship or endorsement by the trademark holder. “When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth.” *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924) (Holmes, J.).

To be sure, this is not the classic fair use case where the defendant has used the plaintiff’s mark to describe the defendant’s *own* product. Here, the New Kids trademark is used to refer to the New Kids themselves. We therefore do not purport to alter the test applicable in the paradigmatic fair use case. If the defendant’s use of the plaintiff’s trademark refers to something other than the plaintiff’s product, the traditional fair use inquiry will continue to govern. But, where the defendant uses a trademark to describe the plaintiff’s product, rather than its own, we hold that a commercial user is entitled to a nominative fair use defense provided he meets the following three requirements: First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

New Kids on the Block, 971 F.2d at 307–08 (emphasis in original).

How would the court rule if USA Today had used the band’s logo in the feature? How would the court in *Mattel* have responded if MCA used the Barbie logo on the Aqua album cover? What if the Barbie logo had a red circle with a slash symbol (“no”) through it? What if it merely had a Barbie look-alike on the cover? Does the 2006 Trademark Dilution Revision Act, which explicitly protects “identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods” but only if used “otherwise than as a mark,” change the court’s analysis? See Stacey L. Dogan & Mark A. Lemley, *Parody as Brand*, 47 U.C. DAVIS L. REV. 473 (2013).

Is nominative use a defense to a trademark infringement case, or is it simply a different way of analyzing likelihood of confusion? As with the classic fair use doctrine, the practical effect of the characterization can be substantial: a defense applies even if consumers are confused.

The Third Circuit has rejected the *New Kids on the Block* formulation of nominative use, concluding that as a defense, nominative use should not depend on whether the use confuses some consumers. See *Century 21 Real Estate Corp. v. LendingTree, Inc.*, 425 F.3d 211 (3d Cir. 2006). Who is right? Does *KP Permanent* shed any light on the question? The First Circuit has also rejected the Ninth Circuit’s requirement that the defendant’s work take “no more of the mark than was necessary,” holding that “a trademark holder has no right to police ‘unnecessary’ use of its mark. Whether necessary or not, a defendant’s use of a mark must be confusing . . .” *Swarovski AG v. Building #19, Inc.*, 704 F.3d 44 (1st Cir. 2013). The Second Circuit has combined the traditional likelihood of confusion factors and the Ninth Circuit’s factors into a single test. See *International Information Systems Security Certification Consortium, Inc. v. Security University, LLC*, 823 F.3d 153 (2d Cir. 2016).

COMMENTS AND QUESTIONS

1. How does the nontrademark use doctrine square with the merchandising rights in logos and university names that some courts have granted to trademark owners?

2. Terri Welles, Playboy Magazine’s Playmate of the Year in 1981, created a website offering photographs of Welles (some for free, others for sale), membership in her photo club, and links to other commercial sites. Her website contained “playboy” and “playmate” in metatags, the phrase “Playmate of the Year 1981” on the masthead of the website and in banner advertisements, and the repeated use of the abbreviation “PMOY ’81” as a watermark on the web pages. How should each of these uses be evaluated under the *New Kids on the Block* test? See *Playboy Enters., Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002) (Welles was free to use Playboy’s trademarks to accurately advertise her affiliation with the magazine, but could not go beyond that to trade on those marks).

3. In *Mattel v. Walking Mountain Prods.*, 353 F.3d 792 (9th Cir. 2003), the court held that an artist who posed Barbie dolls nude in photographs in which they were attacked by vintage household appliances was not liable for trademark infringement or

dilution, since his use of the term Barbie accurately stated the content of his works, he was criticizing or parodying Barbie, and his use was not commercial use.

iii. Parody and Expressive Works



Jack Daniel’s Properties, Inc. v. VIP Products LLC
Supreme Court of the United States
143 S.Ct. 1578 (2023)

JUSTICE KAGAN delivered the opinion of the Court.

This case is about dog toys and whiskey, two items seldom appearing in the same sentence. Respondent VIP Products makes a squeaky, chewable dog toy designed to look like a bottle of Jack Daniel’s whiskey. Though not entirely. On the toy, for example, the words “Jack Daniels” become “Bad Spaniels.” And the descriptive phrase “Old No. 7 Brand Tennessee Sour Mash Whiskey” turns into “The Old No. 2 On Your Tennessee Carpet.” The jokes did not impress petitioner Jack Daniel’s Properties. It owns trademarks in the distinctive Jack Daniel’s bottle and in many of the words and graphics on the label. And it believed Bad Spaniels had both infringed and diluted those trademarks. Bad Spaniels had infringed the marks, the argument ran, by leading consumers to think that Jack Daniel’s had created, or was otherwise responsible for, the dog toy. And Bad Spaniels had diluted the marks, the argument went on, by associating the famed whiskey with, well, dog excrement.

The Court of Appeals, in the decision we review, saw things differently. Though the federal trademark statute makes infringement turn on the likelihood of consumer confusion, the Court of Appeals never got to that issue. On the court’s view, the First Amendment compels a stringent threshold test when an infringement suit challenges a so-called expressive work—here (so said the court), the Bad Spaniels toy. And that test knocked out Jack Daniel’s claim, whatever the likelihood of confusion. Likewise, Jack’s dilution claim failed—though on that issue the problem was statutory. The trademark law provides that the “noncommercial” use of a mark cannot count as dilution. 15 U.S.C. §1125(c)(3)(C). The Bad Spaniels marks, the court held, fell within that exemption because the toy communicated a message—a kind of parody—about Jack Daniel’s.

Today, we reject both conclusions. The infringement issue is the more substantial. In addressing it, we do not decide whether the threshold inquiry applied in the Court of Appeals is ever warranted. We hold only that it is not appropriate when the accused infringer has used a trademark to designate the source of its own goods—in other words, has used a trademark as a trademark. That kind of use falls within the heartland of trademark law, and does not receive special First Amendment protection. The dilution issue is more simply addressed. The use of a mark does not count as noncommercial just because it parodies, or otherwise comments on, another’s products.



Bad Spaniels is about the same size and shape as an ordinary bottle of Jack Daniel's. The faux bottle, like the original, has a black label with stylized white text and a white filigreed border. The words "Bad Spaniels" replace "Jack Daniel's" in a like font and arch. Above the arch is an image of a spaniel. (This is a dog toy, after all.) Below the arch, "The Old No. 2 On Your Tennessee Carpet" replaces "Old No. 7 Tennessee Sour Mash Whiskey" in similar graphic form. The small print at the bottom substitutes "43% poo by vol." and "100% smelly" for "40% alc. by vol. (80 proof)."

The toy is packaged for sale with a cardboard hangtag (so it can be hung on store shelves). Here is the back of the hangtag:



At the bottom is a disclaimer: “This product is not affiliated with Jack Daniel Distillery.” In the middle are some warnings and guarantees. And at the top, most relevant here, are two product logos—on the left for the Silly Squeakers line, and on the right for the Bad Spaniels toy.

[Jack Daniels sued for trademark infringement and dilution.]

VIP moved for summary judgment on both claims. First, VIP argued that Jack Daniel’s infringement claim failed under a threshold test derived from the First Amendment to protect “expressive works”—like (VIP said) the Bad Spaniels toy. When those works are involved, VIP contended, the so-called *Rogers* test requires dismissal of an infringement claim at the outset unless the complainant can show one of two things: that the challenged use of a mark “has no artistic relevance to the underlying work” or that it “explicitly misleads as to the source or the content of the work.” *Rogers v. Grimaldi*, 875 F.2d 994, 999 (C.A.2 1989) (Newman, J.). Because Jack Daniel’s could make neither showing, VIP argued, the likelihood-of-confusion issue became irrelevant. Second, VIP urged that Jack Daniel’s could not succeed on a dilution claim because Bad Spaniels was a “parody[]” of Jack Daniel’s, and therefore made “fair use” of its famous marks. §1125(c)(3)(A)(ii).

...

The case thus proceeded to a bench trial, where Jack Daniel’s prevailed. The District Court found, based largely on survey evidence, that consumers were likely to be confused about the source of the Bad Spaniels toy. See 291 F.Supp.3d 891, 906–911 (D. Ariz. 2018). And the court thought that the toy, by creating “negative associations” with “canine excrement,” would cause Jack Daniel’s “reputational harm.” *Id.*, at 903, 905.

But the Court of Appeals for the Ninth Circuit reversed, ruling that the District Court had gotten the pretrial legal issues wrong. In the Ninth Circuit’s view, the infringement claim was subject to the threshold *Rogers* test because Bad Spaniels is an “expressive work”: Although just a dog toy, and “surely not the equivalent of the *Mona Lisa*,” it “communicates a humorous message.” 953 F.3d 1170, 1175 (2020) (internal quotation marks omitted). The Court of Appeals therefore returned the case to the District Court to decide whether Jack Daniel’s could satisfy either of *Rogers*’ two prongs. And the Ninth Circuit awarded judgment on the dilution claim to VIP. The court did not address the statutory exclusion for parody and other fair use, as the District Court had. Instead, the Court of Appeals held that the exclusion for “noncommercial use” shielded VIP from liability. §1125(c)(3)(C). The “use of a mark may be ‘noncommercial,’” the court reasoned, “even if used to sell a product.” 953 F.3d, at 1176 (internal quotation marks omitted). And here it was so, the court found, because it “parodies” and “comments humorously” on Jack Daniel’s. *Id.*, at 1175; see *id.*, at 1176.

...

II

Our first and more substantial question concerns Jack Daniel’s infringement claim: Should the company have had to satisfy the *Rogers* threshold test before the case could

proceed to the Lanham Act’s likelihood-of-confusion inquiry?¹⁴ The parties address that issue in the broadest possible way, either attacking or defending *Rogers* in all its possible applications. Today, we choose a narrower path. Without deciding whether *Rogers* has merit in other contexts, we hold that it does not when an alleged infringer uses a trademark in the way the Lanham Act most cares about: as a designation of source for the infringer’s own goods. See §1127. VIP used the marks derived from Jack Daniel’s in that way, so the infringement claim here rises or falls on likelihood of confusion. But that inquiry is not blind to the expressive aspect of the Bad Spaniels toy that the Ninth Circuit highlighted. Beyond source designation, VIP uses the marks at issue in an effort to “parody” or “make fun” of Jack Daniel’s. And that kind of message matters in assessing confusion because consumers are not so likely to think that the maker of a mocked product is itself doing the mocking.

A

To see why the *Rogers* test does not apply here, first consider the case from which it emerged. The defendants there had produced and distributed a film by Federico Fellini titled “Ginger and Fred” about two fictional Italian cabaret dancers (Pippo and Amelia) who imitated Ginger Rogers and Fred Astaire. When the film was released in the United States, Ginger Rogers objected under the Lanham Act to the use of her name. The Second Circuit rejected the claim. It reasoned that the titles of “artistic works,” like the works themselves, have an “expressive element” implicating “First Amendment values.” 875 F.2d, at 998. And at the same time, such names posed only a “slight risk” of confusing consumers about either “the source or the content of the work.” *Id.*, at 999–1000. So, the court concluded, a threshold filter was appropriate. When a title “with at least some artistic relevance” was not “explicitly misleading as to source or content,” the claim could not go forward. *Ibid.* But the court made clear that it was not announcing a general rule. In the typical case, the court thought, the name of a product was more likely to indicate its source, and to be taken by consumers in just that way. See *id.*, at 1000.

Over the decades, the lower courts adopting *Rogers* have confined it to similar cases, in which a trademark is used not to designate a work’s source, but solely to perform some other expressive function. So, for example, when the toymaker Mattel sued a band over the song “Barbie Girl”—with lyrics including “Life in plastic, it’s fantastic” and “I’m a blond bimbo girl, in a fantasy world”—the Ninth Circuit applied *Rogers*. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 901 (2002). That was because, the court reasoned, the band’s use of the Barbie name was “not [as] a source identifier”: The use did not “speak[] to [the song’s] origin.” *Id.*, at 900, 902; see *id.*, at 902 (a consumer would no more think that the song was “produced by Mattel” than would, “upon hearing Janis Joplin croon ‘Oh Lord, won’t you buy me a Mercedes Benz?,’ ...

¹⁴ To be clear, when we refer to “the *Rogers* threshold test,” we mean any threshold First Amendment filter.

suspect that she and the carmaker had entered into a joint venture”). Similarly, the Eleventh Circuit dismissed a suit under *Rogers* when a sports artist depicted the Crimson Tide’s trademarked football uniforms solely to “memorialize” a notable event in “football history.” *University of Ala. Bd. of Trustees v. New Life Art, Inc.*, 683 F.3d 1266, 1279 (2012). And when Louis Vuitton sued because a character in the film *The Hangover: Part II* described his luggage as a “Louis Vuitton” (though pronouncing it *Lewis*), a district court dismissed the complaint under *Rogers*. See *Louis Vuitton Malletier S. A. v. Warner Bros. Entertainment Inc.*, 868 F.Supp.2d 172 (S.D.N.Y. 2012). All parties agreed that the film was not using the Louis Vuitton mark as its “own identifying trademark.” *Id.*, at 180 (internal quotation marks omitted). When that is so, the court reasoned, “confusion will usually be unlikely,” and the “interest in free expression” counsels in favor of avoiding the standard Lanham Act test. *Ibid.*

The same courts, though, routinely conduct likelihood-of-confusion analysis, without mentioning *Rogers*, when trademarks are used as trademarks—*i.e.*, to designate source. See, *e.g.*, *JL Beverage Co., LLC v. Jim Beam Brands Co.*, 828 F.3d 1098, 1102–1103, 1106 (C.A.9 2016); *PlayNation Play Systems, Inc. v. Vexel Corp.*, 924 F.3d 1159, 1164–1165 (C.A.11 2019). And the Second Circuit—*Rogers*’ home court—has made especially clear that *Rogers* does not apply in that context. For example, that court held that an offshoot political group’s use of the trademark “United We Stand America” got no *Rogers* help because the use was as a source identifier. See *United We Stand Am., Inc. v. United We Stand, Am. New York, Inc.*, 128 F.3d 86, 93 (1997). True, that slogan had expressive content. But the defendant group, the court reasoned, was using it “as a mark,” to suggest the “same source identification” as the original “political movement.” *Ibid.* And similarly, the Second Circuit (indeed, the judge who authored *Rogers*) rejected a motorcycle mechanic’s view that his modified version of Harley Davidson’s bar-and-shield logo was an expressive parody entitled to *Rogers*’ protection. See *Harley-Davidson, Inc. v. Grottanelli*, 164 F.3d 806, 812–13 (1999). The court acknowledged that the mechanic’s adapted logo conveyed a “somewhat humorous[]” message. *Id.*, at 813. But his use of the logo was a quintessential “trademark use”: to brand his “repair and parts business”—through signage, a newsletter, and T-shirts—with images “similar” to Harley-Davidson’s. *Id.*, at 809, 812–13.

The point is that whatever you make of *Rogers*—and again, we take no position on that issue—it has always been a cabined doctrine. If we put this case to the side, the *Rogers* test has applied only to cases involving “non-trademark uses”—or otherwise said, cases in which “the defendant has used the mark” at issue in a “non-source-identifying way.” S. Dogan & M. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1684 (2007); see *id.*, at 1683–84, and n. 58. The test has not insulated from ordinary trademark scrutiny the use of trademarks as trademarks, “to identify or brand [a defendant’s] goods or services.” *Id.*, at 1683.

We offer as one last example of that limitation a case with a striking resemblance to this one. It too involved dog products, though perfumes rather than toys. Yes, the defendant sold “a line of pet perfumes whose names parody elegant brands sold for

human consumption.” *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F.Supp.2d 410, 412 (S.D.N.Y. 2002) (Mukasey, J.). The product at issue was named Timmy Holedigger—which Tommy Hilfiger didn’t much like. The defendant asked for application of *Rogers*. The court declined it, relying on *Harley-Davidson*. See 221 F.Supp.2d, at 414. *Rogers*, the court explained, kicks in when a suit involves solely “nontrademark uses of [a] mark—that is, where the trademark is not being used to indicate the source or origin” of a product, but only to convey a different kind of message. 221 F.Supp.2d, at 414. When, instead, the use is “at least in part” for “source identification”—when the defendant may be “trading on the good will of the trademark owner to market its own goods”—*Rogers* has no proper role. 221 F.Supp.2d, at 414–15. And that is so, the court continued, even if the defendant is *also* “making an expressive comment,” including a parody of a different product. *Id.*, at 415. The defendant is still “mak[ing] trademark use of another’s mark,” and must meet an infringement claim on the usual battleground of “likelihood of confusion.” *Id.*, at 416.

That conclusion fits trademark law, and reflects its primary mission. From its definition of “trademark” onward, the Lanham Act views marks as source identifiers—as things that function to “indicate the source” of goods, and so to “distinguish” them from ones “manufactured or sold by others.” §1127. The cardinal sin under the law, as described earlier, is to undermine that function. It is to confuse consumers about source—to make (some of) them think that one producer’s products are another’s. And that kind of confusion is most likely to arise when someone uses another’s trademark as a trademark—meaning, again, as a source identifier—rather than for some other expressive function. To adapt one of the cases noted above: Suppose a filmmaker uses a Louis Vuitton suitcase to convey something about a character (he is the kind of person who wants to be seen with the product but doesn’t know how to pronounce its name). Now think about a different scenario: A luggage manufacturer uses an ever-so-slightly modified LV logo to make inroads in the suitcase market. The greater likelihood of confusion inheres in the latter use, because it is the one conveying information (or misinformation) about who is responsible for a product. That kind of use “implicate[s] the core concerns of trademark law” and creates “the paradigmatic infringement case.” G. Dinwoodie & M. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1636 (2007). So the *Rogers* test—which offers an escape from the likelihood-of-confusion inquiry and a shortcut to dismissal—has no proper application.^[2]

Nor does that result change because the use of a mark has other expressive content—*i.e.*, because it conveys some message on top of source. Here is where we most dramatically part ways with the Ninth Circuit, which thought that because Bad Spaniels “communicates a humorous message,” it is automatically entitled to *Rogers*’ protection. 953 F.3d, at 1175 (internal quotation marks omitted). On that view, *Rogers* might take over

^[2] That is not to say (far from it) that every infringement case involving a source-identifying use requires full-scale litigation. Some of those uses will not present any plausible likelihood of confusion—because of dissimilarity in the marks or various contextual considerations. And if, in a given case, a plaintiff fails to plausibly allege a likelihood of confusion, the district court should dismiss the complaint under FEDERAL RULE OF CIVIL PROCEDURE 12(b)(6). See 6 MCCARTHY §32:121.75 (providing examples).

LLC, 507 F.3d 252, 265 (C.A. 4 2007) (Parody “influences the way in which the [likelihood-of-confusion] factors are applied”). A parody must “conjure up” “enough of [an] original to make the object of its critical wit recognizable.” *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 588 (1994) (internal quotation marks omitted). Yet to succeed, the parody must also create contrasts, so that its message of ridicule or pointed humor comes clear. And once that is done (*if* that is done), a parody is not often likely to create confusion. Self-deprecation is one thing; self-mockery far less ordinary. So although VIP’s effort to ridicule Jack Daniel’s does not justify use of the *Rogers* test, it may make a difference in the standard trademark analysis. Consistent with our ordinary practice, we remand that issue to the courts below. . . .

III

Our second question, more easily dispatched, concerns Jack Daniel’s claim of dilution by tarnishment (for the linkage of its whiskey to less savory substances). Recall that the Ninth Circuit dismissed that claim based on one of the Lanham Act’s “[e]xclusions” from dilution liability—for “[a]ny noncommercial use of a mark.” §1125(c)(3)(C). On the court’s view, the “use of a mark may be ‘noncommercial’ even if used to sell a product.” 953 F.3d, at 1176 (internal quotation marks omitted). And VIP’s use is so, the court continued, because it “parodies” and “convey[s] a humorous message” about Jack Daniel’s. *Id.*, at 1175–76. We need not express a view on the first step of that reasoning because we think the second step wrong. However wide the scope of the “noncommercial use” exclusion, it cannot include, as the Ninth Circuit thought, every parody or humorous commentary.

To begin to see why, consider the scope of another of the Lanham Act’s exclusions—this one for “[a]ny fair use.” As described earlier, the “fair use” exclusion specifically covers uses “parodying, criticizing, or commenting upon” a famous mark owner. §1125(c)(3)(A)(ii). But not in every circumstance. Critically, the fair-use exclusion has its own exclusion: It does not apply when the use is “as a designation of source for the person’s own goods or services.” §1125(c)(3)(A). In that event, no parody, criticism, or commentary will rescue the alleged dilutor. It will be subject to liability regardless.

The problem with the Ninth Circuit’s approach is that it reverses that statutorily directed result, as this case illustrates. Given the fair-use provision’s carve-out, parody (and criticism and commentary, humorous or otherwise) is exempt from liability only if *not* used to designate source. Whereas on the Ninth Circuit’s view, parody (and so forth) is exempt always—regardless whether it designates source. The expansive view of the “noncommercial use” exclusion effectively nullifies Congress’s express limit on the fair-use exclusion for parody, etc. Just consider how the Ninth Circuit’s construction played out here. The District Court had rightly concluded that because VIP used the challenged marks as source identifiers, it could not benefit from the fair-use exclusion for parody. The Ninth Circuit took no issue with that ruling. But it shielded VIP’s parodic uses anyway. In doing so, the court negated Congress’s judgment about when—

and when not—parody (and criticism and commentary) is excluded from dilution liability.

IV

Today’s opinion is narrow. We do not decide whether the *Rogers* test is ever appropriate, or how far the “noncommercial use” exclusion goes. On infringement, we hold only that *Rogers* does not apply when the challenged use of a mark is as a mark. On dilution, we hold only that the noncommercial exclusion does not shield parody or other commentary when its use of a mark is similarly source-identifying. It is no coincidence that both our holdings turn on whether the use of a mark is serving a source-designation function. The Lanham Act makes that fact crucial, in its effort to ensure that consumers can tell where goods come from.

JUSTICE SOTOMAYOR, with whom JUSTICE ALITO joins, concurring.

I join the Court’s opinion in full. I write separately to emphasize that in the context of parodies and potentially other uses implicating First Amendment concerns, courts should treat the results of surveys with particular caution. . . .

JUSTICE GORSUCH, with whom JUSTICE THOMAS and JUSTICE BARRETT join, concurring.

I am pleased to join the Court’s opinion. I write separately only to underscore that lower courts should handle *Rogers v. Grimaldi*, 875 F.2d 994 (C.A.2 1989), with care. Today, the Court rightly concludes that, even taken on its own terms, *Rogers* does not apply to cases like the one before us. But in doing so, we necessarily leave much about *Rogers* unaddressed. For example, it is not entirely clear where the *Rogers* test comes from—is it commanded by the First Amendment, or is it merely gloss on the Lanham Act, perhaps inspired by constitutional-avoidance doctrine? *Id.*, at 998. For another thing, it is not obvious that *Rogers* is correct in all its particulars—certainly, the Solicitor General raises serious questions about the decision. See Brief for United States as *Amicus Curiae* 23–28. All this remains for resolution another day and lower courts should be attuned to that fact.

COMMENTS AND QUESTIONS

1. Is the likelihood of confusion analysis sufficiently robust to protect parody? Note that while the *Haute Diggity Dog* court successfully adapted dilution law to accommodate the use of parody to brand goods, the district court in this case found confusion based on part on a survey that suggested 30% of consumers thought Jack Daniels had sponsored Bad Spaniels. That seems implausible.

The Court suggests that the likelihood of confusion analysis may differ in parody cases. How should it change? Should courts rely on surveys at all in parody cases? What factors would allow courts to dismiss weak cases on a motion to dismiss, as footnote 2 suggests is appropriate?

Parody has been an effective defense against trademark infringement. But a parody that confuses consumers will not be immune from trademark infringement. See *Cliffs*

Notes, Inc. v. Bantam Doubleday Dell Publ'g Grp., Inc., 886 F.2d 490 (2d Cir. 1989). In *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397 (8th Cir. 1987), the court observed that

[a] parody must convey two simultaneous—and contradictory—messages: that it is the original, but also that it is not the original and is instead a parody. To the extent that it does only the former but not the latter, it is not only a poor parody but also vulnerable under trademark law, since the customer will be confused.

Id. at 494 (affirming district court's finding of likelihood of confusion between plaintiff's famous "Mutual of Omaha" mark and defendant's anti-nuclear t-shirts, bearing funny picture and "Mutant of Omaha" legend).

In *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497 (2d Cir. 1996), the court held that defendant's use of a character named "SPA'AM" in a movie was an acceptable parody of the plaintiff's famous registered mark "SPAM" for meat-related products. The opinion treats the case strictly under "likelihood of confusion" principles. Although no confusion is found to be likely, and the parody is permitted, the First Amendment is never mentioned. Should the First Amendment protect even confusing parodies? See Steven M. Perez, *Confronting Biased Treatment of Trademark Parody Under the Lanham Act*, 44 Emory L.J. 1451 (1995) (arguing that trademark-based "likelihood of confusion" analysis makes parody cases too unpredictable and inconsistent with free speech interests).

2. *Parody/Satire Distinction.* As we discussed in Chapter IV, courts distinguish between parody and satire in applying copyright's fair use doctrine, finding parody of a copyrighted work much more likely to fall within the scope of the doctrine than satirical treatment.

In *Elvis Presley Enterprises v. Capece*, 141 F.3d 188 (5th Cir. 1998), the Fifth Circuit imported the parody/satire distinction from copyright law into traditional trademark analysis. The court held that defendant's 1960s theme bar could not use the name "Velvet Elvis" because it infringed on the rights of Elvis Presley's estate. The owner of the bar claimed that he was engaged in a legitimate parody of the kitsch associated with certain aspects of the 1960s. The Fifth Circuit concluded that "parody is not a defense to trademark infringement," and that in any event the "Velvet Elvis" was engaged in satire and not parody because its statement did not require the use of the Elvis trademark.

Does it make sense to import copyright law's parody/satire distinction into trademark law? Aren't the purposes of the laws different? Does *VIP Products* adopt (or reject) that approach?

In any event, how likely is it that consumers will be confused by the use of the "Velvet Elvis" name? Contrast this case with *E.S.S. Entertainment 2000 v. Rock Star Videos*, 547 F.3d 1095 (9th Cir. 2008), which held that the First Amendment protected the depiction of a strip club in the video game *Grand Theft Auto: San Andreas* called

the “Pig Pen” with a likeness similar to plaintiff’s actual “Play Pen” strip club so long as the use had at least “some artistic relevance” and was not “expressly misleading.”

3. *Noncommercial and Nontrademark Uses in the Dilution statute.* The dilution statute requires that the defendant’s use be use as a “mark or trade name,” not simply use “otherwise than as a designation of source.” Whatever the merits of a general trademark use requirement (discussed in Section D(1), therefore, it seems that the defendant must engage in trademark use to be liable under the dilution statute. See Stacey L. Dogan & Mark A. Lemley, *The Trademark Use Requirement in Dilution Cases*, 24 SANTA CLARA COMPUT. & HIGH TECH. L.J. 571 (2008).

The court concluded that Bad Spaniels’ use was not a nontrademark use because the company was using the term to brand and sell its own products. But while parody is not a complete defense under the statute, it may be relevant for dilution just as it is for confusion. As the Fourth Circuit noted in *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007), while such “brand parodies” are not automatically immune from a dilution claim, they can still survive if their parodic nature means that they are unlikely to blur the significance of the mark they make fun of. See also Stacey L. Dogan & Mark A. Lemley, *Parody as Brand*, 47 U.C. DAVIS L. REV. 473 (2013).

4. *Dilution Defenses.* Subsection (3) of the statute creates a broad list of things exempt from the reach of the dilution statute, including all noncommercial uses, and a variety of fair uses “other than as a designation of source,” including nontrademark uses, comparative advertising, news reporting, parody, commentary, and criticism.

It is a defense to a dilution claim that the famous mark was used in lawful comparative advertising. In *Ty, Inc. v. Perryman*, 306 F.3d 509 (7th Cir. 2002), the court held that it also could not dilute a mark to use it to refer to the trademark owner. Ty, the maker of Beanie Babies, sued an individual who accurately advertised second-hand Beanie Babies for resale. Judge Posner’s opinion explained that there was no blurring or tarnishment of the Beanie Baby mark here, since the use of the mark was only to refer accurately to the plaintiff’s own goods. The court acknowledged Ty’s argument that Perryman was free riding on the fame of its mark, but said that “in that attenuated sense of free riding, almost everyone in business is free riding.”

5. *Expressive Uses and Trademark Use, Again.* The Court revives the doctrine of trademark use discussed in Section D(1), using it to distinguish between cases that should be revolved under the likelihood of confusion test and those that may receive additional protection as expressive works. Notably, however, the Court does not say that non-trademark uses are entirely exempt from trademark law. Rather, it suggests (though it does not mandate) that a more speech-protective test such as *Rogers v. Grimaldi* may apply to such non-trademark uses.

Rogers offers substantially more protection to speech than does the parody/satire distinction or even a modified version of the likelihood of confusion test. In a case involving the use of a celebrity’s name in a film title, the Second Circuit construed the

Lanham Act narrowly to avoid First Amendment protections: “In the context of allegedly misleading titles using a celebrity’s name, that balance will normally not support application of the [Lanham] Act unless [1] the title has no artistic relevance to the underlying work whatsoever, or, [2] if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.” *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989).

Other decisions have expanded on this holding. Thus, artists can paint and video games can depict actual Alabama football players wearing team uniforms. *See Univ. of Alabama Bd. of Trs. v. New Life Art, Inc.*, 683 F.3d 1266 (11th Cir. 2012); *Brown v. Electronic Arts, Inc.*, 724 F.3d 1235 (9th Cir. 2013). And Fox can call its TV show about a fictional record label named “Empire” *Empire* even though there is an actual Empire record label. *Twentieth Century Fox Television v. Empire Distrib. Inc.*, 875 F.3d 1192 (9th Cir. 2017); *MGFB Properties, Inc. v. Viacom Inc.* 54 F.4th 670 (11th Cir. 2022) (“MTV Floribama Shore” reality show did not infringe trademark for the Flora-Bama bar under *Rogers*); *but see Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, 2012 WL 1022247 (S.D.N.Y. March 22, 2012) (holding that humorous ad criticizing unnecessary luxury by depicting a basketball featuring the Louis Vuitton logo on a marble court with a gold hoop diluted Vuitton’s trademarks). In *Dr. Seuss Enters. v. ComicMix, LLC*, 983 F.3d 443 (9th Cir. 2020), the court held that a mashup of Dr. Seuss and Star Trek called “Oh the Places You’ll Boldly Go!” “easily surpasses” the “low bar” of artistic relevance. And the court explained that a work did not explicitly mislead unless it included

‘an explicit indication,’ ‘overt claim,’ or ‘explicit misstatement’ about the source of the work. Thus, although titling a book ‘Nimmer on Copyright,’ ‘Jane Fonda’s Workout Book,’ or ‘an authorized biography’ can explicitly misstate who authored or endorsed the book, a title that ‘include[s] a well-known name’ is not *explicitly* misleading if it only ‘implicitly suggest[s] endorsement or sponsorship.’ *Rogers*, 875 F.2d at 999–1000 (emphasis added). . . .

Boldly is not explicitly misleading as to its source, though it uses the Seussian font in the cover, the Seussian style of illustrations, and even a title that adds just one word—*Boldly*—to the famous title—*Oh, the Places You’ll Go!*. Seuss’s evidence of consumer confusion in its expert survey does not change the result. The *Rogers* test drew a balance in favor of artistic expression and tolerates ‘the slight risk that [the use of the trademark] might implicitly suggest endorsement or sponsorship to some people.’ *Id.* at 1000.

Id. at 462.

Gordon v. Drape Creative, Inc., 909 F.3d 257 (9th Cir. 2018), illustrates the outer limits of the *Rogers* test. Christopher Gordon created a popular YouTube video known for its catchphrases “Honey Badger Don’t Care” and “Honey Badger Don’t Give a S - -.” He obtained trademarks on the phrases and commercialized various products, including greeting cards, mugs, and clothing, with the phrases. He brought a trademark infringement against a greeting card company for marketing greeting cards featuring the

Honey Badger catchphrases. The district court granted summary judgment to the defendants pursuant to the *Rogers* test. On appeal, the Ninth Circuit held although that defendants' greeting cards are expressive works to which *Rogers* applies, there remained a genuine issue of material fact as to *Rogers*'s second prong—i.e., whether defendants' use of Gordon's mark in their greeting cards is explicitly misleading.

In applying this prong, courts examine a broad range of factors in balancing “the public interest in avoiding consumer confusion” against “the public interest in free expression.” *Rogers*, 875 F.2d at 999. The *Gordon* court noted that

In some instances, the use of a mark alone may explicitly mislead consumers about a product's source if consumers would ordinarily identify the source by the mark itself. If an artist pastes Disney's trademark at the bottom corner of a painting that depicts Mickey Mouse, the use of Disney's mark, while arguably relevant to the subject of the painting, could explicitly mislead consumers that Disney created or authorized the painting, even if those words do not appear alongside the mark itself.

909 F.3d at 270. In overturning the district court's grant of summary judgment for the defendants, the Ninth Circuit emphasized two factors: (1) the degree to which the junior user uses the mark in the same way as the senior user; and (2) the extent to which the junior user has added his or her own expressive content to the work beyond the mark itself.

Does *Gordon* undo *Rogers* test? The court rejects any requirement that “explicitly misleading” uses of a mark be, well, explicit. If the use of a mark in the same way the plaintiff uses it can suffice, what is left of the rule that the use of the trademark alone can't satisfy the plaintiff's burden on the second prong? Aren't we just back to the general likelihood of confusion test? Could you argue that Barbie Girl was explicitly misleading under this test? How would you argue it? Would it matter if Mattel had licensed other people to make songs about Barbie? See *Stouffer v. National Geographic Partners*, 400 F. Supp. 3d 1161 (D. Colo. 2019) (reading *Gordon* as “back[ing] away” from its *Empire* decision and narrowing another case applying *Rogers* “to its factual context”). *Stouffer* rejects *Rogers* in favor of asking whether the defendant had “a genuine artistic motive” for using the trademark in its title. Is that alternative test workable?

One court has distinguished *Gordon* on step two even where the parties directly compete. In *Caiz v. Roberts*, 2019 WL 1755421 (C.D. Cal. 2019), Caiz, a rapper, owns the trademark rights to the term “Mastermind” and has used the name in the music industry since 1999. Caiz alleged that Roberts, commonly known as “Rick Ross,” infringed Caiz's trademark by releasing an album, creating a tour, and adopting a persona called “Mastermind.” The court rejected the claim on summary judgment. “In contrast to the defendants in *Gordon* using the Honey Badger catchphrase as the ‘centerpiece’ of their greeting cards, Roberts is using ‘Mastermind’ as one album title out of six albums throughout his career . . . [E]ven where the mark is used, it is through Roberts' own artistic expression,” and in “every instance where [the mark] was used [by Roberts] it



Anheuser-Busch sues Balducci for trademark infringement. At trial, Busch can show only a tiny percentage of consumers who thought Michelob Oily was a real product, but it proves that half the people surveyed believed Balducci should have to get permission from Busch to run the ad. Who should prevail?

Problem V-23. The Coca-Cola Co. maintains an extremely strong and well-recognized trademark in the word “Coke” for its soft drink, and in the phrase “Enjoy Coke,” particularly when used in connection with its red and white patterned logo. Gemini Rising, Inc., which distributes commercial posters, designs a poster with font and colors identical to Coca-Cola’s which reads “Enjoy Cocaine.” After passersby who saw the poster complain to the local press, Coca-Cola brings suit against Gemini Rising. At trial, Coca-Cola offers evidence from a few members of the public who apparently believed that Coca-Cola had sponsored the posters, including one woman who threatened to organize a boycott of Coca-Cola products. What result?

Does your result change if Gemini Rising is a nonprofit political organization devoted to drug legalization? If it agrees to include a statement in medium-sized print at the bottom of the poster disclaiming any affiliation with the Coca-Cola Co.?



Problem V-24: My Other Bag, Inc. (“MOB”) sells simple canvas tote bags with the text “My Other Bag ...” on one side and drawings meant to evoke iconic handbags by luxury designers, such as Louis Vuitton, Chanel, and Fendi, on the other. MOB’s totes are a play on the classic “my other car . . .” novelty bumper stickers, which can be seen on inexpensive, beat up cars across the country informing passersby—with tongue firmly in cheek—that the driver’s “other car” is a Mercedes (or some other luxury car brand). Whereas the Louis Vuitton bag depicted below retails for over \$1200, the MOB canvas version sells for \$38.



Louis Vuitton sues MOB for trademark dilution and trademark infringement. How should a court resolve the lawsuit?

4. Other Defenses

i. Laches

As we saw in prior chapters, laches is a traditional defense to any request for injunctive relief. In the context of trademark infringement, courts have held that the defense can also be used to defeat a request for profits or damages arising from trademark infringement—although such remedies are traditionally deemed “legal” rather than equitable. The Lanham Act recognizes the defense, and declares it enforceable even against a federally registered mark that has become incontestable. Lanham Act §33(b)(9), 15 U.S.C. §1115(b)(9).

In order to establish the defense, the defendant must generally show that (1) the plaintiff had sufficient knowledge of the defendant’s activities concerning the mark at issue; (2) the plaintiff delayed in bringing suit; and (3) the defendant will be prejudiced by allowing the plaintiff to assert its rights at this time. *See, e.g., Cuban Cigar Brands N. V. v. Upmann Intern., Inc.*, 457 F. Supp. 1090, 1096 (S.D.N.Y. 1978).

In determining whether a laches defense is applicable there are no bright line rules to determining whether there was a prejudicial delay. While many courts use a time period analogous to the state law statute of limitations as a starting point in their analysis, it is not determinative of unreasonable delay. Rather, most courts pay particular attention to the facts of the case at bar and balance the equities. In deciding whether a laches defense will succeed, the Ninth Circuit weighs six factors: (1) the strength of plaintiff’s trademark; (2) plaintiff’s diligence in enforcing the mark; (3) the harm to plaintiff if relief is denied; (4) whether defendant acted in good faith ignorance of plaintiff’s rights; (5) competition between the parties; and (6) the harm suffered by defendant because of plaintiff’s delay. *See E-Systems, Inc. v. Monitek, Inc.*, 720 F.2d 604, 607 (9th Cir. 1983). Laches will not protect a willful infringer.

Notably, the period of time required to trigger laches is much shorter in trademark than in copyright law. A delay of even several months in filing suit may bar a preliminary injunction, for instance.

Although the Lanham Act does not have its own statute of limitations, courts have used limitations periods contained in “related” contracts between the parties, limitations periods in “analogous” state statutes, and the doctrine of laches to determine when a claim is time-barred. In addition, a federal four-year “catch all” statute of limitations is applicable to cases arising under a federal law enacted after December 1, 1990.

ii. Unclean Hands

Unclean hands is a traditional equitable defense based on significant misconduct by the trademark owner specifically related to the subject matter of the litigation. In such a case, a court will deny the plaintiff injunctive or other equitable relief.

The Lanham Act provides that traditional equitable defenses are available in trademark infringement actions, even against incontestable marks. Lanham Act §33(b)(9), 15

U.S.C. §1115(b)(9). The RESTATEMENT (THIRD) OF UNFAIR COMPETITION explains that

[i]f a designation used as a trademark, trade name, collective mark, or certification mark is deceptive, or if its use is otherwise in violation of public policy, or if the owner of the designation has engaged in other substantial misconduct directly related to the owner's assertion of rights in the trademark, trade name, collective mark, or certification mark, the owner may be barred in part or whole from the relief that would otherwise be available. . . .

RESTATEMENT (THIRD) OF UNFAIR COMPETITION §32.

The Supreme Court has explained that “[a]ny willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient cause for the invocation of the maxim.” *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945). There are, however, limits on the kind of conduct that can be labeled “unclean hands.” The Third Circuit held that the conduct at issue must rise to the level of “egregious” misconduct: “Because a central concern in an unfair competition case is protection of the public from confusion, courts require clear, convincing evidence of ‘egregious’ misconduct before invoking the doctrine of unclean hands.” *Citizens Financial Group, Inc. v. Citizens Nat. Bank of Evans City*, 383 F.3d 110, 129 (3d Cir. 2004). The Ninth Circuit has taken a similar position. It requires a balancing approach that weighs the plaintiff’s conduct against the defendant’s wrongs and the potential injury to the public resulting from the defendant’s use of the mark:

In the interests of right and justice the court should not automatically condone the defendant’s infractions because the plaintiff is also blameworthy, thereby leaving the two wrongs unremedied and increasing the injury to the public. . . . The relative extent of each party’s wrong upon the other and upon the public should be taken into account and an equitable balance struck.

Republic Molding Corp. v. B.W. Photo Utilities, 319 F.2d 347, 350 (9th Cir. 1963).

a. Fraud in Obtaining Trademark Registration

Fraud in the procurement of a federal trademark registration can serve as an affirmative defense to a charge of infringement of a registered mark (even if the registration has become incontestable). A party raising the defense generally must demonstrate that the registrant has: (1) knowingly made false statements or submissions to the PTO, and (2) that the registration would not have issued but for the false statements or submissions. Fraud is treated as a “disfavored defense.” *Aveda Corp. v. Evita Marketing, Inc.*, 706 F. Supp. 1419, 1425 (D. Minn. 1989). Indeed, the Seventh Circuit has stated that:

Fraud must be shown by *clear and convincing evidence* in order to provide a basis for either cancellation or damages. . . . Fraud will be deemed to exist only when there is a deliberate attempt to mislead the Patent [and Trademark] Office into registering the mark.

Money Store v. Harriscorp Finance, Inc., 689 F.2d 666, 670 (7th Cir. 1982) (emphasis added).

While fraudulent registration can defeat a claim of trademark infringement or a registered mark, the trademark owner is still free to sue for infringement under state law and under §43(a) of the Lanham Act. *See Aveda Corp.*, 706 F. Supp. at 1425 (“Trademarks are created by use, not registration. Federal registration creates valuable substantive and procedural rights, but the common law creates the underlying right to exclude. Thus, even if a plaintiff’s registration is shown to be fraudulently obtained, the plaintiff’s common law rights in the mark may still support an injunction against an infringing defendant.”). The Lanham Act provides a separate civil cause of action available to anyone injured by another’s fraudulent procurement of federal trade-mark registration. *See* Lanham Act §38, 15 U.S.C. §1120.

b. Trademark Misuse

Early cases held that a plaintiff’s alleged anticompetitive activity was no defense to a claim of trademark infringement. Later cases, however, have entertained the defense. *See, e.g., Forstmann Woolen Co. v. Murray Sices Corp.*, 10 F.R.D. 367 (D.N.Y. 1950); *Sanitized, Inc. v. S. C. Johnson & Sons, Inc.*, 23 F.R.D. 230 (S.D.N.Y. 1959); *Phi Delta Theta Fraternity v. J. A. Buchroeder & Co.*, 251 F. Supp. 968 (W.D. Mo. 1966); *Electrical Information Publications, Inc. v. C-M Periodicals, Inc.*, 163 U.S.P.Q. 624 (N.D. Ill. 1969); *Estee Lauder, Inc. v. Fragrance Counter, Inc.*, 189 F.R.D. 269 (S.D.N.Y. 1999).

Courts generally require that the defendant demonstrate not only that a trademark owner committed an antitrust violation, but also that the trade-mark itself was used to accomplish the violation. In the *Zeiss* case, which Thomas McCarthy has called “the most carefully reasoned case on the issue,” MCCARTHY §31:91, Judge Mansfield explained:

Since denial of a plaintiff’s exclusive right to the use of his trademark is not essential to the restoration of competition, it is not enough merely to prove that merchandise bearing a trademark, however valuable the trade-mark, has been used in furtherance of antitrust violations. If this is all that were required, any antitrust violation in the distribution of such merchandise would result in a forfeiture of the trademark with a consequent unnecessary frustration of the policy underlying trademark enforcement. An essential element of the antitrust misuse defense in a trademark case is proof that the mark itself has been the basic and fundamental vehicle required and used to accomplish the violation.

Carl Zeiss Stiftung v. VEB Carl Zeiss, Jena, 298 F. Supp. 1309, 1315 (S.D.N.Y. 1969), *modified*, 433 F.2d 6862d Cir. 1970).

The trademark misuse defense is rarely successful.

F. REMEDIES

1. Injunctions

Like patent law and much of copyright law (excluding compulsory license provisions), trademark remedies have traditionally been organized around a property rule. This means that infringers have no “right” to use the trademark upon payment of damages; trademark owners were historically entitled to injunctions against infringement as a matter of course.

The application of a property rule makes sense in the trademark context because trademarks serve to protect a unique good—the plaintiff’s business goodwill. Infringers who trade on or dilute (and thus appropriate or destroy) a plaintiff’s goodwill cannot simply “buy back” that goodwill with money. Once it is dissipated, it is gone forever. Nor can consumers easily be “unconfused” once they are misled with counterfeit marks.

Trademark law, however, is not a typical property right. Owners of real property are entitled to sell it to whomever they wish. They may also let other people rent it for a fee. Trademark owners have no such unfettered rights to sell or license their trademarks. Both the sale and the licensing of trademarks are subject to significant legal restrictions. *See* Section E(1). Having given trademark owners a property right to enable them to protect their goodwill, the government appears unwilling to allow trademark owners to do what they see fit with that right. Instead, restrictions on alienation of trademarks are designed to make sure that the trademark is in fact used to promote the goodwill of the associated business.

At the same time, the consumer stake in avoiding confusion means that the public interest will weigh more heavily in favor of injunctive relief in trademark cases than in other kinds of IP cases. Consumers, after all, don’t benefit from damage awards to trademark plaintiffs, and it would seem odd for a court to conclude that the defendant was confusing consumers, but permit it to continue doing so. *See* Mark A. Lemley, *Did eBay Irreparably Injure Trademark Law?*, 92 NOTRE DAME L. REV. 1795 (2017).

The Supreme Court ruled in *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388 (2006), that injunctions in patent cases were not available as a matter of course, but depended on the plaintiff satisfying a multi-factor equitable test focused on injury to the plaintiff and the public interest. In the wake of *eBay*, most courts to consider the issue concluded that *eBay* applies with full force to trademark cases. *See, e.g., adidas Am. v. Skechers USA*, 890 F.3d 747 (9th Cir. 2018); *Herb Reed Ent. v. Florida Ent. Mgm’t*, 736 F.3d 1239 (9th Cir. 2013); *Voice of the Arab World, Inc. v. MDTV Medical News Now, Inc.*, 645 F.3d 26 (1st Cir. 2011); *North Am. Med. Corp. v. Axiom Worldwide*, 522 F.3d 1211 (11th Cir. 2008). That included a requirement that plaintiffs prove irreparable injury in order to grant an injunction. While *eBay* made clear that its four factors were to be applied on a case-by-case basis, and that there were no categorical rules for deciding when to grant an injunction, these cases arguably created a new categorical rule requiring proof of actual irreparable harm in every case.

sides seemed content with the arrangement. But in time Romag discovered that the factories Fossil hired in China to make its products were using counterfeit Romag fasteners—and that Fossil was doing little to guard against the practice. Unable to resolve its concerns amicably, Romag sued. The company alleged that Fossil had infringed its trademark and falsely represented that its fasteners came from Romag. After trial, a jury agreed with Romag, and found that Fossil had acted “in callous disregard” of Romag’s rights. At the same time, however, the jury rejected Romag’s accusation that Fossil had acted willfully, as that term was defined by the district court.

For our purposes, the last finding is the important one. By way of relief for Fossil’s trademark violation, Romag sought (among other things) an order requiring Fossil to hand over the profits it had earned thanks to its trademark violation. But the district court refused this request. The court pointed out that controlling Second Circuit precedent requires a plaintiff seeking a profits award to prove that the defendant’s violation was willful. Not all circuits, however, agree with the Second Circuit’s rule. We took this case to resolve that dispute over the law’s demands.

Where does Fossil’s proposed willfulness rule come from? The relevant section of the Lanham Act governing remedies for trademark violations, §35, 60Stat. 439–440, as amended, 15 U. S. C. §1117(a), says this:

“When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established . . . , the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.”

Immediately, this language spells trouble for Fossil and the circuit precedent on which it relies. The statute does make a showing of willfulness a precondition to a profits award when the plaintiff proceeds under §1125(c). That section, added to the Lanham Act some years after its initial adoption, creates a cause of action for trademark dilution—conduct that lessens the association consumers have with a trademark. But Romag alleged and proved a violation of §1125(a), a provision establishing a cause of action for the false or misleading use of trademarks. And in cases like that, the statutory language has *never* required a showing of willfulness to win a defendant’s profits. . . . Nor does this Court usually read into statutes words that aren’t there. It’s a temptation we are doubly careful to avoid when Congress has (as here) included the term in question elsewhere in the very same statutory provision.

A wider look at the statute’s structure gives us even more reason for pause. The Lanham Act speaks often and expressly about mental states. Section 1117(b) requires courts to treble profits or damages and award attorney’s fees when a defendant engages in certain acts *intentionally* and with specified *knowledge*. Section 1117(c) increases the cap on statutory damages from \$200,000 to \$2,000,000 for certain *willful* violations. Section 1118 permits courts to order the infringing items be destroyed if a plaintiff

proves any violation of §1125(a) or a *willful* violation of §1125(c). Section 1114 makes certain *innocent* infringers subject only to injunctions. Elsewhere, the statute specifies certain *mens rea* standards needed to establish liability, before even getting to the question of remedies. See, e.g., §§1125(d)(1)(A)(i), (B)(i) (prohibiting certain conduct only if undertaken with “bad faith intent” and listing nine factors relevant to ascertaining bad faith intent). Without doubt, the Lanham Act exhibits considerable care with *mens rea* standards. The absence of any such standard in the provision before us, thus, seems all the more telling.

So how exactly does Fossil seek to conjure a willfulness requirement out of §1117(a)? Lacking any more obvious statutory hook, the company points to the language indicating that a violation under §1125(a) can trigger an award of the defendant’s profits “subject to the principles of equity.” In Fossil’s telling, equity courts historically required a showing of willfulness before authorizing a profits remedy in trademark disputes. Admittedly, equity courts didn’t require so much in patent infringement cases and other arguably analogous suits. See, e.g., *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641, 644, 650–651 (1915). But, Fossil says, trademark is different. There alone, a willfulness requirement was so long and universally recognized that today it rises to the level of a “principle of equity” the Lanham Act carries forward.

It’s a curious suggestion. Fossil’s contention that the term “principles of equity” includes a willfulness requirement would not directly contradict the statute’s other, express *mens rea* provisions or render them wholly superfluous. But it would require us to assume that Congress intended to incorporate a willfulness requirement here obliquely while it prescribed *mens rea* conditions expressly elsewhere throughout the Lanham Act. That might be possible, but on first blush it isn’t exactly an obvious construction of the statute.

Nor do matters improve with a second look. The phrase “principles of equity” doesn’t readily bring to mind a substantive rule about *mens rea* from a discrete domain like trademark law. In the context of this statute, it more naturally suggests fundamental rules that apply more systematically across claims and practice areas. A principle is a “fundamental truth or doctrine, as of law; a comprehensive rule or doctrine which furnishes a basis or origin for others.” BLACK’S LAW DICTIONARY 1417 (3d ed. 1933); Black’s Law Dictionary 1357 (4th ed. 1951). And treatises and handbooks on the “principles of equity” generally contain transsubstantive guidance on broad and fundamental questions about matters like parties, modes of proof, defenses, and remedies. See, e.g., E. MERWIN, PRINCIPLES OF EQUITY AND EQUITY PLEADING (1895); J. INDERMAUR & C. THWAITES, MANUAL OF THE PRINCIPLES OF EQUITY (7th ed. 1913); H. SMITH, PRACTICAL EXPOSITION OF THE PRINCIPLES OF EQUITY (5th ed. 1914); R. MEGARRY, SNELL’S PRINCIPLES OF EQUITY (23d ed. 1947). Our precedent, too, has used the term “principles of equity” to refer to just such transsubstantive topics. See, e.g., *eBay Inc. v. MercExchange, L. L. C.*, 547 U.S. 388, 391, 393 (2006); *Holmberg v. Armbrrecht*, 327 U.S. 392, 395 (1946). Congress itself has elsewhere used “equitable principles” in just this way: An amendment to a different section of the Lanham Act lists

“laches, estoppel, and acquiescence” as examples of “equitable principles.” 15 U. S. C. §1069. Given all this, it seems a little unlikely Congress meant “principles of equity” to direct us to a narrow rule about a profits remedy within trademark law.

But even if we were to spot Fossil that first essential premise of its argument, the next has problems too. From the record the parties have put before us, it’s far from clear whether trademark law historically required a showing of willfulness before allowing a profits remedy. The Trademark Act of 1905—the Lanham Act’s statutory predecessor which many earlier cases interpreted and applied—did not mention such a requirement. It’s true, as Fossil notes, that some courts proceeding before the 1905 Act, and even some later cases following that Act, did treat willfulness or something like it as a prerequisite for a profits award and rarely authorized profits for purely good-faith infringement. See, e.g., *Horlick’s Malted Milk Corp. v. Horluck’s, Inc.*, 51 F.2d 357, 359 (WD Wash. 1931) (explaining that the plaintiff “cannot recover defendant’s profits unless it has been shown beyond a reasonable doubt that defendant was guilty of willful fraud in the use of the enjoined trade-name”); see also *Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42, 42–43 (1900) (holding that one defendant “should not be required to account for gains and profits” when it “appear[ed] to have acted in good faith”). But Romag cites other cases that expressly rejected any such rule. See, e.g., *Oakes v. Tonsmierre*, 49 F. 447, 453 (CC SD Ala. 1883); see also *Stonebraker v. Stonebraker*, 33 Md. 252, 268 (1870); *Lawrence-Williams Co. v. Societe Enfants Gombault et Cie*, 52 F.2d 774, 778 (CA6 1931). . . .

At the end of it all, the most we can say with certainty is this. *Mens rea* figured as an important consideration in awarding profits in pre-Lanham Act cases. This reflects the ordinary, transsubstantive principle that a defendant’s mental state is relevant to assigning an appropriate remedy. That principle arises not only in equity, but across many legal contexts. See, e.g., *Smith v. Wade*, 461 U.S. 30, 38–51 (1983) (42 U. S. C. §1983); *Morissette v. United States*, 342 U.S. 246, 250–263 (1952) (criminal law); *Wooden-Ware Co. v. United States*, 106 U.S. 432, 434–435 (1882) (common law trespass). It’s a principle reflected in the Lanham Act’s text, too, which permits greater statutory damages for certain willful violations than for other violations. 15 U. S. C. §1117(c). And it is a principle long reflected in equity practice where district courts have often considered a defendant’s mental state, among other factors, when exercising their discretion in choosing a fitting remedy. See, e.g., *L. P. Larson, Jr., Co. v. Wm. Wrigley, Jr., Co.*, 277 U.S. 97, 99–100 (1928); *Lander v. Lujan*, 888 F.2d 153, 155–156 (CA DC 1989); *United States v. Klimek*, 952 F. Supp. 1100, 1117 (ED Pa. 1997). Given these traditional principles, we do not doubt that a trademark defendant’s mental state is a highly important consideration in determining whether an award of profits is appropriate. But acknowledging that much is a far cry from insisting on the inflexible precondition to recovery Fossil advances. . . .

JUSTICE SOTOMAYOR, concurring in the judgment.

I agree that 15 U. S. C. §1117(a) does not impose a “willfulness” prerequisite for awarding profits in trademark infringement actions. Courts of equity, however, defined

“willfulness” to encompass a range of culpable mental states—including the equivalent of recklessness, but excluding “good faith” or negligence. See 5 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §30:62 (5th ed. 2019) (explaining that “willfulness” ranged from fraudulent and knowing to reckless and indifferent behavior); see also, e.g., *Lawrence-Williams Co. v. Societe Enfants Gombault et Cie*, 52 F.2d 774, 778 (CA6 1931); *Regis v. Jaynes*, 191 Mass. 245, 248–249, 77 N.E. 774, 776 (1906).

The majority suggests that courts of equity were just as likely to award profits for such “willful” infringement as they were for “innocent” infringement. But that does not reflect the weight of authority, which indicates that profits were hardly, if ever, awarded for innocent infringement. See, e.g., *Wood v. Peffer*, 55 Cal. App. 2d 116, 125 (1942) (explaining that “equity constantly refuses, for want of fraudulent intent, the prayer for an accounting of profits”); *Globe-Wernicke Co. v. Safe-Cabinet Co.*, 110 Ohio St. 609, 617, 144 N.E. 711, 713 (1924) (“By the great weight of authority, particularly where the infringement . . . was deliberate and willful, it is held that the wrongdoer is required to account for all profits realized by him as a result of his wrongful acts”); *Dickey v. Mutual Film Corp.*, 186 App. Div. 701, 702, 174 N.Y.S. 784 (1919) (declining to award profits because there was “no proof of any fraudulent intent upon the part of the defendant”); *Standard Cigar Co. v. Goldsmith*, 58 Pa. Super. 33, 37 (1914) (reasoning that a defendant “should be compelled to account for . . . profits” where “the infringement complained of was not the result of mistake or ignorance of the plaintiff’s right”). Nor would doing so seem to be consistent with longstanding equitable principles which, after all, seek to deprive only wrongdoers of their gains from misconduct. Cf. *Duplate Corp. v. Triplex Safety Glass Co.*, 298 U.S. 448, 456–457 (1936). Thus, a district court’s award of profits for innocent or good-faith trademark infringement would not be consonant with the “principles of equity” referenced in §1117(a) and reflected in the cases the majority cites.

Because the majority is agnostic about awarding profits for both “willful” and innocent infringement as those terms have been understood, I concur in the judgment only.

JUSTICE ALITO, with whom JUSTICE BREYER and JUSTICE KAGAN join, concurring.

We took this case to decide whether willful infringement is a prerequisite to an award of profits under 15 U. S. C. §1117(a). The decision below held that willfulness is such a prerequisite. That is incorrect. The relevant authorities, particularly pre-Lanham Act case law, show that willfulness is a highly important consideration in awarding profits under §1117(a), but not an absolute precondition. I would so hold and concur on that ground.

COMMENTS AND QUESTIONS

1. *History of Equitable Remedies.* Justice Sotomayor correctly characterizes the history of equitable remedies. For many years, courts unanimously followed the holding in *Champion Spark Plug v. Sanders*, 331 U.S. 125, 130–31 (1947), that an accounting is appropriate only when fraud or palming off is present, and that courts would grant an accounting of defendant’s profits only if the defendant acted in bad faith. See *Western*

Diversified Servs. v. Hyundai Motor Am., Inc., 427 F.3d 1269 (10th Cir. 2005). The three cases that the majority cites for the proposition that willfulness need not be proved to obtain disgorgement of the defendant's profits are more than 90 years old. See Pamela Samuelson, John M. Golden, & Mark P. Gergen, *Recalibrating Disgorgement Awards in Intellectual Property Cases*, 100 B.U. L. REV. 1999 (2020).

Nor is the majority correct that this is an aberration in trademark law. To the contrary, the equitable remedy of disgorgement of defendant's gains (as opposed to recovering plaintiff's own losses) has traditionally been limited to "conscious wrongdoers." See DAN B. DOBBS & CAPRICE L. ROBERTS, *LAW OF REMEDIES* 420 (3d ed. 2018) ("Serious and conscious wrongdoing should be required to justify a recovery of defendant's profits except when a different rule is imposed by statute."); DOUGLAS LAYCOCK, *MODERN AMERICAN REMEDIES* (5th ed. 2018). The theory is straightforward: requiring the defendant to pay more than the plaintiff lost makes sense only if the goal is to punish or deter the defendants by depriving them of their ill-gotten gains. Remedies jurisprudence has traditionally reserved such penalties for intentional acts. See *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203, 206–07 (1942) (explaining that "[t]here may well be a windfall to the trade-mark owner where it is impossible to isolate the profits which are attributable to the use of the infringing mark. But to hold otherwise would give the windfall to the wrongdoer"). Perhaps *Romag* means that is no longer true, but if so, the Court has fundamentally rewritten longstanding remedies law.

2. *Statutory Drafting Accident.* Trademark law has long allowed the award of monetary relief "subject to principles of equity." 15 U.S.C. §1117(a). When Congress added the dilution law in 1996, though, it chose not to allow dilution plaintiffs *any* monetary relief, legal or equitable, unless the defendant acted willfully. But because Congress put the dilution remedies in the same section as the trademark infringement remedies, the section expressly says willfulness is required for dilution but is silent on willfulness for trademark infringement. The majority reads that addition as making a strong case that willfulness is no longer required. Does it? Should it matter that Congress clearly did not intend to change the longstanding rules of trademark infringement remedies? Note there is a perfectly reasonable way to read the statute to preserve that result: willfulness is required for *any* monetary relief under the dilution statute, but not for trademark infringement; trademark infringement allows the plaintiff to recover its losses, but permits disgorgement of defendant's gains only "subject to principles of equity."

3. The practical effect of *Romag* may be less dramatic than it seems. While the Court eliminates the requirement of willfulness, it says that "we do not doubt that a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate." And the four concurring Justices seem to sign on only to that result, leaving willfulness, if not an absolute requirement, an important factor in disgorging profits. That may give cover to courts that do not want to upend longstanding remedies law.

4. Is disgorgement of defendant's profits ever possible in a dilution case? If so, why? If the plaintiff is compensated for her losses caused by the dilution, does it make

We find that plaintiff has proven general compensatory damages in the amount of \$2,800,000.

We assess punitive or exemplary damages in the amount of \$16,800,000.

Dated September 4, 1975.

Filing a comprehensive post-trial opinion the United States District Court for the District of Colorado entered judgment on the jury's verdict, permanently enjoined Goodyear from infringing on Big O's trademark, and dismissed Goodyear's counterclaim for equitable relief. 408 F. Supp. 1219. Goodyear appeals that judgment.

Big O is a tire-buying organization which provides merchandising techniques, advertising concepts, operating systems, and other aids to approximately 200 independent retail tire dealers in 14 states who identify themselves to the public as Big O dealers. These dealers sell replacement tires using the Big O label on "private brand" tires. They also sell other companies' brands such as B.F. Goodrich and Michelin Tires. At the time of trial Big O's total net worth was approximately \$200,000.

Goodyear is the world's largest tire manufacturer. In 1974 Goodyear's net sales totaled more than \$5.25 billion and its net income after taxes surpassed \$157 million. In the replacement market Goodyear sells through a nationwide network of company-owned stores, franchise dealers, and independent retailers.

In the fall of 1973 Big O decided to identify two of its lines of private brand tires as "Big O Big Foot 60" and "Big O Big Foot 70." These names were placed on the sidewall of the respective tires in raised white letters. The first interstate shipment of these tires occurred in February 1974. Big O dealers began selling these tires to the public in April 1974. Big O did not succeed in registering "Big Foot" as a trademark with the United States Patent and Trademark Office. . . .

In July 1974 Goodyear decided to use the term "Bigfoot" in a nationwide advertising campaign to promote the sale of its new "Custom Polysteel Radial" tire. The name "Custom Polysteel Radial" was molded into the tire's sidewall. Goodyear employed a trademark search firm to conduct a search for "Bigfoot" in connection with tires and related products. This search did not uncover any conflicting trademarks. After this suit was filed Goodyear filed an application to register "Bigfoot" as a trademark for tires but withdrew it in 1975. Goodyear planned to launch its massive, nationwide "Bigfoot" advertising campaign on September 16, 1974.

On August 24, 1974, Goodyear first learned of Big O's "Big Foot" tires. Goodyear informed Big O's president, Norman Affleck, on August 26 of Goodyear's impending "Bigfoot" advertising campaign. Affleck was asked to give Goodyear a letter indicating Big O had no objection to this use of "Bigfoot." When Affleck replied he could not make this decision alone, it was suggested Affleck talk with John Kelley, Goodyear's vice-president for advertising.

Affleck called Kelley and requested more information on Goodyear's impending advertising campaign. A Goodyear employee visited Affleck on August 30 and showed

him rough versions of the planned Goodyear “Bigfoot” commercials and other promotional materials. On September 10, Affleck and two Big O directors met in New Orleans, with Kelley and Goodyear’s manager of consumer market planning to discuss the problem further. At this time the Big O representatives objected to Goodyear using “Bigfoot” in connection with tires because they believed any such use would severely damage Big O. They made it clear they were not interested in money in exchange for granting Goodyear the right to use the “Bigfoot” trademark, and asked Goodyear to wind down the campaign as soon as possible. Goodyear’s response to this request was indefinite and uncertain.

During the trial several Goodyear employees conceded it was technically possible for Goodyear to have deleted the term “Bigfoot” from its television advertising as late as early September. However, on September 16, 1974, Goodyear launched its nationwide “Bigfoot” promotion on ABC’s Monday Night Football telecast. By August 31, 1975, Goodyear had spent \$9,690,029 on its massive, saturation campaign.

On September 17 [1974] Affleck wrote Kelley a letter setting forth his understanding of the New Orleans meeting that Goodyear would wind up its “Bigfoot” campaign as soon as possible. Kelley replied on September 20, denying any commitment to discontinue use of “Bigfoot” and declaring Goodyear intended to use “Bigfoot” as long as it continued to be a helpful advertising device.

On October 9 Kelley told Affleck he did not have the authority to make the final decision for Goodyear and suggested that Affleck call Charles Eaves, Goodyear’s executive vice-president. On October 10 Affleck called Eaves and Eaves indicated the possibility of paying Big O for the use of the term “Bigfoot.” When Affleck stated no interest in the possibility Eaves told him Goodyear wished to avoid litigation but that if Big O did sue, the case would be in litigation long enough that Goodyear might obtain all the benefits it desired from the term “Bigfoot.”

This was the final communication between the parties until Big O filed suit on November 27, 1974. The district court denied Big O’s request for a temporary restraining order and a preliminary injunction. After judgment was entered on the jury’s verdict for Big O, Goodyear appealed to this court. Goodyear’s allegations of error are discussed below. . . .

IV

. . . Big O does not claim nor was any evidence presented showing Goodyear intended to trade on the goodwill of Big O or to palm off Goodyear products as being those of Big O. Instead, Big O contends Goodyear’s use of Big O’s trademark created a likelihood of confusion concerning the source of Big O’s “Big Foot” tires.

The facts of this case are different from the usual trademark infringement case. As the trial judge stated, the usual trademark infringement case involves a claim by a plaintiff with a substantial investment in a well established trademark. The plaintiff would seek recovery for the loss of income resulting from a second user attempting to trade on

the goodwill associated with that established mark by suggesting to the consuming public that his product comes from the same origin as the plaintiff's product. The instant case, however, involves reverse confusion wherein the infringer's use of plaintiff's mark results in confusion as to the origin of plaintiff's product. Only one reported decision involves the issue of reverse confusion. In *Westward Coach Mfg. Co. v. Ford Motor Co.*, 7 Cir., 388 F.2d 627, the court held reverse confusion is not actionable as a trademark infringement under Indiana law.

Consequently, Goodyear argues the second use of a trademark is not actionable if it merely creates a likelihood of confusion concerning the source of the first user's product. Since both parties agree Colorado law is controlling in this case, we must decide whether this so-called reverse confusion is actionable under Colorado law. To our knowledge, the Colorado courts have never considered whether a second use creating the likelihood of confusion about the source of the first user's products is actionable. However, the Colorado Court of Appeals in deciding a trade name infringement case involving an issue of first impression, cogently pointed out that the Colorado Supreme Court "has consistently recognized and followed a policy of protecting established trade names and preventing public confusion and the tendency has been to widen the scope of that protection." *Wood v. Wood's Homes Inc.*, 33 Colo. App. 285, 519 P.2d 1212, 1215-16.

Using that language as a guiding light in divining what Colorado law is on this issue of first impression, we hold that the Colorado courts, if given the opportunity, would extend its common law trademark infringement actions to include reverse confusion situations. Such a rule would further Colorado's "policy of protecting trade names and preventing public confusion" as well as having "the tendency [of widening] the scope of that protection."

The district court very persuasively answered Goodyear's argument that liability for trademark infringement cannot be imposed without a showing that Goodyear intended to trade on the goodwill of Big O or to palm off Goodyear products as being those of Big O's when it said:

The logical consequence of accepting Goodyear's position would be the immunization from unfair competition liability of a company with a well established trade name and with the economic power to advertise extensively for a product name taken from a competitor. If the law is to limit recovery to passing off, anyone with adequate size and resources can adopt any trademark and develop a new meaning for that trademark as identification of the second user's products. The activities of Goodyear in this case are unquestionably unfair competition through an improper use of a trademark and that must be actionable.

408 F. Supp. at 1236.

Goodyear further argues there was no credible evidence from which the jury could have found a likelihood of reverse confusion. A review of the record demonstrates the

lack of merit in this argument. Big O presented more than a dozen witnesses who testified to actual confusion as to the source of Big O's "Big Foot" tires after watching a Goodyear "Bigfoot" commercial. The jury could have reasonably inferred a likelihood of confusion from these witnesses' testimony of actual confusion. Moreover, two of Goodyear's executive officers, Kelley and Eaves, testified confusion was likely or even inevitable. . . .

VII

Finally, Goodyear challenges the jury's verdict awarding Big O \$2.8 million in compensatory damages and \$16.8 million in punitive damages. . . .

Big O also asserts the evidence provided the jury with a reasonable basis for determining the amount of damages. Big O claims the only way it can be restored to the position it was in before Goodyear infringed its trademark is to conduct a corrective advertising campaign. Big O insists it should be compensated for the advertising expenses necessary to dispel the public confusion caused by Goodyear's infringement. Goodyear spent approximately \$10 million on its "Bigfoot" advertising campaign. Thus, Big O advances two rationales in support of the \$2.8 million award: (1) there were Big O Tire Dealers in 28 percent of the states (14 of 50) and 28 percent of \$10 million equals the amount of the award; and (2) the Federal Trade Commission generally orders businesses who engage in misleading advertising to spend approximately 25 percent of their advertising budget on corrective advertising and this award is roughly 25 percent of the amount Goodyear spent infringing on Big O's trademark. The district court used the first rationale in denying Goodyear's motion to set the verdict aside. The second rationale was presented by Big O at oral argument. . . .

There is precedent for the recovery of corrective advertising expenses incurred by a plaintiff to counteract the public confusion resulting from a defendant's wrongful conduct. . . . Unlike the wronged parties in those cases Big O did not spend any money prior to trial in advertising to counteract the confusion from the Goodyear advertising. It is clear from the record Big O did not have the economic resources to conduct an advertising campaign sufficient to counteract Goodyear's \$9,690,029 saturation advertising campaign. We are thus confronted with the question whether the law should apply differently to those who have the economic power to help themselves concurrently with the wrong than to those who must seek redress through the courts. Under the facts of this case we are convinced the answer must be no. Goodyear contends the recovery of advertising expenses should be limited to those actually incurred prior to trial. In this case the effect of such a rule would be to recognize that Big O has a right to the exclusive use of its trademark but has no remedy to be put in the position it was in prior to September 16, 1974, before Goodyear effectively usurped Big O's trademark. The impact of Goodyear's "Bigfoot" campaign was devastating. The infringing mark was seen repeatedly by millions of consumers. It is clear from the record that Goodyear deeply penetrated the public consciousness. Thus, Big O is entitled to recover a reasonable amount equivalent to that of a concurrent corrective advertising campaign. . . .

appropriate the mark by paying damages as set by the court? (Note that this is an example of a “liability rule.” See Chapters III(H)(1); IV(G)(2).) What would be the effects of such a rule?

Further, consider that *any* spending is really a windfall to Big O, since it did not have the resources to shell out anything like \$4 million in advertising. Is there any consumer interest served by corrective advertising in a reverse confusion case? Won't it just confuse consumers more? Note that the court did not actually order the corrective advertising, just the payment of a typical sum of money that might be spent in such advertising. See also *PODS Enterprises, LLC v. U-Haul Int'l, Inc.*, 126 F. Supp. 3d 1263, 1285 (M.D. Fla. 2015) (upholding award of \$45 million for corrective advertising).

The idea of punitive damages for trademark infringement seems to deny the possibility of “efficient” trademark infringement. This in turn suggests that trademarks are property and that courts are willing to grant “specific performance” remedies in infringement cases. Does this view make sense?

3. How should damages be measured in cases of reverse confusion? Presumably, a company like Big O Tires might be able to prove that it lost sales (rather than gained them) as a result of Goodyear's use of its “Bigfoot” trademark. But is Big O also entitled to Goodyear's profits from infringement? its “unjust enrichment”? Most courts would say yes, at least where Big O can prove intentional or willful infringement. But doing so can provide a significant windfall to Big O, which would never have made such profits in the absence of infringement.

What unjust profits has Goodyear gained *through infringement*? Must it turn over all its profits from the sale of “Bigfoot” tires, even though it is Goodyear and not Big O that has built a national reputation for the “Bigfoot” name? How about the increase in sales attributable to the use of the name “Bigfoot”? Or are Goodyear's profits from infringement limited to whatever sales it took away from Big O (presumably the same measure as Big O's lost profits)?

PROBLEM V-25

A small Vermont company named STW (and its predecessors) has used the mark “Thirst-Aid” for soft drinks since 1921. STW has never sold its products widely, however, and in fact its sales are declining. In 1983, Quaker Oats adopted the slogan “Gatorade is Thirst Aid” for its popular Gatorade beverage. STW sued for trademark infringement. At trial, STW proves that Quaker Oats knew of STW's trademark, but its lawyers advised it that the Gatorade slogan made “fair use” of STW's “descriptive” mark. The trial court disagreed, finding that Quaker Oats had infringed STW's mark in bad faith.

During the period that the “Thirst-Aid” campaign ran, pretax profits on the sale of Gatorade came to \$247 million on sales of \$2.6 billion. Quaker Oats proves that Ga-

torade had approximately \$475 million in sales before the ad campaign. It also demonstrates that STW had previously offered to license the “Thirst-Aid” mark to another company for one-third of 1 percent of sales, and that STW’s total goodwill in 1984 was less than \$100,000 and declining. What damages should be awarded in this case?

a. Note on the Trademark Counterfeiting Act of 1984

In 1984, Congress substantially increased the penalties for intentional copying of a trademark (called “counterfeiting”).¹⁵ 18 U.S.C. §2320 makes it a felony to knowingly use a counterfeit mark in connection with the sale of goods or services. It provides for fines and imprisonment of the offenders, and it permits the destruction of goods bearing counterfeit marks (rather than simply the removal of the marks themselves). The Act also added

- Section 34(d) of the Lanham Act, 15 U.S.C. §1116(d), which provides for the seizure of counterfeit goods and records of sale before trial upon an ex parte application;
- Section 35(b) of the Lanham Act, 15 U.S.C. §1117(b), which provides for the award of treble damages plus attorney fees and prejudgment interest against counterfeiters unless the court finds “extenuating circumstances”;
- Language in §36 of the Lanham Act, 15 U.S.C. §1118, concerning the right of the court to destroy counterfeit goods after trial.

An exception to the broad reach of the Act applies to those who are authorized to use a trademark “at the time of the manufacture or production” of the goods. *See United States v. Bohai Trading Co., Inc.*, 45 F.3d 577 (1st Cir. 1995) (upholding the constitutionality of this provision in the face of a challenge on the grounds of vagueness). Although the ex parte nature of the remedies has brought the 1984 Act under constitutional scrutiny, courts have generally upheld the legality of its remedies and procedures. *See, e.g., United States v. McEvoy*, 820 F.2d 1170 (11th Cir. 1987). *But cf. Time Warner Entertainment Co., L.P. v. Does Nos. 1–2*, 876 F. Supp. 407 (E.D.N.Y. 1994) (overturning on Fourth Amendment grounds proposed seizure order drafted by owners of copyrights and trademarks; court cited role of private investigator in conducting seizure and impoundment, failure to provide sufficient particularity for premises to be searched or articles to be seized, inclusion of private residence as site to be searched, and failure to sufficiently describe infringing materials).

¹⁵ Section 45 of the Lanham Act, 15 U.S.C. §1127, defines a “counterfeit” as “a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.” While this definition does not contain an explicit intent requirement, courts are generally unwilling to find good faith use of an infringing mark to be “spurious.”

COMMENTS AND QUESTIONS

1. The Trademark Counterfeiting Act of 1984 is clearly punitive in nature, providing for both criminal sanctions and treble damages. Is such a punitive approach warranted? If so, why not apply these remedies to all trademark infringements?

2. Are consumers hurt by counterfeiting, or is it only trademark owners who are being protected by the Lanham Act? Where the counterfeit goods are inferior, the problems can extend beyond mere consumer confusion. Counterfeit medicines or auto parts can create a health and safety hazard. But what if the counterfeit goods were not in fact inferior to genuine goods with the same trademark? Have consumers suffered any injury if they mistakenly buy counterfeit goods equal in quality to the trademark owner's goods? Is the mere prospect that goods might be inferior itself a relevant injury.

3. Should it be a defense to a counterfeiting claim that the reasonable consumer was aware that the goods were not genuine (for example, because they were purchased from a street vendor without a certificate of authenticity for approximately 10 percent of the retail price of the genuine goods in stores)? Are consumers likely to be "confused" by such sales?

4. Judge Posner suggests one good reason for multiple damages in counterfeiting cases: deterrence. In holding that treble damages were an appropriate remedy even for innocent infringement, he argued:

[T]he sale of counterfeit merchandise has become endemic—perhaps pandemic. Most of the infringing sellers are small retailers, such as K-Econo. Obtaining an injunction against each and every one of them would be infeasible. Trademark owners cannot hire investigators to shop every retail store in the nation. And even if they could and did, and obtained injunctions against all present violators, this would not stop the counterfeiting. Other infringers would spring up, and would continue infringing until enjoined. . . . Treble damages are a particularly suitable remedy in cases where surreptitious violations are possible, for in such cases simple damages (or profits) will underdeter; the violator will know that he won't be caught every time, and merely confiscating his profits in the cases in which he is caught will leave him with a net profit from infringement. . . . [T]he smaller the violator, the less likely he is to be caught, and the more needful, therefore, is a heavy punishment if he is caught.

Louis Vuitton S.A. v. Lee, 875 F.2d 584 (7th Cir. 1989). Is this rationale persuasive?

G. INTERNATIONAL ISSUES

Under the territoriality doctrine, a trademark is recognized as having a separate existence in each sovereign territory in which it is registered or legally recognized as a mark. MCCARTHY ON TRADEMARKS §29:1. National borders, however, are less of a barrier to economic exchange now than at almost any time in history. And consumer perception travels with migration. As economic activity continues its relentless drive toward world-wide scope, trademarks become even more important. Just as the growth

of the national economy in the United States set the stage for trademark law of national scope, the growth of the worldwide economy shows the importance of some sort of international trademark system.

1. U.S. Trademarks Abroad: The New Internationalization

Despite the obvious desirability of international trademark registration, the United States did not join an international convention that goes beyond the rather minimal protections afforded by the Paris Convention until 2002. The Madrid Trademark Agreement (MTA) is the main international trademark convention.¹⁶ The MTA does not itself protect any trademark rights; it simply facilitates trademark prosecution in member states. It is effective in this regard, however: over 290,000 international Madrid registrations are now in force. On average, each international registration is extended to ten countries. Under the MTA, a trademark owner files a single registration with its domestic trademark office. The owner may then extend this “basic registration” by filing, within six months of the original filing, an international application with the domestic trademark office designating other MTA member countries in which protection is sought.

The United States and a number of other countries subscribe to the Madrid Protocol (MP), a corollary to the broader MTA. The MP considerably softens some of the harsher impacts of the MTA, especially on the United States.¹⁷ Specifically, the MP (1) allows for filing in English or French, in the U.S. PTO or any other member country trademark office; (2) allows the filing of an international application based not only on a “basic” (or home country) registration but also on a basic *application*—a substantial advantage given the relatively stringent prosecution standards in the United States, which can lead to long gaps between applications and registrations, and especially now in light of intent-to-use registrations under the Lanham Act; and (3) substantially lessens the impact of a “central attack” provision, under which a trademark invalidated in its home country is invalid everywhere, by allowing an international registrant to convert a successfully attacked registration into a bundle of individual national registrations if the attack occurs during the first five years of the international registration.

¹⁶ Madrid Agreement Concerning the International Registration of Marks, Apr. 14, 1891, 175 Consol. T.S. 57. This is an agreement under the Paris Convention for the Protection of Industrial Property, Stockholm Revision, done July 14, 1967, art. 2(1), 21 U.S.T. 1629, 1631, 828 U.N.T.S. 305, 313. There are 56 members, including China and most of the European nations. Various other international agreements exist, but for the most part they only cover relations between pairs of countries. *See, e.g.*, 3 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §29.10[2] (describing bilateral treaties signed by the U.S.).

¹⁷ Technically, members of the MP join the Madrid Union without signing the MTA. *See* MTA art. 1, 828 U.N.T.S. at 391 (states adhering to the Madrid Agreement “constitute a Special Union for the international registration of marks,” known as the “Madrid Union”); Madrid Agreement Protocol, art. 1, at 9 (states adhering to the Madrid Agreement Protocol are also members of the Madrid Union). There are 97 countries in the Madrid Protocol, including all members of the Madrid Agreement.

Although some problems remain,¹⁸ the MP is a substantial step towards international harmonization. Indeed, some degree of harmonization would seem to be necessary if only to keep up with trading partners. In 1995, European nations entered into the Community Trademark Convention, a treaty providing for a single Community Trade Mark (CTM) based on a single European trademark registration.¹⁹ The logic of trademark harmonization is compelling in this era of global trade and instantaneous communication.

2. Foreign Trademarks in the United States: Limited Internationalization

Even before U.S. adherence to an international trademark treaty, certain provisions of U.S. law made some slight concessions to the need for foreign trademark owners to register their marks in the United States. Section 44 of the Lanham Act allows foreign trademark owners to register their marks in the United States. Lanham Act §44, 15 U.S.C. §1126. Although §44(d)(2) requires a statement of bona fide intent to use, no subsequent proof of actual use in commerce in the United States is required to obtain an initial registration. This allows foreign trademark owners to register their marks in the

¹⁸ See, e.g., *Allan Zelnick, The Madrid Protocol—Some Reflections*, 82 TRADEMARK REP. 651 (1992). Zelnick argues that U.S. companies might still prefer to pursue foreign trademark rights by filing individual foreign applications because of the liberality of most foreign trademark systems regarding the classes of goods that can be identified with the mark in the application. (In many countries, a trademark application can specify *all* classes of goods—giving applicants substantially broader rights than under U.S. law.) According to Zelnick,

[I]t seems likely that on the whole, most American trademark owners who file abroad today are unlikely to make use of the Madrid Protocol. The reason for this conclusion is that under our practice the specification of goods or services that will appear in domestic application, on which the international application will be based, must be narrowly drawn to the specific goods or services in respect of which the mark shall have been used in interstate or foreign commerce of the United States (in the case of applications based on use) or restricted to the particular items or services identified by their common trade names in respect of which the applicant shall have a bona fide intention to use the mark. Since the international application under the Madrid Protocol will have the same specification of goods or services as the United States application upon which it is based, we will have, in effect, transferred our domestic practice in this regard to United States trademark owners' international filings.

Id. at 652.

¹⁹ Council Regulation (EC) no. 40/94 of 20 December 1993 on the Community Trademark, OJ L 11/1. The CTM Regulation built on a 1980 Directive that substantially harmonized the national trademark laws of the EC member states. Primary features of the CTM are:

- Trademarks with renewable ten-year term, to be registered in the new European Trademark Office in Alicante, Spain.
- Marks valid in all member states but invalid everywhere if revoked.
- Substantive requirements for registration and grounds for opposition that would largely be familiar to American trademark practitioners, e.g., registration of nondistinctive marks upon proof of secondary meaning, and for a limited class of goods or services.
- The working languages are German, English, Spanish, French, and Italian. Applications can be filed in any Community language and are translated for free; opposition proceedings, however, are conducted in only one of the official languages, which must be selected at the time of filing.

See Eric P. Raciti, *The Harmonization of Trademarks in the European Community: The Harmonization Directive and the Community Trademark*, 78 J. PAT. & TRADEMARK OFF. SOC'Y 51 (1996).

United States on terms somewhat more favorable than those extended to domestic applicants under the Lanham Act. One court has held that the Lanham Act incorporates the substantive provisions of the Paris Convention governing trademarks and unfair competition, providing a cause of action for violation of those provisions. *General Motors Corp. v. Lopez*, 948 F. Supp. 684 (E.D. Mich. 1996). Furthermore §43(a) provides broad protection against unfair competition even beyond trademark infringement. See *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28–29 (2003).

The enforcement of foreign trademarks in the U.S. is, however, limited by standing requirements. In *Lexmark International Inc. v. Static Control Components, Inc.*, 572 U.S. 118 (2014), the Supreme Court ruled that those seeking to enforce rights under §43(a) must fall “zone of interests” that Congress intended to protect, namely injury to a commercial interest in reputation or sales.” *Id.* at 131–32. And because trademarks are territorial, companies with trademark rights outside the United States but that don’t provide goods or services here have traditionally not been able to enforce rights in the U.S., even against defendants who copied their mark exactly. See, e.g., *ITC Ltd. v. Punchgini*, 518 F.3d 159 (2d Cir. 2008). As one court put it, “no trade—no trademark.” *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265 (2d Cir. 1974). The result has been that local expatriates often copy goods and trademarks they remembered from their home countries. Trademark law gives the foreign brand owner no right to stop them.

That may be changing. Several courts have stretched the idea of goodwill to give rights to foreign trademarks even when they don’t sell in the U.S. where it seems clear that the U.S. defendant copied the mark, particularly if the mark is well known abroad. See *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697, 715 (4th Cir. 2016); *Grupo Gigante S.A. v. Dallo & Co.*, 391 F.3d 1088, 1094 (9th Cir. 2004).

The interplay of the territoriality principle and U.S. trademark cancellation proceedings arose in a complex international trademark dispute between Meenaxi Enterprise and Coca-Cola. *Meenaxi Enterprise, Inc. v. Coca-Cola Company*, 2022 WL 2335343 (Fed. Cir. 2022). Parle introduced the THUMS UP cola in India in 1977 and the LIMCA lemon-lime soft drink in India in 1971. Coca-Cola purchased Parle in 1993 and acquired Parle’s Indian registrations of the THUMS UP and LIMCA marks. Both products are widely in India. In 2008, Meenaxi began selling these brands to Indian grocers in the U.S. In 2012, Meenaxi registered trademarks in the U.S. In 2016, Coca-Cola sought to cancel these registrations. Based on Coca-Cola’s registration of these “well known” marks in India as well as imports of these products into the U.S. the TTAB found that “the reputation of [Coca-Cola’s] THUMS UP and LIMCA beverages would extend to the United States, at least among the significant population of Indian-American consumers.” The Board noted that the Indian-American population in the United States was over 2.6 million in 2010 and had climbed to over 3.8 million by 2015.

The Federal Circuit reversed. It held that Coca-Cola must show lost sales or reputational injury in the United States resulting from Meenaxi’s use of the THUMS UP

identical to its parent's foreign trademark. The parallel importation by a third party who buys the goods abroad (or conceivably even by the affiliated foreign manufacturer itself) creates a gray market. Two other variations on this theme occur when an American-based firm establishes abroad a manufacturing subsidiary corporation (case 2b) or its own unincorporated manufacturing division (case 2c) to produce its United States trademarked goods, and then imports them for domestic distribution. If the trademark holder or its foreign subsidiary sells the trademarked goods abroad, the parallel importation of the goods competes on the gray market with the holder's domestic sales.

In the third context (case 3), the domestic holder of a United States trademark authorizes an independent foreign manufacturer to use it. Usually the holder sells to the foreign manufacturer an exclusive right to use the trademark in a particular foreign location, but conditions the right on the foreign manufacturer's promise not to import its trademarked goods into the United States. Once again, if the foreign manufacturer or a third party imports into the United States, the foreign-manufactured goods will compete on the gray market with the holder's domestic goods.

K-Mart Corp. v. Cartier, Inc., 486 U.S. 281, 286–87 (1988).

What is wrong with importing gray market goods? Unlike typical trademark disputes, there is no question that the goods are genuine and are being sold as precisely what they are. Further, there is no question that they originated with the trademark owner (at least at some point). If a gray market transaction occurred entirely within the United States, would it constitute trademark infringement? If not, is there any reason to treat importation differently?

One obvious rationale for prohibiting gray market imports is that the United States trademark owner is losing the benefit of what it thought was an "exclusive" right to sell the trademarked goods in the United States. But does it really have such an exclusive right? Certainly, the right to use the Ford trademark on cars in the United States does not prevent bona fide purchasers of Ford cars from identifying them as such upon resale. And even if the United States trademark owner did obtain the exclusive rights to the first sale of goods in the United States from the manufacturer, isn't the problem here really one of breach of contract?

Another justification for prohibiting gray market goods is if they may be different than the goods normally sold in the United States. For example, Coca-Cola sold in Mexico is made with cane sugar, whereas the U.S. version is made with corn syrup. If so, consumers may be confused. Significantly, courts have held that gray market importation is legal unless the imported goods differ in some relevant way from the goods the trademark owner sold in the United States. See *American Circuit Breaker Corp. v. Oregon Breakers Inc.*, 406 F.3d 577 (9th Cir. 2005) (circuit breakers that differed only in color from those sold in the United States could legally be imported after first sale abroad); *SKF USA v. International Trade Comm'n*, 423 F.3d 1307 (Fed. Cir. 2005) (variation in goods could include variation in technical support provided, but in this case

plaintiff did not uniformly provide support for its U.S. sales, and so could not complain of gray market imports without technical support); *but cf. Beltronics USA v. Midwest Inventory Distrib. LLC*, 562 F.3d 1067 (10th Cir. 2009) (first sale doctrine does not protect resellers who don't provide the same warranty as the original manufacturer).

Section 1526 of 19 U.S.C., which regulates gray market goods, may violate Article 2 of the Paris Convention because it treats United States trademark holders differently from foreign trademark holders, and United States infringers differently from foreign infringers. *See Raimund Steiner & Robert Sabath, Intellectual Property and Trade Law Approaches to Gray Market Importation, and the Restructuring of Transnational Entities to Permit Blockage of Gray Goods in the United States*, 15 WM. MITCHELL L. REV. 433, 441 (1989) (after *K-Mart*, to obtain benefits of Section 526 of the Tariff Act of 1930 and the Lanham Act, companies must separate ownership of foreign and domestic trademarks); *see generally* Note, *The Use of Copyright Law to Block the Importation of Gray-Market Goods: The Black and White of It All*, 23 LOY. L.A. L. REV. 645 (1990).

There is a debate in the economics literature about the wisdom of permitting gray market imports. The argument generally runs along these lines: those favoring restrictions on the gray market cite the importance of encouraging investments in brand quality by retailers, coupled with differing international product quality standards. In essence, the argument is that retailers will not engage in optimal expenditures to promote the product (advertising, clean showrooms, knowledgeable sales staff, etc.) if gray market imports will undercut the retailers' prices. On the opposite side, those who support the gray market say it undercuts blatant price discrimination. *See* Robert J. Staaf, *International Price Discrimination and the Gray Market*, 4 INTELL. PROP. J. 301 (1989) (gray market presents an opportunity for arbitrage, allowing competitors to circumvent attempted price discrimination and therefore benefiting consumers).

4. Worldwide Famous Marks

Worldwide trademark protection is based on proof of either registration or use in each country in which protection is sought. In theory, this creates a significant burden for companies with marks that are famous worldwide: they must register their mark in every country in the world or risk losing rights to that mark to a competing registrant. In fact, a number of opportunistic individuals have registered famous marks such as "Coke" in countries where Coca-Cola does not yet do business.

This doctrine is recognized in the Paris Convention and TRIPs Agreement. *See* Paris Convention art. 6*bis*; TRIPs, art. 16(3). Courts in many nations have recognized goodwill in a world-famous mark even if the mark is not actually used in the country. *See, e.g., Kmart Corp. v. Kay Mart Ltd.*, Suit No. C.L. 1993, K066 (recognition of K-Mart trademark by Jamaican court); Charles E. Webster, *The McDonald's Case: South Africa Joins the Global Village*, 86 TRADEMARK REP. 576 (1996) (protecting McDonald's mark in South Africa). U.S. courts have generally declined to recognize the "well known mark" doctrine. *See ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007); *Buti v. Impresa Perosa S.R.L.*, 139 F.3d 98 (2d Cir. 1998); *Person's Co. v. Christman*, 900

F.2d 1565 (Fed. Cir. 1990); *but cf. Grupo Gigante S.A. v. Dallo & Co.*, 391 F.3d 1088 (9th Cir. 2004) (making a limited exception where the well-known foreign mark had achieved significant notoriety in the United States even though it was not offered for sale here); *Trader Joe's Co. v. Hallatt*, 835 F.3d 960 (9th Cir. 2016) (applying U.S. trademark law against a Canadian infringer where effects were felt in the U.S.).



CHAPTER VI: STATE IP PROTECTIONS

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As we saw in Chapter II, state protection of intellectual property—whether rooted in statute or in the common law—has long been a feature of the legal landscape. But state intellectual property law extends far beyond trade secrets. Especially in recent years, state law has reached out to an ever-widening range of issues: from court decisions and legislation on publicity rights to state “anti-dilution” statutes (discussed in Chapter V), “shrinkwrap” and “clickwrap” contracts purporting to protect data, and trespass concepts being used to limit access to websites. States have become a major force in the evolution of intellectual property law in the new technological age. As one commentator has observed:

[T]echnology in this century has continually outpaced statutory law and litigants have repeatedly turned to judge-made law to protect important rights and large investments in the collection or creation of time-sensitive information and other commercially valuable content. It stands to reason that the faster a technology develops, the more rapidly it will surpass preexisting law, and the more prominent common law theories may become. It is not surprising, therefore, that as the Internet geometrically expands its speed, accessibility, and versatility—thereby vastly increasing the opportunities for economic free-riders to take, copy, and repackage information and information systems for profit—intellectual property owners again must consider the common law as a source of protection at the end of this century, much as it was at the beginning.

Bruce P. Keller, *Condemned to Repeat the Past: The Reemergence of Misappropriation and Other Common Law Theories of Protection for Intellectual Property*, 11 HARV. J.L. & TECH. 401, 428 (1998).

This chapter surveys the most significant ways in which state law protects intellectual property (beyond trade secret and trademark law): misappropriation doctrine, idea submissions (implied contract), and the right of publicity. Before we can delve into these state law protections, it is necessary to address the interplay of federal and state law. Just as different federal intellectual property regimes may conflict—such

1. Patent Preemption



Kewanee Oil Co. v. Bicron Corp.
Supreme Court of the United States
416 U.S. 470 (1974)

MR. CHIEF JUSTICE BURGER delivered the opinion of the Court.

We granted certiorari to resolve a question on which there is a conflict in the courts of appeals: whether state trade secret protection is pre-empted by operation of the federal patent law. In the instant case the Court of Appeals for the Sixth Circuit held that there was preemption. The Courts of Appeals for the Second, Fourth, Fifth, and Ninth Circuits have reached the opposite conclusion. . . .

Petitioner brought this diversity action in United States District Court for the Northern District of Ohio seeking injunctive relief and damages for the misappropriation of trade secrets. The district Court, applying Ohio trade secret law, granted a permanent injunction against the disclosure or use by respondents of 20 of the 40 claimed trade secrets until such time as the trade secrets had been released to the public, had otherwise generally become available to the public, or had been obtained by respondents from sources having the legal right to convey the information.

The Court of Appeals for the Sixth Circuit held that the findings of fact by the District Court were not clearly erroneous, and that it was evident from the record that the individual respondents appropriated to the benefit of Bicron secret information on processes obtained while they were employees at Harshaw. Further, the Court of Appeals held that the District Court properly applied Ohio law relating to trade secrets. Nevertheless, the Court of Appeals reversed the District Court, finding Ohio's trade secret law to be in conflict with the patent laws of the United States. The Court of Appeals reasoned that Ohio could not grant monopoly protection to processes and manufacturing techniques that were appropriate subjects for consideration under 35 U.S.C. § 101 for a federal patent but which had been in commercial use for over one year and so were no longer eligible for patent protection under 35 U.S.C. § 102(b).

We hold that Ohio's law of trade secrets is not preempted by the patent laws of the United States, and accordingly, we reverse. . . .

III.

The first issue we deal with is whether the States are forbidden to act at all in the area of protection of the kinds of intellectual property which may make up the subject matter of trade secrets.

Article I, § 8, cl. 8, of the Constitution grants to the Congress the power

[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries. . . .

In the 1972 Term, in *Goldstein v. California*, 412 U.S. 546 (1973), we held that the cl. 8 grant of power to Congress was not exclusive and that, at least in the case of writings, the States were not prohibited from encouraging and protecting the efforts of

those within their borders by appropriate legislation. The States could, therefore, protect against the unauthorized rerecording for sale of performances fixed on records or tapes, even though those performances qualified as “writings” in the constitutional sense and Congress was empowered to legislate regarding such performances and could pre-empt the area if it chose to do so. This determination was premised on the great diversity of interests in our Nation—the essentially nonuniform character of the appreciation of intellectual achievements in the various States. Evidence for this came from patents granted by the States in the 18th century. 412 U.S., at 557.

Just as the States may exercise regulatory power over writings so may the States regulate with respect to discoveries. States may hold diverse viewpoints in protecting intellectual property relating to invention as they do in protecting the intellectual property relating to the subject matter of copyright. The only limitation on the States is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area passed by Congress, and it is to that more difficult question we now turn.

IV.

The question of whether the trade secret law of Ohio is void under the Supremacy Clause involves a consideration of whether that law “stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.” *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941). See *Florida Avocado Growers v. Paul*, 373 U.S. 132, 141 (1963). We stated in *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 (1964), that when state law touches upon the area of federal statutes enacted pursuant to constitutional authority, “it is ‘familiar doctrine’ that the federal policy ‘may not be set at naught, or its benefits denied’ by the state law. *Sola Elec. Co. v. Jefferson Elec. Co.*, 317 U.S. 173, 176 (1942). This is true, of course, even if the state law is enacted in the exercise of otherwise undoubted state power.” . . .

The stated objective of the Constitution in granting the power to Congress to legislate in the area of intellectual property is to “promote the Progress of Science and useful Arts.” The patent laws promote this progress by offering a right of exclusion for a limited period as an incentive to inventors to risk the often enormous costs in terms of time, research, and development. . . .

The maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law. “The necessity of good faith and honest, fair dealing, is the very life and spirit of the commercial world.” . . .

As we noted earlier, trade secret law protects items which would not be proper subjects for consideration for patent protection under 35 U.S.C. § 101. As in the case of the recordings in *Goldstein v. California*, Congress, with respect to nonpatentable subject matter, “has drawn no balance; rather, it has left the area unattended, and no reason exists why the State should not be free to act.” *Goldstein v. California*, *supra*, at 570 (footnote omitted).

Since no patent is available for a discovery, however useful, novel, and nonobvious, unless it falls within one of the express categories of patentable subject matter of 35

U.S.C. § 101, the holder of such a discovery would have no reason to apply for a patent whether trade secret protection existed or not. Abolition of trade secret protection would, therefore, not result in increased disclosure to the public of discoveries in the area of nonpatentable subject matter. . . .

Congress has spoken in the area of those discoveries which fall within one of the categories of patentable subject matter of 35 U.S.C. § 101 and which are, therefore, of a nature that would be subject to consideration for a patent. Processes, machines, manufactures, compositions of matter, and improvements thereof, which meet the tests of utility, novelty, and nonobviousness are entitled to be patented, but those which do not, are not. The question remains whether those items which are proper subjects for consideration for a patent may also have available the alternative protection accorded by trade secret law.

Certainly the patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention. In this respect the two systems are not and never would be in conflict. Similarly, the policy that matter once in the public domain must remain in the public domain is not incompatible with the existence of trade secret protection. By definition a trade secret has not been placed in the public domain. . . .

. . . Trade secret law will encourage invention in areas where patent law does not reach, and will prompt the independent innovator to proceed with the discovery and exploitation of his invention. Competition is fostered and the public is not deprived of the use of valuable, if not quite patentable, invention. . . .

The final category of patentable subject matter to deal with is the clearly patentable invention, i.e., that invention which the owner believes to meet the standards of patentability. It is here that the federal interest in disclosure is at its peak. . . .

Trade secret law provides far weaker protection in many respects than the patent law. While trade secret law does not forbid the discovery of the trade secret by fair and honest means, e.g., independent creation or reverse engineering, patent law operates “against the world,” forbidding any use of the invention for whatever purpose for a significant length of time. The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible of discovery or proof. *Painton & Co. v. Bourns, Inc.*, 442 F.2d, at 224. Where patent law acts as a barrier, trade secret law functions relatively as a sieve. The possibility that an inventor who believes his invention meets the standards of patentability will sit back, rely on trade secret law, and after one year of use forfeit any right to patent protection, 35 U.S.C. § 102(b), is remote indeed.

Nor does society face much risk that scientific or technological progress will be impeded by the rare inventor with a patentable invention who chooses trade secret protection over patent protection. The ripeness-of-time concept of invention, developed from the study of the many independent multiple discoveries in history, predicts that if a particular individual had not made a particular discovery others would have, and in

probably a relatively short period of time. If something is to be discovered at all very likely it will be discovered by more than one person. . . .

. . . Trade secret law and patent law have co-existed in this country for over one hundred years. Each has its particular role to play, and the operation of one does not take away from the need for the other. . . . Congress, by its silence over these many years, has seen the wisdom of allowing the States to enforce trade secret protection. Until Congress takes affirmative action to the contrary, States should be free to grant protection to trade secrets. . . .

Mr. Justice DOUGLAS, with whom Mr. Justice BRENNAN concurs, dissenting.

Today's decision is at war with the philosophy of *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234. Those cases involved patents—one of a pole lamp and one of fluorescent lighting fixtures—each of which was declared invalid. The lower courts held, however, that though the patents were invalid the sale of identical or confusingly similar products to the products of the patentees violated state unfair competition laws. We held that when an article is unprotected by a patent, state law may not forbid others to copy it, because every article not covered by a valid patent is in the public domain. Congress in the patent laws decided that where no patent existed, free competition should prevail; that where a patent is rightfully issued, the right to exclude others should obtain for no longer than 17 years, and that the States may not “under some other law, such as that forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws,” 376 U.S., at 231 . . .

The conflict with the patent laws is obvious. The decision of Congress to adopt a patent system was based on the idea that there will be much more innovation if discoveries are disclosed and patented than there will be when everyone works in secret. Society thus fosters a free exchange of technological information at the cost of a limited 17-year monopoly. . . .

A suit to redress theft of a trade secret is grounded in tort damages for breach of a contract—a historic remedy, *Cataphote Corp. v. Hudson*, 422 F.2d 1290. Damages for breach of a confidential relation are not pre-empted by this patent law, but an injunction against use is pre-empted because the patent law states the only monopoly over trade secrets that is enforceable by specific performance; and that monopoly exacts as a price full disclosure. A trade secret can be protected only by being kept secret. Damages for breach of a contract are one thing; an injunction barring disclosure does service for the protection accorded valid patents and is therefore pre-empted. . . .

COMMENTS AND QUESTIONS

1. The rule set forth by *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), was fairly clear: patent law reflects a compromise between the goal of promoting innovation and the danger of condoning monopoly. Supplementing the scope of patent law may upset that balance, and is therefore prohibited. Supplementing *enforcement* of the federal intellectual property laws was condoned in dictum at the end of *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), a companion case, and in Justice

Harlan's concurrence in both cases. After these cases, state law served a very limited function in the scheme of intellectual property protection. States could work to further the goals of federal protection, but they had to work within the parameters set down by federal law. As a result, both *Sears* and *Compco* struck down state statutes providing design protection to unpatentable utilitarian articles.

The *Kewanee* opinion takes a remarkably different tack. Chief Justice Burger's opinion for the Court emphasizes only one of the two policies shaping the patent laws: the goal of promoting innovation. The opinion does not discuss the dangers intellectual property protection poses for free competition. As a result, the *Kewanee* Court finds no problem with trade secret protection that extends beyond the scope of the patent laws. Note that the Court seems to approve not only state laws that protect nonpatentable subject matter (an area in which it could be argued that the federal government has no interest),¹ but also the protection of inventions not patentable for some other reason (i.e., suppression, misuse, lack of novelty, or obviousness).

Is *Kewanee* reconcilable with *Sears*? The *Kewanee* court did not overrule *Sears* or *Compco*; indeed, it cited them in support of its holding. Thus state laws preventing copying were treated differently from trade secret laws after *Kewanee*. The latter, although broader in scope (they prevented far more than just outright copying of products), were permissible; the former were not. See Paul Goldstein, *Kewanee Oil Co. v. Bicorn Corp.: Notes on a Closing Circle*, 1974 SUP. CT. REV. 81 (1974) (arguing that *Kewanee* "closed the circle" on the open-ended preemption analysis of *Sears* and *Compco*); Camilla A. Hrdy, *State Patents As a Solution to Underinvestment in Innovation*, 62 U. KAN. L. REV. 487 (2013) (arguing that state patents, which preceded the adoption of the Constitution in 1789, are still possible and in some cases desirable despite federal nature of patent law).

2. Is preemption a good idea? That depends on what you think of the balance the federal laws have struck. If you are more concerned about injury to competition by conferring monopoly rights on patentees, you are likely to favor the result in *Sears*. If, on the other hand, you think that innovation is underrewarded, it is reasonable to oppose federal preemption. One way to reconcile these cases may be to read *Sears* and *Compco* as expressing a federal policy in favor of reverse engineering of products in the public domain. If that is the overarching federal goal, it is logical to strike down the laws in *Sears* and *Compco* but not *Kewanee*, since trade secrets statutes (unlike the unfair competition laws we have discussed) generally allow reverse engineering. This result is also consistent with the reading of trade secret laws as merely an application of tort and contract principles.

¹ Even in this area, though, a federal interest may be discerned. If Congress has declared some subject matter unpatentable, that could reflect a federal determination that that matter is unworthy of protection, a determination that state law should not be allowed to upset.

embodied in the product itself. The sparse legislative history surrounding its enactment indicates that it was intended to create an inducement for the improvement of boat hull designs. *See* Tr. of Meeting of Transportation Committee, Florida House of Representatives, May 3, 1983 (“There is no inducement for [a] quality boat manufacturer to improve these designs and secondly, if he does, it is immediately copied. This would prevent that and allow him recourse in circuit court”). To accomplish this goal, the Florida statute endows the original boat hull manufacturer with rights against the world, similar in scope and operation to the rights accorded a federal patentee. Like the patentee, the beneficiary of the Florida statute may prevent a competitor from “making” the product in what is evidently the most efficient manner available and from “selling” the product when it is produced in that fashion. Compare 35 U.S.C. § 154. The Florida scheme offers this protection for an unlimited number of years to all boat hulls and their component parts, without regard to their ornamental or technological merit. Protection is available for subject matter for which patent protection has been denied or has expired, as well as for designs which have been freely revealed to the consuming public by their creators. That the Florida statute does not remove all means of reproduction and sale does not eliminate the conflict with the federal scheme. *See Kellogg*, 305 U.S., at 122. In essence, the Florida law prohibits the entire public from engaging in a form of reverse engineering of a product in the public domain. This is clearly one of the rights vested in the federal patent holder, but has never been a part of state protection under the law of unfair competition or trade secrets. . . .

Moreover, as we noted in *Kewanee*, the competitive reality of reverse engineering may act as a spur to the inventor, creating an incentive to develop inventions that meet the rigorous requirements of patentability. 416 U.S., at 489–490. The Florida statute substantially reduces this competitive incentive, thus eroding the general rule of free competition upon which the attractiveness of the federal patent bargain depends. . . . The Florida statute is aimed directly at the promotion of intellectual creation by substantially restricting the public’s ability to exploit ideas that the patent system mandates shall be free for all to use. Like the interpretation of Illinois unfair competition law in *Sears and Compco*, the Florida statute represents a break with the tradition of peaceful coexistence between state market regulation and federal patent policy. The Florida law substantially restricts the public’s ability to exploit an unpatented design in general circulation, raising the specter of state-created monopolies in a host of useful shapes and processes for which patent protection has been denied or is otherwise unobtainable. It thus enters a field of regulation which the patent laws have reserved to Congress. The patent statute’s careful balance between public right and private monopoly to promote certain creative activity is a “scheme of federal regulation. . . so pervasive as to make reasonable the inference that Congress left no room for the States to supplement it.” *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947). . . .

COMMENTS AND QUESTIONS

1. Does this result make sense? Is it consistent with *Kewanee*? *Bonito Boats* can be reconciled with trade secrets statutes if one accepts the reverse engineering rationale described above. Whatever one thinks of the *Bonito* result, the last sentence remains

troubling. Characterizing patent law as “pervasive federal regulation” suggests that it might preempt the field, automatically striking down all state laws that attempt to regulate intellectual property. If taken seriously, that approach would leave no room at all for state protection of inventions.

2. Note the similarity between the statutes struck down in *Sears* and *Bonito Boats*. In both cases, what was prohibited was the direct copying of a competitor’s design. The *Bonito Boats* statute is more limited than that in *Sears*, since it prohibits only one particular method of copying. Nonetheless, the Court struck it down. Why should the courts be concerned about these comparatively narrow statutes when they allowed the far broader statute in *Kewanee* to pass muster?

3. The *Bonito Boats* decision has been criticized. See John S. Wiley, Jr., *Bonito Boats: Uninformed but Mandatory Federal Innovation Policy*, 1989 SUP. CT. REV. 283. Cf. Symposium, *Product Simulation: A Right or a Wrong?*, 64 COLUM. L. REV. 1178 (1964) (articles criticizing the analogous decisions in *Sears* and *Compco*). Does this criticism make sense? Or is *Bonito Boats* a needed barrier to the creation of state laws that would undo the balance struck by Congress?

As part of the Digital Millennium Copyright Act, Congress created a new federal intellectual property right protecting “original” boat hull designs. 17 U.S.C. §§ 1301 et seq., discussed in Chapter IV. Can Congress lawfully accomplish here what the states cannot? Does *Bonito Boats* suggest some sort of constitutional limitation on any form of protection (state or federal) in this area?

4. Some lawyers have tried to apply *Bonito Boats* in contexts beyond the patent-like legislation actually considered in the case. This has not met with much success, however; like other broad preemption decisions before it, *Bonito Boats* has been hemmed in by subsequent qualifications. In *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093 (9th Cir. 1992), a right of publicity case based on an advertising campaign imitating Tom Waits’ distinctive vocal qualities, the Ninth Circuit had the following to say about *Bonito Boats*:

Bonito Boats involved a Florida statute giving perpetual patent-like protection to boat hull designs already on the market, a class of manufactured articles expressly excluded from federal patent protection. The Court ruled that the Florida statute was preempted by federal patent law because it directly conflicted with the comprehensive federal patent scheme. In reaching this conclusion, the Court cited its earlier decisions in *Sears Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), and *Compco Corp. v. Day-Brite Lighting*, 376 U.S. 234 (1964), for the proposition that “publicly known design and utilitarian ideas which were unprotected by patent occupied much the same position as the subject matter of an expired patent,” i.e., they are expressly unprotected. *Bonito Boats*, 489 U.S. at 152.

The defendants seize upon this citation to *Sears* and *Compco* as a reaffirmation of the sweeping preemption principles for which these cases were once read to stand. They argue that *Midler* [*v. Ford Motor Co.*, 849 F.2d 460

(9th Cir. 1988) (another sound-alike right of publicity case that is reproduced in Chapter VI(D)) was wrongly decided because it ignores these two decisions, an omission that the defendants say indicates an erroneous assumption that *Sears* and *Compco* have been “relegated to the constitutional junkyard.” Thus, the defendants go on to reason, earlier cases that rejected entertainers’ challenges to imitations of their performances based on federal copyright preemption, were correctly decided because they relied on *Sears* and *Compco*. See *Sinatra v. Goodyear Tire & Rubber Co.*, 435 F.2d 711, 716–18 (9th Cir. 1970), cert. denied, 402 U.S. 906 (1971); *Booth v. Colgate-Palmolive Co.*, 362 F. Supp. 343, 348 (S.D.N.Y. 1973); *Davis v. Trans World Airlines*, 297 F. Supp. 1145, 1147 (C.D. Cal. 1969). This reasoning suffers from a number of flaws.

Bonito Boats itself cautions against reading *Sears* and *Compco* for a “broad pre-emptive principle” and cites subsequent Supreme Court decisions retreating from such a sweeping interpretation. “[T]he Patent and Copyright Clauses do not, by their own force or by negative implication, deprive the States of the power to adopt rules for the promotion of intellectual creation.” *Bonito Boats*, 489 U.S. at 165 (citing, inter alia, *Goldstein v. California*, 412 U.S. 546, 552–61 (1973) and *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 478–79 (1974)). Instead, the Court reaffirmed the right of states to “place limited regulations on the use of unpatented designs in order to prevent consumer confusion as to source.” *Id.* *Bonito Boats* thus cannot be read as endorsing or resurrecting the broad reading of *Compco* and *Sears* urged by the defendants, under which Waits’ state tort claim arguably would be preempted.

Moreover, the Court itself recognized the authority of states to protect entertainers’ “right of publicity” in *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1977). In *Zacchini*, the Court endorsed a state right-of-publicity law as in harmony with federal patent and copyright law, holding that an unconsented-to television news broadcast of a commercial entertainer’s performance was not protected by the First Amendment. *Id.* at 573, 576–78. The cases *Frito* asserts were “rightly decided” all predate *Zacchini* and other Supreme Court precedent narrowing *Sears*’ and *Compco*’s sweeping preemption principles. In sum, our holding in *Midler*, upon which Waits’ voice misappropriation claim rests, has not been eroded by subsequent authority.

Waits v. Frito-Lay, Inc., 978 F.2d 1099–1100.

The Federal Circuit has allowed state claims that tread on patent law, particularly where the claims are made against patent owners rather than in an effort to create a new form of intellectual property protection. See, e.g., *Dow Chemical v. Exxon Corp.*, 139 F.3d 1470 (Fed. Cir. 1998) (unfair competition claims by accused infringer based on alleged inequitable conduct not preempted); *Univ. of Colorado Found. v. American Cyanamid, Inc.*, 196 F.3d 1366 (Fed. Cir. 1999) (state claims of fraud and unjust enrichment against patentee who stole invention from plaintiff not preempted). The court has, however, required that state claims that touch on areas of federal patent interest be judged by federal, not state, standards, so that they do not upset the balance

struck by patent law. *See Univ. of Colorado, supra; Midwest Industries v. Karavan Trailers*, 175 F.3d 1356 (Fed. Cir. 1999). Is this a reasonable compromise?

5. In a number of cases, restrictions on the content of licensing contracts are said to raise preemption issues. One might question whether contracts are equivalent to state statutes for preemption purposes. On at least one occasion, the Supreme Court has suggested that protection of unpatentable goods (which would be prohibited under state misappropriation statutes) is permissible under contract law. *See, e.g., Aronson v. Quick Point Pencil*, 440 U.S. 257 (1979). On the other hand, there are a variety of circumstances in which federal patent policy precludes the parties from contracting to the contrary. *See, e.g., Brulotte v. Thys Co.*, 379 U.S. 29 (1964) (holding unenforceable patent licensed in agreement that extends beyond patent term); *Kimble v. Marvel Entertainment, LLC*, 135 S.Ct. 2401 (2015) (upholding *Brulotte*); *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) (contracts estopping licensee from challenging the validity of a patent are void); *Everex Systems Inc. v. Cadtrak Corp.*, 89 F.3d 673 (9th Cir. 1996) (federal policy precluding assignment of nonexclusive patent licenses prevailed over state doctrine permitting such assignments). Note that in some of these cases, such as *Everex*, federal preemption actually works to the benefit of the intellectual property owner.

Regardless of the particular limitations federal law imposes on licensing agreements, patent licensing in general is a question of state (not federal) law. *See Gjerlov v. Schuyler Labs. Inc.*, 131 F.3d 1016 (Fed. Cir. 1997).

6. A recent development has raised new preemption concerns: State laws providing a remedy when patentees send threatening “demand letters” without adequate research. The laws operate under fair trade or consumer protection statutes in various states. But they obviously have the potential to affect the enforcement powers of federal patentees. *See, e.g., Robin Feldman, Federalism, First Amendment & Patents: The Fraud Fallacy*, 17 COLUM. SCI. & TECH. L. REV. 30, 32 (2015); Paul R. Gugliuzza, *Patent Trolls and Preemption*, 101 VA. L. REV. 1579, 1580 (2015).

2. Copyright Preemption

As we saw in Chapter IV, federal copyright law operated in tandem with state copyright protection for unpublished works for nearly two centuries. With the 1976 Act, however, Congress extinguished such state and common law protection for unpublished works. Nonetheless, Congress carved out several areas in which state law could continue to operate. We begin this section by presenting § 301 and noting some of its complexities. We then examine the particular effect of federal copyright law protection on contract law and licensing.

i. Express Preemption (and Limitations)

17 U.S.C. § 301—Preemption with respect to other laws

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of

- (A) any cause of action from undertakings commenced before the effective date set forth in section 610(a) of the Visual Artists Rights Act of 1990;
- (B) activities violating legal or equitable rights that are not equivalent to any of the rights conferred by section 106A with respect to works of visual art; or
- (C) activities violating legal or equitable rights which extend beyond the life of the author.



COPYRIGHT LAW REVISION
Report No. 94-1476 (1976), pages 129–33
Committee on the Judiciary
House of Representatives

SECTION 301. FEDERAL PREEMPTION OF RIGHTS EQUIVALENT TO COPYRIGHT

Single Federal System

Section 301, one of the bedrock provisions of the bill, would accomplish a fundamental and significant change in the present law. Instead of a dual system of “common law copyright” for unpublished works and statutory copyright for published works, which has been the system in effect in the United States since the first copyright statute in 1790, the bill adopts a single system of Federal statutory copyright from creation. Under section 301 a work would obtain statutory protection as soon as it is “created” or, as that term is defined in section 101, when it is “fixed in in a copy or phonorecord for the first time.” Common law copyright protection for works coming within the scope of the statute would be abrogated, and the concept of publication would lose its all-embracing importance as a dividing line between common law and statutory protection and between both of these forms of legal protection and the public domain.

By substituting a single Federal system for the present anachronistic, uncertain, impractical, and highly complicated dual system, the bill would greatly improve the operation of the copyright law and would be much more effective in carrying out the basic constitutional aims of uniformity and the promotion of writing and scholarship. The main arguments in favor of a single Federal system can be summarized as follows:

1. One of the fundamental purposes behind the copyright clause of the Constitution, as shown in Madison’s comments in *THE FEDERALIST*, was to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author’s rights under the differing laws and in the separate courts of the various States. Today, when the methods for dissemination of an author’s work are incomparably broader and faster than they were in 1789, national uniformity in copyright protection is even more essential than it was then to carry out the constitutional intent.

2. “Publication,” perhaps the most important single concept under the present law, also represents its most serious defect. Although at one time, when works were disseminated almost exclusively through printed copies,

“publication” could serve as a practical dividing line between common law and statutory protection, this is no longer true. With the development of the 20th-century communications revolution, the concept of publication has become increasingly artificial and obscure. To cope with the legal consequences of an established concept that has lost much of its meaning and justification, the courts have given “publication” a number of diverse interpretations, some of them radically different. Not unexpectedly, the results in individual cases have become unpredictable and often unfair. A single Federal system would help to clear up this chaotic situation.

3. Enactment of section 301 would also implement the “limited times” provision of the Constitution, which has become distorted under the traditional concept of “publication.” Common law protection in “unpublished” works is now perpetual, no matter how widely they may be disseminated by means other than “publication”; the bill would place a time limit on the duration of exclusive rights in them. The provision would also aid scholarship and the dissemination of historical materials by making unpublished, undisseminted manuscripts available for publication after a reasonable period.

4. Adoption of a uniform national copyright system would greatly improve international dealings in copyrighted material. No other country has anything like our present dual system. In an era when copyrighted works can be disseminated instantaneously to every country on the globe, the need for effective international copyright relations, and the concomitant need for national uniformity, assume ever greater importance.

Under section 301, the statute would apply to all works created after its effective date, whether or not they are ever published or disseminated. . . .

Preemption of State Law

The intention of § 301 is to preempt and abolish any rights under the common law or statutes of a State that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law. The declaration of this principle in § 301 is intended to be stated in the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively, and to avoid the development of any vague borderline areas between State and Federal protection.

Under § 301(a) all “legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106[”] are governed exclusively by the Federal copyright statute if the works involved are “works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by §§ 102 and 103.” All corresponding State laws, whether common law or statutory, are preempted and abrogated. Regardless of when the work was created and whether it is published or unpublished, disseminated or undisseminted, in the public domain or copyrighted under the Federal statute, the States cannot offer it protection equivalent to copyright. Section 1338 of title 28, United States

Code, also makes clear that any action involving rights under the Federal copyright law would come within the exclusive jurisdiction of the Federal courts. . . .

As long as a work fits within one of the general subject matter categories of §§ 102 and 103, the bill prevents the States from protecting it even if it fails to achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify, or because it has fallen into the public domain. On the other hand, § 301(b) explicitly preserves common law copyright protection for one important class of works: works that have not been “fixed in any tangible medium of expression.” Examples would include choreography that has never been filmed or notated, an extemporaneous speech, “original works of authorship” communicated solely through conversations or live broadcasts, and a dramatic sketch or musical composition improvised or developed from memory and without being recorded or written down. As mentioned above in connection with § 102, unfixed works are not included in the specified “subject matter of copyright.” They are therefore not affected by the preemption of section 301, and would continue to be subject to protection under State statute or common law until fixed in tangible form.

The preemption of rights under State law is complete with respect to any work coming within the scope of the bill, even though the scope of exclusive rights given the work under the bill is narrower than the scope of common law rights in the work might have been. . . .

In a general way subsection (b) of § 301 represents the obverse of subsection (a). It sets out, in broad terms and without necessarily being exhaustive, some of the principal areas of protection that preemption would not prevent the States from protecting. Its purpose is to make clear, consistent with the 1964 Supreme Court decisions in *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, that preemption does not extend to causes of action, or subject matter outside the scope of the revised Federal copyright statute.

The numbered clauses of subsection (b) list three general areas left unaffected by the preemption: (1) subject matter that does not come within the subject matter of copyright; (2) causes of action arising under State law before the effective date of the statute; and (3) violations of rights that are not equivalent to any of the exclusive rights under copyright.

The examples in clause (3), while not exhaustive, are intended to illustrate rights and remedies that are different in nature from the rights comprised in a copyright and that may continue to be protected under State common law or statute. The evolving common law rights of “privacy,” “publicity,” and trade secrets, and the general laws of defamation and fraud, would remain unaffected as long as the causes of action contain elements, such as an invasion of personal rights or a breach of trust or confidentiality, that are different in kind from copyright infringement. Nothing in the bill derogates from the rights of parties to contract with each other and to sue for breaches of contract; however, to the extent that the unfair competition concept known as “interference with contract relations” is merely the equivalent of copyright protection, it would be preempted.

The last example listed in clause (3)—“deceptive trade practices such as passing off and false representation”—represents an effort to distinguish between those causes of action known as “unfair competition” that the copyright statute is not intended to preempt and those that it is. Section 301 is not intended to preempt common law protection in cases involving activities such as false labeling, fraudulent representation, and passing off even where the subject matter involved comes within the scope of the copyright statute,

“Misappropriation” is not necessarily synonymous with copyright infringement, and thus a cause of action labeled as “misappropriation” is not preempted if it is in fact based neither on a right within the general scope of copyright as specified by section 106 nor on a right equivalent thereto. For example, state law should have the flexibility to afford a remedy (under traditional principles of equity) against a consistent pattern of unauthorized appropriation by a competitor of the facts (i.e., not the literary expression) constituting “hot” news, whether in the traditional mold of *International News Service v. Associated Press*, 248 U.S. 215 (1918), or in the newer form of data updates from scientific, business, or financial data bases. Likewise, a person having no trust or other relationship with the proprietor of a computerized data base should not be immunized from sanctions against electronically or cryptographically breaching the proprietor’s security arrangements and accessing the proprietor’s data. The unauthorized data access which should be remediable might also be achieved by the intentional interception of data transmissions by wire, microwave or laser transmissions, or by the common unintentional means of “crossed” telephone lines occasioned by errors in switching.

The proprietor of data displayed on the cathode ray tube of a computer terminal should be afforded protection against unauthorized printouts by third parties (with or without improper access), even if the data are not copyrightable. For example, the data may not be copyrighted because they are not fixed in a tangible medium of expression (i.e., the data are not displayed for a period or not more than transitory duration).

Nothing contained in section 301 precludes the owner of a material embodiment of a copy or a phonorecord from enforcing a claim of conversion against one who takes possession of the copy or phonorecord without consent.

A unique and difficult problem is presented with respect to the status of sound recordings fixed before February 12, 1972, the effective date of the amendment bringing recordings fixed after that date under Federal copyright protection. In its testimony during the 1975 hearings, the Department of Justice pointed out that, under section 301 as then written:

This language could be read as abrogating the anti-piracy laws now existing in 29 states relating to pre-February 15, 1972, sound recordings on the grounds that these statutes proscribe activities violating rights equivalent to * * * the exclusive rights within the general scope of copyright. * * * “Certainly such a result cannot have been intended for it would likely effect the immediate resurgence of piracy of pre-February 15, 1972, sound recordings.

The Department recommended that section 301(b) be amended to exclude sound recordings fixed prior to February 15, 1972 from the effect of the preemption.

The Senate adopted this suggestion when it passed S. 22. The result of the Senate amendment would be to leave pre-1972 sound recordings as entitled to perpetual protection under State law, while post-1972 recordings would eventually fall into the public domain as provided in the bill.

The Committee recognizes that, under recent court decisions, pre-1972 recordings are protected by State statute or common law, and that should not all be thrown into the public domain instantly upon the coming into effect of the new law. However, it cannot agree that they should in effect be accorded perpetual protection, as under the Senate amendment, and it has therefore revised clause (4) to establish a future date for the preemption to take effect. The date chosen is February 15, 2047, which is 15 years from the effective date of the statute extending Federal protection to recordings.

Subsection (c) makes clear that nothing contained in Title 17 annuls or limits any rights or remedies under any other Federal statute.

COMMENTS AND QUESTIONS

1. *Pre-1972 Sound Recordings.* We discussed state law protection of sound recordings fixed in a tangible object prior to February 15, 1972 in Chapter IV(E)(5)(ii).

2. *State and Common Law Claims for Copying of Lyrics.* Genius Media, which develops and maintains a website that provides annotated music lyrics, sued Google for breach of contract, unfair competition, and unjust enrichment based on its search engine's Information Box feature which allegedly copied Genius Media content. The district court held that these state and common law claims were preempted by the Copyright Act. *See Genius Media Group, Inc. v. Google LLC*, __ F.Supp.3d __ (E.D.N.Y. 2020).

2. Do you find the language of § 301(b), preserving state law protections that “do not come within the subject matter of copyright” or “are not equivalent to any of the exclusive rights under copyright” to be clear? We explore state protections for misappropriation, idea submissions, and right of publicity, each of which hovers near the federal copyright boundary, later in this chapter.

ii. Contract

Inventors and creators frequently use contract law, such as license agreements, to achieve some of the goals they might otherwise use intellectual property rights to obtain. They also attempt use contracts to bargain around legal default rules, such as the first sale doctrine and fair use. Thus, contracts are fundamentally intertwined with intellectual property.



ProCD, Inc. v. Zeidenberg
United States Court of Appeals for the Seventh Circuit
86 F.3d 1447 (7th Cir. 1996)

EASTERBROOK, Circuit Judge.

Must buyers of computer software obey the terms of shrinkwrap licenses? The district court held not, for two reasons: first, they are not contracts because the licenses are inside the box rather than printed on the outside; second, federal law forbids enforcement even if the licenses are contracts. 908 F. Supp. 640 (W.D. Wis. 1996). The parties and numerous amici curiae have briefed many other issues, but these are the only two that matter—and we disagree with the district judge’s conclusion on each. Shrinkwrap licenses are enforceable unless their terms are objectionable on grounds applicable to contracts in general (for example, if they violate a rule of positive law, or if they are unconscionable). Because no one argues that the terms of the license at issue here are troublesome, we remand with instructions to enter judgment for the plaintiff.

I.

ProCD, the plaintiff, has compiled information from more than 3,000 telephone directories into a computer database. We may assume that this database cannot be copyrighted, although it is more complex, contains more information (nine-digit zip codes and census industrial codes), is organized differently, and therefore is more original than the single alphabetical directory at issue in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991). See Paul J. Heald, *The Vices of Originality*, 1991 SUP. CT. REV. 143, 160–68. ProCD sells a version of the database, called SelectPhone (trademark), on CD-ROM discs. (CD-ROM means “compact disc—read only memory.” The “shrinkwrap license” gets its name from the fact that retail software packages are covered in plastic or cellophane “shrinkwrap,” and some vendors, though not ProCD, have written licenses that become effective as soon as the customer tears the wrapping from the package. Vendors prefer “end user license,” but we use the more common term.) A proprietary method of compressing the data serves as effective encryption too. Customers decrypt and use the data with the aid of an application program that ProCD has written. This program, which is copyrighted, searches the database in response to users’ criteria (such as “find all people named Tatum in Tennessee, plus all firms with ‘Door Systems’ in the corporate name”). The resulting lists (or, as ProCD prefers, “listings”) can be read and manipulated by other software, such as word processing programs.

The database in SelectPhone (trademark) cost more than \$10 million to compile and is expensive to keep current. It is much more valuable to some users than to others. The combination of names, addresses, and SIC codes enables manufacturers to compile lists of potential customers. Manufacturers and retailers pay high prices to specialized information intermediaries for such mailing lists; ProCD offers a potentially cheaper alternative. People with nothing to sell could use the database as a substitute for calling long distance information, or as a way to look up old friends who have moved to unknown towns, or just as an electronic substitute for the local phone book. ProCD

decided to engage in price discrimination, selling its database to the general public for personal use at a low price (approximately \$150 for the set of five discs) while selling information to the trade for a higher price. It has adopted some intermediate strategies too: access to the SelectPhone (trademark) database is available via the America Online service for the price America Online charges to its clients (approximately \$3 per hour), but this service has been tailored to be useful only to the general public.

If ProCD had to recover all of its costs and make a profit by charging a single price—that is, if it could not charge more to commercial users than to the general public—it would have to raise the price substantially over \$150. The ensuing reduction in sales would harm consumers who value the information at, say, \$200. They get consumer surplus of \$50 under the current arrangement but would cease to buy if the price rose substantially. If because of high elasticity of demand in the consumer segment of the market the only way to make a profit turned out to be a price attractive to commercial users alone, then all consumers would lose out—and so would the commercial clients, who would have to pay more for the listings because ProCD could not obtain any contribution toward costs from the consumer market.

To make price discrimination work, however, the seller must be able to control arbitrage. An air carrier sells tickets for less to vacationers than to business travelers, using advance purchase and Saturday-night-stay requirements to distinguish the categories. A producer of movies segments the market by time, releasing first to theaters, then to pay-per-view services, next to the videotape and laserdisc market, and finally to cable and commercial TV. Vendors of computer software have a harder task. Anyone can walk into a retail store and buy a box. Customers do not wear tags saying “commercial user” or “consumer user.” Anyway, even a commercial-user-detector at the door would not work, because a consumer could buy the software and resell to a commercial user. That arbitrage would break down the price discrimination and drive up the minimum price at which ProCD would sell to anyone.

Instead of tinkering with the product and letting users sort themselves—for example, furnishing current data at a high price that would be attractive only to commercial customers, and two-year-old data at a low price—ProCD turned to the institution of contract. Every box containing its consumer product declares that the software comes with restrictions stated in an enclosed license. This license, which is encoded on the CD-ROM disks as well as printed in the manual, and which appears on a user’s screen every time the software runs, limits use of the application program and listings to non-commercial purposes.

Matthew Zeidenberg bought a consumer package of SelectPhone (trademark) in 1994 from a retail outlet in Madison, Wisconsin, but decided to ignore the license. He formed Silken Mountain Web Services, Inc., to resell the information in the SelectPhone (trademark) database. The corporation makes the database available on the Internet to anyone willing to pay its price—which, needless to say, is less than ProCD charges its commercial customers. Zeidenberg has purchased two additional SelectPhone (trademark) packages, each with an updated version of the database, and made the latest information available over the World Wide Web, for a price, through

laws of their own force would limit the finder's ability to copy or transmit the application program.

Think for a moment about trade secrets. One common trade secret is a customer list. After *Feist*, a simple alphabetical list of a firm's customers, with address and telephone numbers, could not be protected by copyright. Yet *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), holds that contracts about trade secrets may be enforced—precisely because they do not affect strangers' ability to discover and use the information independently. If the amendment of § 301(a) in 1976 overruled *Kewanee* and abolished consensual protection of those trade secrets that cannot be copyrighted, no one has noticed—though abolition is a logical consequence of the district court's approach. Think, too, about everyday transactions in intellectual property. A customer visits a video store and rents a copy of *Night of the Lepus*. The customer's contract with the store limits use of the tape to home viewing and requires its return in two days. May the customer keep the tape, on the ground that § 301(a) makes the promise unenforceable?

A law student uses the LEXIS database, containing public-domain documents, under a contract limiting the results to educational endeavors; may the student resell his access to this database to a law firm from which LEXIS seeks to collect a much higher hourly rate? Suppose ProCD hires a firm to scour the nation for telephone directories, promising to pay \$100 for each that ProCD does not already have. The firm locates 100 new directories, which it sends to ProCD with an invoice for \$10,000. ProCD incorporates the directories into its database; does it have to pay the bill? Surely yes; *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), holds that promises to pay for intellectual property may be enforced even though federal law (in *Aronson*, the patent law) offers no protection against third-party uses of that property. See also *Kennedy v. Wright*, 851 F.2d 963 (7th Cir. 1988). But these illustrations are what our case is about. ProCD offers software and data for two prices: one for personal use, a higher price for commercial use. Zeidenberg wants to use the data without paying the seller's price; if the law student and Quick Point Pencil Co. could not do that, neither can Zeidenberg.

Although Congress possesses power to preempt even the enforcement of contracts about intellectual property—or railroads, on which see *Norfolk & Western Ry. v. Train Dispatchers*, 499 U.S. 117 (1991)—courts usually read preemption clauses to leave private contracts unaffected. *American Airlines, Inc. v. Wolens*, 115 S.Ct. 817 (1995), provides a nice illustration. A federal statute preempts any state “law, rule, regulation, standard, or other provision . . . relating to rates, routes, or services of any air carrier.” 49 U.S.C. App. § 1305(a)(1). Does such a law preempt the law of contracts—so that, for example, an air carrier need not honor a quoted price (or a contract to reduce the price by the value of frequent flyer miles)? The Court allowed that it is possible to read the statute that broadly but thought such an interpretation would make little sense. Terms and conditions offered by contract reflect private ordering, essential to the efficient functioning of markets. 115 S.Ct. at 824–25. Although some principles that carry the name of contract law are designed to defeat rather than implement consensual transactions, *id.* at 826 n.8, the rules that respect private choice are not preempted by a

clause such as § 1305(a)(1). Section 301(a) plays a role similar to § 1301(a)(1): it prevents states from substituting their own regulatory systems for those of the national government. Just as § 301(a) does not itself interfere with private transactions in intellectual property, so it does not prevent states from respecting those transactions. Like the Supreme Court in *Wolens*, we think it prudent to refrain from adopting a rule that anything with the label “contract” is necessarily outside the preemption clause: the variations and possibilities are too numerous to foresee. National Car Rental likewise recognizes the possibility that some applications of the law of contract could interfere with the attainment of national objectives and therefore come within the domain of § 301(a). But general enforcement of shrinkwrap licenses of the kind before us does not create such interference.

Aronson emphasized that enforcement of the contract between Aronson and Quick Point Pencil Company would not withdraw any information from the public domain. That is equally true of the contract between ProCD and Zeidenberg. Everyone remains free to copy and disseminate all 3,000 telephone books that have been incorporated into ProCD’s database. Anyone can add SIC codes and zip codes. ProCD’s rivals have done so. Enforcement of the shrinkwrap license may even make information more readily available, by reducing the price ProCD charges to consumer buyers. To the extent licenses facilitate distribution of object code while concealing the source code (the point of a clause forbidding disassembly), they serve the same procompetitive functions as does the law of trade secrets. *Rockwell Graphic Systems, Inc. v. DEV Industries, Inc.*, 925 F.2d 174, 180 (7th Cir. 1991). Licenses may have other benefits for consumers: many licenses permit users to make extra copies, to use the software on multiple computers, even to incorporate the software into the user’s products. But whether a particular license is generous or restrictive, a simple two-party contract is not “equivalent to any of the exclusive rights within the general scope of copyright” and therefore may be enforced.

Reversed and remanded.

COMMENTS AND QUESTIONS

1. Section 301 is designed to prevent states from passing or enforcing laws “equivalent” to copyright. Whether a particular law is equivalent to copyright can be difficult to determine, however. Courts generally do not ask whether a body of law as a whole (contract or trade secrets, say) is equivalent to copyright. Rather, the question is whether the application of a state law to a particular factual circumstance would create a state-law right equivalent to copyright. Even *ProCD*, which takes a fairly categorical approach to § 301 preemption, is careful to note that it is not holding that § 301 will never preempt contract terms.

Nonetheless, Judge Easterbrook sees a categorical difference between enforcement of contract law and enforcement of other state laws. The court reasoned:

Rights “equivalent to any of the exclusive rights within the general scope of copyright” are rights established *by law*—rights that restrict the options of persons who are strangers to the author. Copyright law forbids duplication,

public performance, and so on, unless the person wishing to copy or perform the work gets permission; silence means a ban on copying. A copyright is a right against the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create “exclusive rights.” Someone who found a copy of [the plaintiff’s software product] on the street would not be affected by the shrinkwrap license. . . .

Is this distinction between judicial enforcement of contracts and other state laws persuasive? Commentators have been skeptical. Professors Peggy Radin and Polk Wagner point out that the Legal Realist movement in the last century exploded the myth that contracts are purely “private” creatures; they depend on the legal system for their enforcement. See Margaret Jane Radin & R. Polk Wagner, *The Myth of Private Ordering: Rediscovering Legal Realism in Cyberspace*, 73 CHI.-KENT L. REV. 1295 (1998). And Professor Mark Lemley observes that “even truly ‘private’ contracts affect third parties who haven’t agreed to the contract terms. Many contracts have significant negative externalities.” Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111 (1999).

Whatever the validity of the general distinction, the court in *ProCD* applied it to validate a “shrinkwrap license,” a peculiar form of contract that is drafted by the creator of the product and that purports to bind to its terms anyone who uses the product. While it is technically true in such a case that only “parties” to the contract are bound by it, anyone who has access to the product will automatically become such a party. Scholars argue that shrinkwrap licenses accordingly look less like contracts in the pure sense, and more like examples of private legislation:

[T]he viability of the distinction between private contracts and public legislation is diminishing day by day. One of the main changes [*ProCD* and its progeny] would make in current law would be to render enforceable contract “terms” to which the parties did not agree in the classic sense, and indeed of which one party may be entirely unaware. [They] would also enable the enforcement of such contract terms “downstream”—that is, against whomever later acquires the software—despite the fact that a first sale under both patent and copyright law would free the purchaser from upstream contractual restrictions. Technology facilitates this change by allowing a vendor to interpose contract terms even in a downstream transaction that would not ordinarily be thought to demonstrate privity between the “contracting” parties.

Lemley, *supra*. On the general issue of standard form contracts and their legal status, see MARGARET JANE RADIN, *BOILERPLATE: THE FINE PRINT, VANISHING RIGHTS, AND THE RULE OF LAW* (2014).

2. Does copyright preemption of state contract law depend on the remedy asserted for breach of contract? Should federal law be more concerned if a party seeks by contract to bring the weapons of copyright law to bear? Note that the legislative history to the Copyright Act states that the first sale doctrine (§ 109(a)) “does not mean that conditions on future disposition of copies or phonorecords, imposed by a contract between their buyer and seller, would be unenforceable between the parties as a breach of contract,

but it does mean that they could not be enforced by an action for infringement of copyright.” COMMITTEE ON THE JUDICIARY, HOUSE OF REPRESENTATIVES, REPORT NO. 94-1476, p.79 (1976). Contract remedies are ordinarily limited to expectation damages, rather than the consequential damages, statutory damages, attorney fees, and injunctions available under the copyright law. But suppose a license agreement provided that *resale* of a copyrighted work—permissible under copyright law—voids the entire license, rendering the reseller liable for copyright infringement. Should such a contract be preempted by copyright law? If not, is there anything left in practice of the first sale doctrine? Recall that the books at issue in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S.Ct. 1351 (2013), covered in Chapter IV(E)(4)(ii), “likely contain[ed] language making clear that the copy is to be sold only in a particular country or geographical region outside the United States.” Should we treat that unilateral statement as an enforceable contract that avoids copyright preemption? The Comments and Questions after the case touch on the license/copyright interplay.

3. After *ProCD*, is there any set of circumstances in which § 301 will preempt a contract? Suppose that a contract provided that the buyer of a book could not make fair use of the book. Should such a contract term be enforced? Would § 301 stand in the way? Should the context of the contract (whether it was a shrinkwrap, whether the product was widely sold, whether the buyer was a consumer) matter?

4. After *ProCD* was decided, many worried that its approach would encourage the greater use of contractual mechanisms to control information and thereby undermine the balance underlying copyright. Since *ProCD*, a majority of circuit courts of appeal have adopted Judge Easterbrook’s approach. It remains unclear whether those concerns have been borne out in the marketplace. See Guy A. Rub, *Copyright Survives: Rethinking the Copyright-Contract Conflict*, 103 VA. L. REV. 1141 (2017) (contending that *ProCD* has not done significant harm to copyright law and the marketplace for information); *contra* Mark A. Lemley, *Terms of Use*, 91 Minn. L. Rev. 459 (2006) (arguing that the expansion of *ProCD* to browsewrap contracts online is problematic).

5. While we have so far discussed copyright preemption of contract claims, copyright preemption also applies to a variety of state statutes and common law causes of action. Indeed, in *ProCD* itself, the district court held state tort claims for unfair competition, misappropriation, and violation of the Wisconsin Computer Crimes Act to be preempted, because all three claims were based on Zeidenberg’s copying of uncopyrightable data. *ProCD, Inc. v. Zeidenberg*, 908 F. Supp. 640 (W.D. Wis. 1996). The Seventh Circuit let these findings stand on appeal. The Eleventh Circuit has held claims for unfair competition and deceptive trade practices preempted where those claims were made in an effort to protect uncopyrightable databases. *Lipscher v. LRP Publications*, 266 F.3d 1305 (11th Cir. 2001). On copyright preemption of trade secret claims, see *Computer Associates Int’l v. Altai, Inc.*, 982 F.2d 693, 715–17 (2d Cir. 1992) (copyright and trade secret claims could co-exist regarding the use of the same computer program, as long as misappropriation of trade secrets is based on a defendant’s breach of a duty of trust or confidence). See also *Automated Drawing Systems v. Integrated Network Services*, 447 S.E.2d 109 (Ga. Ct. App. 1994) (copyright law did not preempt

Not all interferences are so straightforward. In *ASCAP v. Pataki*, 930 F. Supp. 873 (S.D.N.Y. 1996), the court invalidated a state statute regulating the activities of performing rights societies such as ASCAP and BMI. The state statute required, among other things, that such groups provide owners of establishments performing music with written notice of an investigation within 72 hours after it is initiated, thus making it difficult for ASCAP and others to conduct “undercover” investigations for violations of the copyright laws. The court’s opinion addressed only the issue of “conflict preemption, which occurs either where compliance with both federal and state regulations is a physical impossibility, or where state law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.” *Id.* The court found that the state statutory provisions “hinder the realization of the federal copyright scheme” for several reasons: the statute made it more difficult for copyright owners to enforce their rights; it effectively established a “statute of limitations” on copyright investigations that was shorter than the federal statute; and it gave copyright defendants a counterclaim that they could use to offset copyright damages. *See also College Entrance Examination Board v. Pataki*, 889 F. Supp. 554 (N.D.N.Y. 1995) (state law requiring disclosure of standardized test questions and answers preempted by Copyright Act because it conflicted with the rights of copyright owners to restrict distribution of copyrighted material); *Assoc. Am. Publishers v. Frosh*, No. 1:2021cv03133 (D. Md. Feb. 16, 2022) (state law requiring book publishers to provide copies of their ebooks to public libraries preempted by Copyright Act because it deprived publishers of the right to decide how to distribute their works).

Because the Copyright Act is an attempt by Congress to balance the interests of creators and users of intellectual property, state laws that give *too much* protection to copyrighted works may also interfere with the objectives of Congress. *See, e.g., United States ex rel. Berge v. Trustees of the University of Alabama*, 104 F.3d 1453 (4th Cir. 1997) (“The shadow actually cast by the Act’s preemption is notably broader than the wing of its protection.”). As the Supreme Court explained in *Goldstein v. California*, 412 U.S. 546 (1973), the question is whether Congress intended to place a particular work or use in the public domain:

At any time Congress determines that a particular category of “writing” is worthy of national protection and the incidental expenses of federal administration, federal copyright protection may be authorized. Where the need for free and unrestricted distribution of a writing is thought to be required by the national interest, the Copyright Clause and the Commerce Clause would allow Congress to eschew all protection. In such cases, a conflict would develop if a State attempted to protect that which Congress intended to be free from restraint or to free that which Congress had protected. However, where Congress determines that neither federal protection nor freedom from restraint is required by the national interest, it is at liberty to stay its hand entirely. Since state protection would not then conflict with federal action, total relinquishment of the States’ power to grant copyright protection cannot be inferred.

Although *Goldstein* was decided before the enactment of § 301, that section does not displace preemption based on a conflict between state and federal law. Several cases have gone beyond § 301 to a general preemption analysis along the lines of *Bonito Boats*. In *Associated Film Distribution Corp. v. Thornburgh*, 520 F. Supp. 971 (E.D. Pa. 1981), *rev'd and remanded on other grounds*, 683 F.2d 808, 817 (3d Cir. 1982), the court held preempted a state statute regulating the procedure by which film exhibitors licensed major motion pictures from film distribution arms of the major movie companies. The court went beyond § 301, stating that the “more general question of conflict between the two statutory schemes under the supremacy clause is decisive.” 520 F. Supp. at 993. *See also Orson, Inc. v. Miramax Film Corp.*, 189 F.3d 377 (3d Cir. 1999) (en banc) (a Pennsylvania statute that prohibited an exclusive license of a first-run film for longer than six weeks was preempted by the Copyright Act); *but see Allied Artists Pictures Corp. v. Rhodes*, 496 F. Supp. 408 (S.D. Ohio 1980), *aff'd and remanded in part*, 679 F.2d 656, 665 (6th Cir. 1982) (reaching the opposite conclusion). And in *Estate of Robert Graham v. Sotheby's*, 178 F. Supp. 3d 974 (C.D. Cal. Apr. 11, 2016), the court held that the Copyright Act preempted California's Resale Royalty Act, which provided that owners of original works of art who resold them had to pay a percentage of their proceeds to the artist. The court held that the statute was preempted “because the CRRA disrupts Congress's efforts to balance the interests of copyright owners and downstream consumers” under the fair use doctrine.

A number of cases have in fact preempted contract terms that conflict with federal patent and copyright policy. For example, contract terms that purport to extend a patent or copyright beyond its expiration have repeatedly been held unenforceable. On the distinction between “conflict preemption” and copyright field preemption in the contract area, *see* David Nimmer, Elliot Brown, & Gary N. Frischling, *The Metamorphosis of Contract into Expand*, 87 CAL. L. REV. 17 (1999).

Is *ProCD* in fact a case of conflict between copyright and contract? The stage for such a conflict is set by the Supreme Court decision in *Feist*, which held that the telephone white pages at issue in *ProCD* were constitutionally ineligible for copyright protection. This mode of analysis parallels the Dormant Commerce Clause doctrine, which holds that a grant of power (protection for original works of authorship) can imply a negative converse—that Congress intended unoriginal works to be unprotectable. Such a policy could well be seen to promote progress by enabling others to build on and develop databases. Does the fact that *ProCD*'s shrinkwrap license gives, if anything, even greater protection than copyright would suggest there is a conflict here? In *ProCD v. Zeidenberg*, 908 F. Supp. 640 (W.D. Wis. 1996), the district court reasoned in dictum that state contract law could not be used to prevent the copying of telephone white pages, which the Supreme Court had determined in *Feist* were uncopyrightable. The district court applied a constitutional copyright preemption analysis similar to the patent analysis undertaken in *Bonito Boats*. The Seventh Circuit reversed the district court's decision, concluding that under § 301 of the Copyright Act state contract law could not be preempted in this case. *ProCD v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996). Judge Easterbrook's opinion did not mention Supremacy Clause preemption at all, even

though the issue was briefed and was necessary to the decision, leaving the issue in some doubt.

Courts that have considered the question of whether shrinkwrap licenses can be preempted when they conflict with federal policy have split. One court concluded that a state statute permitting enforcement of shrinkwrap licenses was invalid under the Supremacy Clause where the shrinkwrap license at issue forbade reverse engineering that was permissible under the Copyright Act. *Vault Inc. v. Quaid Corp.*, 847 F.2d 255 (5th Cir. 1988). See also *Bowers v. Baystate Technologies*, 320 F.3d 1317, 1337 (Fed. Cir. 2003) (Dyk, J., dissenting) (endorsing this result). On the other hand, two later decisions have found no distinction between shrinkwrap licenses and negotiated contracts, and permitted copyright owners to block reverse engineering using a shrinkwrap provision. *Davidson & Assocs. v. Jung*, 422 F.3d 630 (8th Cir. 2005); *Bowers v. Baystate Technologies*, 320 F.3d 1317 (Fed. Cir. 2003).

If the federal copyright scheme intends unoriginal works like the telephone white pages to be in the public domain, is there any way to prevent the sort of use Zeidenberg made of this data? States presumably would lack the power to do so. There is some question whether Congress could avoid the constitutional limitation of originality in the Copyright Clause by enacting protection for databases under the Commerce Clause. See *United States v. Martignon*, 492 F.3d 140 (2d Cir. 2007) (upholding anti-bootlegging statute which protects unfixed works under the Commerce Clause because it perceived no conflict between the statute in question and the policies of copyright law); *United States v. Moghadam*, 175 F.3d 1269 (11th Cir. 1999). But a Congressional effort to overrule *Feist* might be more problematic. See Paul J. Heald & Suzanna Sherry, *Implied Limits on the Legislative Power: The Intellectual Property Clause as an Absolute Constraint on Congress*, 2000 U. ILL. L. REV. 1119.

PROBLEM VI-1

Presco is in the business of printing and selling academic journals to university libraries. When Presco receives a subscription request, it sends a form contract to the requestor. The requesting library is required to sign the contract before Presco will start the subscription. Presco's form contract provides in part that "Independent of and in addition to any provisions of state or federal law, the parties agree that Subscriber will not make, cause to be made, or allow to be made any copies of any Presco journals without the prior express written consent of Presco." Is the contract provision preempted? Does it matter whether the subscriber's copying would constitute fair use under the copyright laws?

3. Trademark Preemption

There has been surprisingly little litigation over the preemptive effect of the Lanham Act. Because the Lanham Act was passed under the aegis of the Commerce Clause of the Constitution, rather than the Patents and Copyrights Clause, other IP preemption cases are not directly relevant to the problem of trademark preemption. Instead, courts

turn to Commerce Clause cases, which focus on whether Congress intended to “preempt the field” of trademark law and on whether there is an actual or potential conflict between the state and federal statutes.

Two early cases held that the Lanham Act preempted all state trademark laws. *See Sargen & Co. v. Welco Feed Mfg.*, 195 F.2d 929 (8th Cir. 1952); *Time, Inc. v. T.I.M.E. Inc.*, 123 F. Supp. 446 (S.D. Cal. 1954). But commentators are skeptical of these broad preemptive holdings, largely because Congress clearly intended in passing the Lanham Act to allow it to coexist with some state trademark laws. *See* 15 U.S.C. §§ 1065, 1115(b)(5) (both referring to the continued effect of state law). *See* Richard A. De Sevo, *Antidilution Laws: The Unresolved Dilemma of Preemption under the Lanham Act*, 84 TRADEMARK REP. 300, 301–04 (1994). However, at least some courts continue to hold that state statutes which are directed at the same types of conduct as the Lanham Act are preempted. *See Three Blind Mice Designs Co. v. Cyrk Inc.*, 892 F. Supp. 303 (D. Mass. 1995) (state anti-dilution statute “wholly preempted” to the extent that it seeks to regulate directly competitive goods).

A more difficult question is presented where state trademark statutes may conflict with the general federal rule. Sometimes such conflicts are clear. For example, state laws that attempt to grant priority to a party other than the earliest federal registrant are surely preempted under 15 U.S.C. § 1127, since the laws “interfere” with the rights granted federal registrants under the Act.

Preemption will also occur if the state law is at odds with the “purpose of Congress” in passing the Lanham Act. Depending on the purpose identified, state anti-dilution laws might fail this test, since they do not require a likelihood of consumer confusion. *See* De Sevo, *supra*, at 312–20. Courts and commentators have split on this issue. *See* David S. Welkowitz, *Preemption, Extraterritoriality and the Problem of State Antidilution Laws*, 67 TUL. L. REV. 1, 4 (1992) (arguing that “injunctions like the one issued in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A.*, 702 F. Supp. 1031 (S.D.N.Y. 1988), *rev’d on other grounds*, 875 F.2d 1026 (2d Cir. 1989), exceed [constitutional] limits” under the Commerce Clause, though state anti-dilution statutes are not wholly preempted and in many cases injunctions based on state intellectual property law are enforceable under the Full Faith and Credit Clause). *Cf.* Milton W. Handler, *Are the State Antidilution Laws Compatible with the National Protection of Trademarks?*, 75 TRADEMARK REP. 269 (1985); Joseph P. Bauer, *A Federal Law of Unfair Competition: What Should Be the Reach of Section 43(a) of the Lanham Act?*, 31 UCLA L. REV. 671 (1984); Charles Bunn, *The National Law of Unfair Competition*, 62 HARV. L. REV. 987 (1949); Paul Heald, Comment, *Unfair Competition and Federal Law: Constitutional Restraints on the Scope of State Law*, 54 U. CHI. L. REV. 1411 (1987).

The creation of a federal anti-dilution law changes the preemption analysis, of course. Many people expected that such a law would preempt state anti-dilution statutes, replacing the patchwork of inconsistent protections with uniform national protection. Instead, § 43(c)(3) of the Lanham Act charts a narrow course around state anti-dilution laws by allowing them to continue in force but granting owners of federally registered

marks immunity from suit under such state laws. Unregistered marks, as well as those registered under state law, receive no such immunity. The legislative history explains:

Under section 3 of the bill, a new Section 43(c)(3) of the Lanham Act would provide that ownership of a valid federal trademark registration is a complete bar to an action brought against the registrant under state dilution law. This section provides a further incentive for the federal registration of marks and recognizes that to permit a state to regulate the use of federally registered marks is inconsistent with the intent of the Lanham Act “to protect registered marks used in such commerce from interference by state, or territorial legislation.” It is important to note that *the proposed federal dilution statute would not preempt state dilution laws*. Unlike patent and copyright laws, federal trademark law coexists with state trademark law, and it is to be expected that the federal dilution statute should similarly coexist with state dilution statutes.

Federal Trademark Dilution Act of 1995, House Report 104-374 (accompanying H.R. 1295), November 30, 1995 (emphasis added).

The situation after the 2006 TDRA is even more complicated. Because of a (likely inadvertent) change to the numbering of statutory sections, Lanham Act § 43(c)(6)(B) can now be read to preempt any trademark-like claim to the extent it is asserted against a federally registered mark.

Thus, parallel state anti-dilution claims will not wither away completely. Indeed, depending on whether state law affords more attractive remedies (note the “injunction only” rule for most cases under the federal dilution provision, § 43(c)(2)), parties may well continue to bring at least some anti-dilution cases under state law. Note that for the most part, however, nationwide injunctions are more difficult to acquire under state anti-dilution statutes, making federal claims more likely if such an injunction is the trademark owner’s major goal.

COMMENTS AND QUESTIONS

1. Is the lack of preemption troubling? Consider the following possibilities:
 - A federal anti-dilution claim fails because the use is found to be a “fair” one (say, for news reporting purposes). A parallel action is brought under a state statute that contains no such limitation, and the court grants a nationwide injunction against dilution on the basis of the state statute.
 - A nationally famous but unregistered product configuration is found to dilute a locally known product configuration under a state statute.
2. Do the state statutes at issue in these cases interfere with federal trademark policy?

B. MISAPPROPRIATION

International News Service v. Associated Press
Supreme Court of the United States
248 U.S. 215 (1918)

JUSTICE PITNEY delivered the opinion of the court.

The parties are competitors in the gathering and distribution of news and its publication for profit in newspapers throughout the United States. The Associated Press, which was complainant in the District Court, is a cooperative organization, incorporated under the Membership Corporations Law of the State of New York, its members being individuals who are either proprietors or representatives of about 950 daily newspapers published in all parts of the United States. . . . Complainant gathers in all parts of the world, by means of various instrumentalities of its own, by exchange with its members, and by other appropriate means, news and intelligence of current and recent events of interest to newspaper readers and distributes it daily to its members for publication in their newspapers. The cost of the service, amounting approximately to \$3,500,000 per annum, is assessed upon the members and becomes a part of their costs of operation, to be recouped, presumably with profit, through the publication of their several newspapers. Under complainant's by-laws each member agrees upon assuming membership that news received through complainant's service is received exclusively for publication in a particular newspaper, language, and place specified in the certificate of membership, that no other use of it shall be permitted, and that no member shall furnish or permit anyone in his employ or connected with his newspaper to furnish any of complainant's news in advance of publication to any person not a member. And each member is required to gather the local news of his district and supply it to the Associated Press and to no one else.

Defendant is a corporation organized under the laws of the State of New Jersey, whose business is the gathering and selling of news to its customers and clients, consisting of newspapers published throughout the United States, under contracts by which they pay certain amounts at stated times for defendant's service. It has wide-spread news-gathering agencies; the cost of its operations amounts, it is said, to more than \$2,000,000 per annum; and it serves about 400 newspapers located in the various cities of the United States and abroad, a few of which are represented, also, in the membership of the Associated Press.

The parties are in the keenest competition between themselves in the distribution of news throughout the United States; and so, as a rule, are the newspapers that they serve, in their several districts.

Complainant in its bill, defendant in its answer, have set forth in almost identical terms the rather obvious circumstances and conditions under which their business is conducted. The value of the service, and of the news furnished, depends upon the promptness of transmission, as well as upon the accuracy and impartiality of the news; it being essential that the news be transmitted to members or subscribers as early or earlier than similar information can be furnished to competing newspapers by other

the copyright act be complied with) only by being kept secret and confidential, and that upon the publication with complainant's consent of uncopyrighted news by any of complainant's members in a newspaper or upon a bulletin board, the right of property is lost, and the subsequent use of the news by the public or by defendant for any purpose whatever becomes lawful. . . .

In considering the general question of property in news matter, it is necessary to recognize its dual character, distinguishing between the substance of the information and the particular form or collocation of words in which the writer has communicated it.

No doubt news articles often possess a literary quality, and are the subject of literary property at the common law; nor do we question that such an article, as a literary production, is the subject of copyright by the terms of the act as it now stands. In an early case at the circuit Mr. Justice Thompson held in effect that a newspaper was not within the protection of the copyright acts of 1790 and 1802 (*Clayton v. Stone*, 2 Paine, 382; 5 Fed. Cas. No. 2872). But the present act is broader; it provides that the works for which copyright may be secured shall include "all the writings of an author," and specifically mentions "periodicals, including newspapers." Act of March 4, 1909, c. 320, §§ 4 and 5, 35 Stat. 1075, 1076. Evidently this admits to copyright a contribution to a newspaper, notwithstanding it also may convey news; and such is the practice of the copyright office, as the newspapers of the day bear witness. See Copyright Office Bulletin No. 15 (1917), pp. 7, 14, 16–17.

But the news element—the information respecting current events contained in the literary production—is not the creation of the writer, but is a report of matters that ordinarily are *publici juris* [of public right]; it is the history of the day. It is not to be supposed that the framers of the Constitution, when they empowered Congress "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries" (CONST., Art I, § 8, [cl.] 8), intended to confer upon one who might happen to be the first to report a historic event the exclusive right for any period to spread the knowledge of it.

We need spend no time, however, upon the general question of property in news matter at common law, or the application of the copyright act, since it seems to us the case must turn upon the question of unfair competition in business. And, in our opinion, this does not depend upon any general right of property analogous to the common-law right of the proprietor of an unpublished work to prevent its publication without his consent; nor is it foreclosed by showing that the benefits of the copyright act have been waived. We are dealing here not with restrictions upon publication but with the very facilities and processes of publication. The peculiar value of news is in the spreading of it while it is fresh; and it is evident that a valuable property interest in the news, as news, cannot be maintained by keeping it secret. Besides, except for matters improperly disclosed, or published in breach of trust or confidence, or in violation of law, none of which is involved in this branch of the case, the news of current events may be regarded as common property. What we are concerned with is the business of making it known to the world, in which both parties to the present suit are engaged. That business consists

in maintaining a prompt, sure, steady, and reliable service designed to place the daily events of the world at the breakfast table of the millions at a price that, while of trifling moment to each reader, is sufficient in the aggregate to afford compensation for the cost of gathering and distributing it, with the added profit so necessary as an incentive to effective action in the commercial world. The service thus performed for newspaper readers is not only innocent but extremely useful in itself, and indubitably constitutes a legitimate business. The parties are competitors in this field; and, on fundamental principles, applicable here as elsewhere, when the rights or privileges of the one are liable to conflict with those of the other, each party is under a duty so to conduct its own business as not unnecessarily or unfairly to injure that of the other. *Hitchman Coal & Coke Co. v. Mitchell*, 245 U.S. 229, 254.

Obviously, the question of what is unfair competition in business must be determined with particular reference to the character and circumstances of the business. The question here is not so much the rights of either party as against the public but their rights as between themselves. See *Morison v. Moat*, 9 Hare, 241, 258. And although we may and do assume that neither party has any remaining property interest as against the public in uncopyrighted news matter after the moment of its first publication, it by no means follows that there is no remaining property interest in it as between themselves. For, to both of them alike, news matter, however little susceptible of ownership or dominion in the absolute sense, is stock in trade, to be gathered at the cost of enterprise, organization, skill, labor, and money, and to be distributed and sold to those who will pay money for it, as for any other merchandise. Regarding the news, therefore, as but the material out of which both parties are seeking to make profits at the same time and in the same field, we hardly can fail to recognize that for this purpose, and as between them, it must be regarded as quasi property, irrespective of the rights of either as against the public.

In order to sustain the jurisdiction of equity over the controversy, we need not affirm any general and absolute property in the news as such. The rule that a court of equity concerns itself only in the protection of property rights treats any civil right of a pecuniary nature as a property right (*In re Sawyer*, 124 U.S. 200, 210; *In re Debs*, 158 U.S. 564, 593); and the right to acquire property by honest labor or the conduct of a lawful business is as much entitled to protection as the right to guard property already acquired. *Truax v. Raich*, 239 U.S. 33, 37–38; *Brennan v. United Hatters*, 73 N.J.L. 729, 742; *Barr v. Essex Trades Council*, 53 N.J. Eq. 101. It is this right that furnishes the basis of the jurisdiction in the ordinary case of unfair competition. . . .

Not only do the acquisition and transmission of news require elaborate organization and a large expenditure of money, skill, and effort; not only has it an exchange value to the gatherer, dependent chiefly upon its novelty and freshness, the regularity of the service, its reputed reliability and thoroughness, and its adaptability to the public needs; but also, as is evident, the news has an exchange value to one who can misappropriate it.

The peculiar features of the case arise from the fact that, while novelty and freshness form so important an element in the success of the business, the very processes of

distribution and publication necessarily occupy a good deal of time. Complainant's service, as well as defendant's, is a daily service to daily newspapers; most of the foreign news reaches this country at the Atlantic seaboard, principally at the City of New York, and because of this, and of time differentials due to the earth's rotation, the distribution of news matter throughout the country is principally from east to west; and, since in speed the telegraph and telephone easily outstrip the rotation of the earth, it is a simple matter for defendant to take complainant's news from bulletins or early editions of complainant's members in the eastern cities and at the mere cost of telegraphic transmission cause it to be published in western papers issued at least as early as those served by complainant. Besides this, and irrespective of time differentials, irregularities in telegraphic transmission on different lines, and the normal consumption of time in printing and distributing the newspaper, result in permitting pirated news to be placed in the hands of defendant's readers sometimes simultaneously with the service of competing Associated Press papers, occasionally even earlier.

Defendant insists that when, with the sanction and approval of complainant, and as the result of the use of its news for the very purpose for which it is distributed, a portion of complainant's members communicate it to the general public by posting it upon bulletin boards so that all may read, or by issuing it to newspapers and distributing it indiscriminately, complainant no longer has the right to control the use to be made of it; that when it thus reaches the light of day it becomes the common possession of all to whom it is accessible; and that any purchaser of a newspaper has the right to communicate the intelligence which it contains to anybody and for any purpose, even for the purpose of selling it for profit to newspapers published for profit in competition with complainant's members.

The fault in the reasoning lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves. The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant—which is what defendant has done and seeks to justify—is a very different matter. In doing this defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and which is salable by complainant for money, and that defendant in appropriating it and selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The

v. Wyckoff, Seamans & Benedict, 198 U.S. 118, 140. But we cannot concede that the right to equitable relief is confined to that class of cases. In the present case the fraud upon complainant's rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money, and treating it, therefore, as quasi property for the purposes of their business because they are both selling it as such, defendant's conduct differs from the ordinary case of unfair competition in trade principally in this that, instead of selling its own goods as those of complainant, it substitutes misappropriation in the place of misrepresentation, and sells complainant's goods as its own.

Besides the misappropriation, there are elements of imitation, of false pretense, in defendant's practices. The device of rewriting complainant's news articles, frequently resorted to, carries its own comment. The habitual failure to give credit to complainant for that which is taken is significant. Indeed, the entire system of appropriating complainant's news and transmitting it as a commercial product to defendant's clients and patrons amounts to a false representation to them and to their newspaper readers that the news transmitted is the result of defendant's own investigation in the field. But these elements, although accentuating the wrong, are not the essence of it. It is something more than the advantage of celebrity of which complainant is being deprived. . . .

The decree of the Circuit Court of Appeals will be Affirmed.

HOLMES, J., concurring:

When an uncopyrighted combination of words is published there is no general right to forbid other people repeating them—in other words there is no property in the combination or in the thoughts or facts that the words express. Property, a creation of law, does not arise from value, although exchangeable—a matter of fact. Many exchangeable values may be destroyed intentionally without compensation. Property depends upon exclusion by law from interference, and a person is not excluded from using any combination of words merely because someone has used it before, even if it took labor and genius to make it. If a given person is to be prohibited from making the use of words that his neighbors are free to make some other ground must be found. One such ground is vaguely expressed in the phrase unfair trade. This means that the words are repeated by a competitor in business in such a way as to convey a misrepresentation that materially injures the person who first used them, by appropriating credit of some kind which the first user has earned. The ordinary case is a representation by device, appearance, or other indirection that the defendant's goods come from the plaintiff. But the only reason why it is actionable to make such a representation is that it tends to give the defendant an advantage in his competition with the plaintiff and that it is thought undesirable that an advantage should be gained in that way. Apart from that the defendant may use such unpatented devices and uncopyrighted combinations of words as he likes. The ordinary case, I say, is palming off the defendant's product as the plaintiff's, but the same evil may follow from the opposite falsehood—from saying, whether in words or by implication, that the plaintiff's product is the defendant's, and that, it seems to me, is what has happened here.

Fresh news is got only by enterprise and expense. To produce such news as it is produced by the defendant represents by implication that it has been acquired by the defendant's enterprise and at its expense. When it comes from one of the great news-collecting agencies like the Associated Press, the source generally is indicated, plainly importing that credit; and that such a representation is implied may be inferred with some confidence from the unwillingness of the defendant to give the credit and tell the truth. If the plaintiff produces the news at the same time that the defendant does, the defendant's presentation impliedly denies to the plaintiff the credit of collecting the facts and assumes that credit to the defendant. If the plaintiff is later in western cities it naturally will be supposed to have obtained its information from the defendant. The falsehood is a little more subtle, the injury a little more indirect, than in ordinary cases of unfair trade, but I think that the principle that condemns the one condemns the other. It is a question of how strong an infusion of fraud is necessary to turn a flavor into a poison. The dose seems to me strong enough here to need a remedy from the law. But as, in my view, the only ground of complaint that can be recognized without legislation is the implied misstatement, it can be corrected by stating the truth; and a suitable acknowledgment of the source is all that the plaintiff can require. I think that within the limits recognized by the decision of the Court the defendant should be enjoined from publishing news obtained from the Associated Press for __ hours after publication by the plaintiff unless it gives express credit to the Associated Press; the number of hours and the form of acknowledgment to be settled by the District Court. . . .

BRANDEIS, J., dissenting:

...

News is a report of recent occurrences. The business of the news agency is to gather systematically knowledge of such occurrences of interest and to distribute reports thereof. The Associated Press contended that knowledge so acquired is property, because it costs money and labor to produce and because it has value for which those who have it not are ready to pay; that it remains property and is entitled to protection as long as it has commercial value as news; and that to protect it effectively the defendant must be enjoined from making, or causing to be made, any gainful use of it while it retains such value. An essential element of individual property is the legal right to exclude others from enjoying it. If the property is private, the right of exclusion may be absolute; if the property is affected with a public interest, the right of exclusion is qualified. But the fact that a product of the mind has cost its producer money and labor, and has a value for which others are willing to pay, is not sufficient to ensure to it this legal attribute of property. The general rule of law is, that the noblest of human productions—knowledge, truths ascertained, conceptions, and ideas—become, after voluntary communication to others, free as the air to common use. Upon these incorporeal productions the attribute of property is continued after such communication only in certain classes of cases where public policy has seemed to demand it. These exceptions are confined to productions which, in some degree, involve creation, invention, or discovery. But by no means all such are endowed with this attribute of property. The creations which are recognized as property by the common law are

literary, dramatic, musical, and other artistic creations; and these have also protection under the copyright statutes. The inventions and discoveries upon which this attribute of property is conferred only by statute, are the few comprised within the patent law. There are also many other cases in which courts interfere to prevent curtailment of plaintiff's enjoyment of incorporeal productions; and in which the right to relief is often called a property right, but is such only in a special sense. In those cases, the plaintiff has no absolute right to the protection of his production; he has merely the qualified right to be protected as against the defendant's acts, because of the special relation in which the latter stands or the wrongful method or means employed in acquiring the knowledge or the manner in which it is used. Protection of this character is afforded where the suit is based upon breach of contract or of trust or upon unfair competition.

The knowledge for which protection is sought in the case at bar is not of a kind upon which the law has heretofore conferred the attributes of property; nor is the manner of its acquisition or use nor the purpose to which it is applied, such as has heretofore been recognized as entitling a plaintiff to relief. . . .

The means by which the International News Service obtains news gathered by the Associated Press is also clearly unobjectionable. It is taken from papers bought in the open market or from bulletins publicly posted. No breach of contract such as the court considered to exist in *Hitchman Coal & Coke Co. v. Mitchell*, 245 U.S. 229, 254; or of trust such as was present in *Morison v. Moat*, 9 Hare, 241; and neither fraud nor force, is involved. The manner of use is likewise unobjectionable. No reference is made by word or by act to the Associated Press, either in transmitting the news to subscribers or by them in publishing it in their papers. Neither the International News Service nor its subscribers is gaining or seeking to gain in its business a benefit from the reputation of the Associated Press. They are merely using its product without making compensation. See *Bamforth v. Douglass Post Card & Machine Co.*, 158 Fed. Rep. 355; *Tribune Co. of Chicago v. Associated Press*, 116 Fed. Rep. 126. That, they have a legal right to do; because the product is not property, and they do not stand in any relation to the Associated Press, either of contract or of trust, which otherwise precludes such use. The argument is not advanced by characterizing such taking and use a misappropriation.

It is also suggested, that the fact that defendant does not refer to the Associated Press as the source of the news may furnish a basis for the relief. But the defendant and its subscribers, unlike members of the Associated Press, were under no contractual obligation to disclose the source of the news; and there is no rule of law requiring acknowledgment to be made where uncopyrighted matter is reproduced. The International News Service is said to mislead its subscribers into believing that the news transmitted was originally gathered by it and that they in turn mislead their readers. There is, in fact, no representation by either of any kind. Sources of information are sometimes given because required by contract; sometimes because naming the source gives authority to an otherwise incredible statement; and sometimes the source is named because the agency does not wish to take the responsibility itself of giving currency to the news. But no representation can properly be implied from omission to mention the

source of information except that the International News Service is transmitting news which it believes to be credible.

. . . The great development of agencies now furnishing country-wide distribution of news, the vastness of our territory, and improvements in the means of transmitting intelligence, have made it possible for a news agency or newspapers to obtain, without paying compensation, the fruit of another's efforts and to use news so obtained gainfully in competition with the original collector. The injustice of such action is obvious. But to give relief against it would involve more than the application of existing rules of law to new facts. It would require the making of a new rule in analogy to existing ones. The unwritten law possesses capacity for growth; and has often satisfied new demands for justice by invoking analogies or by expanding a rule or principle. This process has been in the main wisely applied and should not be discontinued. Where the problem is relatively simple, as it is apt to be when private interests only are involved, it generally proves adequate. But with the increasing complexity of society, the public interest tends to become omnipresent; and the problems presented by new demands for justice cease to be simple. Then the creation or recognition by courts of a new private right may work serious injury to the general public, unless the boundaries of the right are definitely established and wisely guarded. In order to reconcile the new private right with the public interest, it may be necessary to prescribe limitations and rules for its enjoyment; and also to provide administrative machinery for enforcing the rules. It is largely for this reason that, in the effort to meet the many new demands for justice incident to a rapidly changing civilization, resort to legislation has latterly been had with increasing frequency.

The rule for which the plaintiff contends would effect an important extension of property rights and a corresponding curtailment of the free use of knowledge and of ideas; and the facts of this case admonish us of the danger involved in recognizing such a property right in news, without imposing upon news-gatherers corresponding obligations. . . .

Courts are ill-equipped to make the investigations which should precede a determination of the limitations which should be set upon any property right in news or of the circumstances under which news gathered by a private agency should be deemed affected with a public interest. Courts would be powerless to prescribe the detailed regulations essential to full enjoyment of the rights conferred or to introduce the machinery required for enforcement of such regulations. Considerations such as these should lead us to decline to establish a new rule of law in the effort to redress a newly-disclosed wrong, although the propriety of some remedy appears to be clear.

COMMENTS AND QUESTIONS

1. Both the majority and the dissent seem to agree that there is no traditional intellectual property right in published news. Copyright law—the most likely candidate for protecting works of authorship—cannot protect AP's news. *See* Chapter IV. And the majority's reference to "unfair competition" suggests that its theory is grounded in the common law of unjust enrichment. *See* Shyamkrishna Balganesh, "Hot News": *The*

justification for, and the limit of, what is decided. [*International News Service*] appears to us such an instance; we think that no more was covered than situations substantially similar to those then at bar.” *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279 (2d Cir. 1929). Judge Hand went on to characterize the problems with the Court’s decision as “insuperable,” and to state that it “flagrantly conflict[ed]” with the federal statutory intellectual property laws. *Id.*

After *Erie R.R. Co. v. Tompkins*, 304 U.S. 64 (1938), abolished federal general common law in diversity cases (the grounds on which *International News* was decided), it seemed to many that the *International News* misappropriation doctrine was dead. See James Treece, *Patent Policy and Pre-emption: The Stiffel and Compco Cases*, 32 U. CHI. L. REV. 80 (1964). But the doctrine has since reappeared in a number of cases. See *United States Golf Ass’n v. St. Andrews Systems*, 749 F.2d 1028 (3d Cir. 1984) (*International News* was based on direct competition between the parties; court refused to apply it absent such direct competition); *Imax Corp. v. Cinema Technologies, Inc.*, 152 F.3d 1161 (9th Cir. 1998) (owner of movie projector equipment could recover on a common law misappropriation theory for the use of information disclosed in confidence, despite the fact that the plaintiff could not prevail on its trade secret claim); *Ettore v. Philco Television Broadcasting Corp.*, 229 F.2d 481 (3d Cir. 1956), *cert. denied*, 351 U.S. 926 (1956) (producer of boxing match could recover damages from television station which broadcast the match without permission).

6. *Misappropriation and Copyright Preemption.* With the passage of the Copyright Act of 1976, courts have had to confront whether state common law misappropriation doctrine survives the preemption “of all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by § 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103.” 17 U.S.C. § 301. The text of the statute does not create an exception for misappropriation claims. As explored in (A)(2)(i), *infra*, however, the legislative history addressed the continued viability of misappropriation claims as follows:

“Misappropriation” is not necessarily synonymous with copyright infringement, and thus a cause of action labeled as “misappropriation” is not preempted if it is in fact based neither on a right within the general scope of copyright as specified by section 106 nor on a right equivalent thereto. For example, state law should have the flexibility to afford a remedy (under traditional principles of equity) against a consistent pattern of unauthorized appropriation by a competitor of the facts (i.e., not the literary expression) constituting “hot” news, whether in the traditional mold of *International News Service v. Associated Press*, 248 U.S. 215 (1918), or in the newer form of data updates from scientific, business, or financial data bases. Likewise, a person having no trust or other relationship with the proprietor of a computerized data base should not be immunized from sanctions against electronically or cryptographically breaching the proprietor’s security arrangements and accessing the proprietor’s data. . . .

Committee on the Judiciary, H. R. REP. NO. 94-1476, p.132 (1976).

In *National Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997), the court held that *International News* survives today only where

- (i) a plaintiff generates or gathers information at a cost;
- (ii) the information is time-sensitive;
- (iii) a defendant's use of the information constitutes free-riding on the plaintiff's efforts;
- (iv) the defendant is in direct competition with a product or service offered by the plaintiffs; and
- (v) the ability of other parties to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product that its existence or quality would be substantially threatened.

The court held that these limitations on the misappropriation doctrine made it qualitatively different from a cause of action for copyright infringement. *Cf. United States Golf Ass'n v. Arroyo Software*, 40 U.S.P.Q.2d 1840 (Cal. Super. Ct. 1996), *aff'd*, 69 Cal. App. 4th 607 (1999) (extending misappropriation doctrine to noncompetitors, finding that protection of USGA handicapping formula is necessary to "protect the basic incentive for the production of the idea or information involved").

The Second Circuit revisited the "hot news" misappropriation doctrine in *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 650 F.3d 876 (2d Cir. 2011). The plaintiffs—major brokerage firms that engage in extensive research for purposes of advising their clients—sought to prevent an Internet securities news aggregator from circulating their trading recommendations (rating and price target) until after they had lost their "hot news" value. After the district court found that the plaintiffs had satisfied the five-part *Motorola* test, the appellate court reversed on the ground that such an application of *Motorola* would run afoul of the Copyright Act's preemption of equivalent state law causes of action. Of most significance, the court held that the plaintiffs' claim does not meet *Motorola*'s "free-riding" element:

[Theflyonthewall or Fly] is collecting, collating and disseminating factual information—the *facts* that Firms and others in the securities business have made recommendations with respect to the value of and the wisdom of purchasing or selling securities—and attributing the information to its source. The Firms are making the news . . .

. . . In pressing a "hot news" claim against Fly, the Firms seek only to protect their Recommendations, something they *create* using their expertise and experience rather than *acquire* through efforts akin to reporting.

Moreover, Fly, having obtained news of a Recommendation, is hardly selling the Recommendation "as its own," *INS*, 248 U.S. at 239. It is selling the information with specific attribution to the issuing Firm. Indeed, for Fly to sell, for example, a Morgan Stanley Recommendation "as its own," as *INS* sold the news it cribbed from AP to *INS* subscribers, would be of little value to either Fly or its customers. . . .

We do not perceive a meaningful difference between (a) Fly’s taking material that a Firm has created (not “acquired”) as the result of organization and the expenditure of labor, skill, and money, and which is (presumably) salable by a Firm for money, and selling it by *ascribing the material to its creator Firm* and author (not selling it as Fly’s own), and (b) what appears to be unexceptional and easily recognized behavior by members of the traditional news media—to report on, say, winners of Tony Awards or, indeed, scores of NBA games with proper attribution of the material to its creator. *INS* did not purport to address either.

It is also noteworthy, if not determinative, that *INS* referred to *INS*’s tortious behavior as “amount[ing] to an unauthorized interference with the normal operation of complainant’s legitimate business *precisely at the point where the profit is to be reaped*, in order to *divert a material portion of the profit* from those who have earned it to those who have not. . . .” *Id.* at 240 (emphases added). As we have seen, the point at which the Firms principally reap their profit is upon the execution of sales or purchases of securities. It is at least arguable that Fly’s interference with the “normal operation” of the Firms’ business is indeed at a “point” where the Firms’ profits are reaped. But it is not at all clear that *that* profit is being in any substantial sense “diverted” to Fly by its publication of Recommendations news. The lost commissions are, we would think, diverted to whatever broker happens to execute a trade placed by the recipient of news of the Recommendation from Fly.

Id. at 903–04 (emphasis in original; footnotes omitted). Does the Second Circuit take an overly narrow interpretation of free-riding and the *INS* holding? The Second Circuit’s opinion narrows the scope of the hot news misappropriation doctrine to such an extent that the doctrine remains untenable in all but the narrowest of circumstances. See Shyamkrishna Balganesh, *The Uncertain Future of “Hot News” Misappropriation After Barclays Capital v. Theflyonthewall.com*, 112 COLUM. L. REV. SIDEBAR 134 (2012). Is this a desirable result overall?

7. Suppose that the plaintiff in *Feist v. Rural Telephone Service*, 499 U.S. 340 (1991), had brought a claim for misappropriation and unfair competition rather than a copyright claim. Should the plaintiff prevail under *International News*? It certainly would be able to claim that it had invested substantial time and effort in putting together a telephone directory, and that defendant (a direct competitor) had merely copied that information as soon as it became public. Assuming this is enough to show unfair competition under *International News*, what does that fact suggest about the interaction between the copyright laws and the unfair competition doctrine? Does it make sense that the rule in *Feist* should coexist with unfair competition law?

8. One solution to the inconsistency between *Feist* and *International News* would be to create an explicit (presumably statutory) property right in factual compilations. Strong arguments in favor of such protection were made in the copyright context both before and after *Feist*. Further, doesn’t the Court have a valid point about the incentive

to invest in a productive activity (collecting news) whose benefits will immediately be dissipated by imitators? Isn't that precisely the justification for the patent system?

On the other hand, what problems do you foresee with such a new federal intellectual property regime? Would it overwhelm patent and copyright as means of protecting intellectual property? What effect would it have on businesses? Would it encourage factual research and compilation, or just encourage monopolization of facts? On this subject, see Leo J. Raskind, *The Misappropriation Doctrine as a Competitive Norm of Intellectual Property Law*, 75 MINN. L. REV. 875, 876–77 (1991). Raskind argues that:

when courts hear patent, copyright, and trademark cases in which statutory protection is inappropriate, but nonetheless the conduct of a party is characterized as “chiseling,” “piracy,” “unethical,” or the like, they should begin their analysis by considering the competitive relationship from which the claim originates. The clear legislative expression of a preference for competition contained in federal antitrust laws warrants this approach. Moreover, courts in these cases should recognize the Supreme Court’s continued emphasis on the preemptive effect given federal legislation relating to competition. Ancillary doctrines that impinge on competition, such as misappropriation, should be invoked sparingly. From this perspective, courts should consider allegedly “inappropriate” conduct as an element of behavior in a competitive market context; within that framework, courts should view such conduct as an element of cost that a seller, as a competitor, considers when determining how much of a particular product to offer.

9. To what extent was the Court in *International News* merely enforcing the norms of commercial reasonableness in the newspaper industry? See Richard Epstein, *International News Service v. Associated Press: Custom and Law as Sources of Property Rights in News*, 78 VA. L. REV. 85 (1992) (noting the different customary rules in the news trade under which “lifting” stories was wrong, but following up on another paper’s “tips” to report the same story was acceptable; and concluding that, partially unwittingly, Justice Pitney ended up affirming these customary rules in his opinion); Douglas G. Baird, *Common Law Intellectual Property and the Legacy of International News Service v. Associated Press*, 50 U. CHI. L. REV. 411 (1983); but see Stephen L. Carter, *Custom, Adjudication, and Petrushevsky’s Watch: Some Notes from the Intellectual Property Front*, 78 VA. L. REV. 129, 132 (1992) (“Even courts inclined to enforce private orderings might not be very good at anthropology. The judge, after all, is on the outside, looking in. Even assuming—and there is no reason to do so—that the parties tell the whole truth, it will not always be so easy for a court to discern an industry’s customs.”); Jennifer E. Rothman, *The Questionable Use of Custom in Intellectual Property*, 93 VA. L. REV. 1899, 1906–07 (2007) (arguing that the usual reasons for the use of custom in intellectual property adjudication are not convincing).

10. In a 2003 essay, Judge Posner questioned the need for a separate misappropriation doctrine. See Richard A. Posner, *Misappropriation: A Dirge*, 40 HOUS. L. REV. 621 (2003). He did not believe that its core principle—discouraging free

riding—is itself a necessary or sufficient condition for IP protection. *See generally* Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031 (2005); *but see* Wendy J. Gordon, *Of Harms and Benefits: Torts, Restitution, and Intellectual Property*, 34 MCGEORGE L. REV. 541 (2003). Upon reviewing the major reported cases, Judge Posner concluded that unsuccessful claimants were properly rejected and that successful claimants could have prevailed under other doctrines (such as copyright law, contract law, or trespass to chattels). He was “hard pressed to find a case in which a claim of misappropriation should have succeeded.” 40 HOUS. L. REV. at 633. The following problem indicates that Judge Posner may have changed his mind about the misappropriation doctrine.

PROBLEM VI-2

The rise of the Internet has imperiled many traditional news-gathering organizations. Sites like Craigslist have reduced the market for classified advertising. The success of Google’s AdSense—its keyword-triggered advertising platform—cut deeply into the revenue that had traditionally flowed into print advertising. And the revenue models for many newspaper websites have been hampered by news aggregator sites, news search engines, and bloggers who repackage news. To some extent, most newspapers created the latter set of problems by not choosing the subscription model path (as, for example, the WALL STREET JOURNAL did). Just as misappropriation law bolstered AP’s lead-time nearly a century ago, Judge Richard Posner suggests that a similar approach (through an amendment to copyright law) could improve the quantity and quality of news gathering today:

News, as well the other information found in newspapers, is available online for nothing, including at the websites of the newspapers themselves, who thus are giving away content. The fact that online viewing is rising as print circulation is falling indicates a shift of consumers from the paid to the free medium. . . . [M]any of the people who have switched under economic pressure to the free medium may find themselves as happy or happier. . . . Moreover, while in many industries a reduction in output need not entail any reduction in the quality of the product, in newspaper it does entail a reduction in quality. Most of the costs of a newspaper are fixed costs, that is, costs invariant to output—for they are journalists’ salaries. A newspaper with shrinking revenues can shrink its costs only by reducing the number of reporters, columnists, and editors, and when it does that quality falls, and therefore demand, and falling demand means falling revenues and therefore increased pressure to economize—by cutting the journalist staff some more. This vicious cycle, amplified by the economic downturn, may continue until very little of the newspaper industry is left. So what will happen to news and information? Online news is free for two reasons. First, in the case of a newspaper, the marginal cost of providing content online is virtually zero, since it is the same content (or a selection of the content) in a different medium. Second, online providers of news who are not affiliated with a newspaper can provide links to newspaper websites and paraphrase articles in newspapers, in neither case being required to compensate the newspaper.

As newspaper revenues decline, newspaper content becomes thinner and thinner—but by the same token so does the linked or paraphrased newspaper content found in web sites that have no affiliation with a newspaper. If eventually newspapers vanish, online providers will have higher advertising revenues (because newspaper advertising will have disappeared) and may decide to charge for access to their online news, and so the critical question is whether online advertising revenues will defray the costly news-gathering expenses incurred at this time by newspapers. Imagine if the NEW YORK TIMES migrated entirely to the World Wide Web. Could it support, out of advertising and subscriber revenues, as large a news-gathering apparatus as it does today? This seems unlikely, because it is much easier to create a web site and free ride on other sites than to create a print newspaper and free ride on other print newspapers, in part because of the lag in print publication; what is staler than last week's news. Expanding copyright law to bar online access to copyrighted materials without the copyright holder's consent, or to bar linking to or paraphrasing copyrighted materials without the copyright holder's consent, might be necessary to keep free riding on content financed by online newspapers from so impairing the incentive to create costly news-gathering operations that news services like Reuters and the Associated Press would become the only professional, nongovernmental sources of news and opinion.

See R. Posner, *The Future of Newspapers* available at http://www.becker-posner-blog.com/archives/2009/06/the_future_of_n.html. What counterarguments would you offer? Do you agree with Judge Posner's prescription?

In October 1996, Nadel met with Neil Wasserman, an executive at Play-By-Play who was responsible for the development of its plush toy line. According to Nadel, he showed his prototype monkey toy to Wasserman, who expressed interest in adapting the concept to a non-moving, plush Tazmanian Devil toy that Play-By-Play was already producing under license from Warner Bros. Nadel contends that, consistent with industry custom, any ideas that he disclosed to Wasserman during their October 1996 meeting were subject to an agreement by Play-By-Play to keep such ideas confidential and to compensate Nadel in the event of their use.

Nadel claims that he sent his prototype monkey toy to Wasserman as a sample and awaited the “Taz skin” and voice tape, which Wasserman allegedly said he would send, so that Nadel could make a sample spinning/laughing Tazmanian Devil toy for Play-By-Play. Wasserman never provided Nadel with the Taz skin and voice tape, however, and denies ever having received the prototype monkey toy from Nadel.

Notwithstanding Wasserman’s denial, his secretary, Melissa Rodriguez, testified that Nadel’s prototype monkey toy remained in Wasserman’s office for several months. According to Ms. Rodriguez, the monkey toy was usually kept in a glass cabinet behind Wasserman’s desk, but she remembered that on one occasion she had seen it on a table in Wasserman’s office. Despite Nadel’s multiple requests, Wasserman did not return Nadel’s prototype monkey toy until February 1997, after Play-by-Play introduced its “Tornado Taz” product at the New York Toy Fair.

The parties do not dispute that “Tornado Taz” has the same general characteristics as Nadel’s prototype monkey toy. Like Nadel’s toy, Tornado Taz is a plush toy that emits sounds (including “screaming,” “laughing,” “snarling,” and “grunting”), sits upright, and spins by means of an internal eccentric vibration mechanism.

Nadel claims that, in violation of their alleged agreement, Play-By-Play used his idea without paying him compensation. Play-By-Play contends, however, that it independently developed the Tornado Taz product concept and that Nadel is therefore not entitled to any compensation. Specifically, Play-By-Play maintains that, as early as June or July of 1996, two of its officers—Wasserman and Slattery—met in Hong Kong and began discussing ways to create a spinning or vibrating Tazmanian Devil, including the possible use of an eccentric mechanism. Furthermore, Play-By-Play claims that in late September or early October 1996, it commissioned an outside manufacturing agent—Barter Trading of Hong Kong—to begin developing Tornado Taz.

Play-By-Play also argues that, even if it did use Nadel’s idea to develop Tornado Taz, Nadel is not entitled to compensation because Nadel’s concept was unoriginal and non-novel to the toy industry in October 1996. In support of this argument, Play-By-Play has submitted evidence of various toys, commercially available prior to October 1996, which used eccentric motors and allegedly contained the same characteristics as Nadel’s prototype monkey toy. . . .

Discussion

I. Nadel’s Claims

On January 21, 1999, the district court granted Play-By-Play's motion for summary judgment dismissing Nadel's claims for breach of contract, quasi contract, and unfair competition. Interpreting New York law, the district court stated that "a party is not entitled to recover for theft of an idea unless the idea is novel or original." *Nadel v. Play By Play Toys & Novelties, Inc.*, 34 F. Supp. 2d 180, 184 (S.D.N.Y. 1999). Applying that principle to Nadel's claims, the district court concluded that, even if the spinning toy concept were novel to Play-By-Play at the time Nadel made the disclosure to Wasserman in October 1996, Nadel's claims must nonetheless fail for lack of novelty or originality because "numerous toys containing the characteristics of [Nadel's] monkey were in existence prior to[] October 1996." *Id.* at 185. In essence, the district court interpreted New York law to require that, when a plaintiff claims that a defendant has either (1) misappropriated his idea (a "property-based claim") or (2) breached an express or implied-in-fact contract by using such idea (a "contract-based claim"), the idea at issue must be original or novel generally. *See id.* at 184 n. 1. Thus, according to the district court, a finding that an idea was novel as to Play-By-Play—i.e., novel to the buyer—cannot suffice to sustain any of Nadel's claims. *See id.*

On appeal, Nadel challenges the district court's conclusion that a showing of novelty to the buyer—i.e., that Nadel's idea was novel to Play-By-Play at the time of his October 1996 disclosure—cannot suffice to sustain his claims for breach of contract, quasi contract, and unfair competition under New York law. Nadel claims, moreover, that the record contains a genuine issue of material fact concerning whether his toy idea was novel to Play-By-Play at the time of his October 1996 disclosure to Wasserman and that the district court therefore erred in granting Play-By-Play's motion for summary judgment.

Nadel's factual allegations present a familiar submission-of-idea case: (1) the parties enter into a pre-disclosure confidentiality agreement; (2) the idea is subsequently disclosed to the prospective buyer; (3) there is no post-disclosure contract for payment based on use; and (4) plaintiff sues defendant for allegedly using the disclosed idea under either a contract-based or property-based theory. For the reasons that follow, we conclude that a finding of novelty as to Play-By-Play can suffice to provide consideration for Nadel's contract claims against Play-By-Play. Accordingly, because we also find that there exists a genuine issue of material fact as to whether Nadel's idea was novel to Play-By-Play at the time of his October 1996 disclosure, we vacate the district court's grant of summary judgment on Nadel's contract claims. With respect to Nadel's misappropriation claim, we similarly vacate the district court's grant of summary judgment and remand for further proceedings to determine whether Nadel's idea was original or novel generally.

A. Submission-of-Idea Cases Under New York Law

Our analysis begins with the New York Court of Appeals' most recent discussion of the law governing idea submission cases, *Apfel v. Prudential-Bache Securities, Inc.*, 81 N.Y.2d 470, 600 N.Y.S.2d 433, 616 N.E.2d 1095 (1993). In *Apfel*, the Court of Appeals discussed the type of novelty an idea must have in order to sustain a contract-based or property-based claim for its uncompensated use. Specifically, *Apfel* clarified

an important distinction between the requirement of “novelty to the buyer” for contract claims, on the one hand, and “originality” (or novelty generally) for misappropriation claims, on the other hand.

Under the facts of *Apfel*, the plaintiff disclosed his idea to the defendant pursuant to a confidentiality agreement and, subsequent to disclosure, entered into another agreement wherein the defendant agreed to pay a stipulated price for the idea’s use. *See id.* at 474. The defendant used the idea but refused to pay plaintiff pursuant to the post-disclosure agreement on the asserted ground that “no contract existed between the parties because the sale agreement lacked consideration.” *Id.* at 475. The defendant argued that an idea could not constitute legally sufficient consideration unless it was original or novel generally and that, because plaintiff’s idea was not original or novel generally (it had been in the public domain at the time of the post-disclosure agreement), the idea provided insufficient consideration to support the parties’ post-disclosure contract. *See id.* at 474–75.

In rejecting defendant’s argument, the Court of Appeals held that there was sufficient consideration to support plaintiff’s contract claim because the idea at issue had value to the defendant at the time the parties concluded their post-disclosure agreement. *See id.* at 476. The *Apfel* court noted that “traditional principles of contract law” provide that parties “are free to make their bargain, even if the consideration exchanged is grossly unequal or of dubious value,” *id.* at 475, and that, so long as the “defendant received something of value” under the contract, the contract would not be void for lack of consideration, *id.* at 476. *See also id.* at 478 (“[T]he buyer knows what he or she is buying and has agreed that the idea has value, and the Court will not ordinarily go behind that determination.”).

The *Apfel* court explicitly rejected defendant’s contention that the court should carve out “an exception to traditional principles of contract law” for submission-of-idea cases by requiring that an idea must also be original or novel generally in order to constitute valid consideration. *Id.* at 477. In essence, the defendant sought to impose a requirement that an idea be novel in absolute terms, as opposed to only the defendant buyer, in order to constitute valid consideration for the bargain. In rejecting this argument, the *Apfel* court clarified the standards for both contract-based and property-based claims in submission-of-idea cases. That analysis guides our decision here.

The *Apfel* court first noted that “novelty as an element of an idea seller’s claim” is a distinct element of proof with respect to both (1) “a claim based on a property theory” and (2) “a claim based on a contract theory.” *Id.* at 477. The court then proceeded to discuss how the leading submission-of-idea case—*Downey v. General Foods Corp.*, 31 N.Y.2d 56, 334 N.Y.S.2d 874, 286 N.E.2d 257 (1972)—treated novelty with respect to property-based and contract-based claims. First, the *Apfel* court explained that the plaintiff’s property-based claims for misappropriation were dismissed in *Downey* because “the elements of novelty and originality [were] absent,” i.e., the ideas were so common as to be unoriginal and known generally. *Apfel*, 81 N.Y.2d at 477 (quoting *Downey*, 31 N.Y.2d at 61) (alteration in original); accord *Downey*, 31 N.Y.2d at 61–62 (holding that the submitted idea—marketing Jell-O to children under the name “Mr.

Wiggle”—was “lacking in novelty and originality” because the idea was merely the “use of a word (‘wiggley’ or ‘wiggle’) descriptive of the most obvious characteristic of Jell-O, with the prefix ‘Mr.’ added”). Second, the *Apfel* court explained that the plaintiff’s contract claims in *Downey* had been dismissed on the separate ground that the “defendant possessed plaintiff’s ideas prior to plaintiff’s disclosure [and thus], the ideas could have no value to defendant and could not supply consideration for any agreement between the parties.” *Apfel*, 81 N.Y.2d at 477; accord *Downey*, 31 N.Y.2d at 62 (finding that, where defendant had used the words “wiggles” and “wigglewam” in prior advertising, defendant could “rel[y] on its own previous experience” and “was free to make use of ‘Mr. Wiggle’ without being obligated to compensate the plaintiff”).

By distinguishing between the two types of claims addressed in *Downey* and the different bases for rejecting each claim, the New York Court of Appeals clarified that the novelty requirement in submission-of-idea cases is different for misappropriation of property and breach of contract claims. . . .

Thus, the *Apfel* court refused to read *Downey* and “similar decisions” as requiring originality or novelty generally in all cases involving disclosure of ideas. See *Apfel*, 81 N.Y.2d at 476–77 (“These decisions do not support [the] contention that novelty [in absolute terms] is required in all cases involving disclosure of ideas.”). Rather, the *Apfel* court clarified that the longstanding requirement that an idea have originality or general novelty in order to support a misappropriation claim does not apply to contract claims. See *Oasis Music, Inc. v. 900 U.S.A., Inc.*, 161 Misc. 2d 627, 614 N.Y.S.2d 878, 881 (1994) (noting that “the *Apfel* court did not repudiate the long line of cases requiring novelty in certain situations[,] . . . the *Apfel* court merely clarified that novelty is not required in all cases”). For contract-based claims in submission-of-idea cases, a showing of novelty to the buyer will supply sufficient consideration to support a contract.

Moreover, *Apfel* made clear that the “novelty to the buyer” standard is not limited to cases involving an express post-disclosure contract for payment based on an idea’s use. The *Apfel* court explicitly discussed the pre-disclosure contract scenario present in the instant case, where “the buyer and seller contract for disclosure of the idea with payment based on use, but no separate post-disclosure contract for the use of the idea has been made.” *Apfel*, 81 N.Y.2d at 477–78. In such a scenario, a seller might, as Nadel did here, bring an action against a buyer who allegedly used his ideas without payment, claiming both misappropriation of property and breach of an express or implied-in-fact contract. Of course, the mere disclosure of an unoriginal idea to a defendant, to whom the idea is novel, will not automatically entitle a plaintiff to compensation upon the defendant’s subsequent use of the idea. An implied-in-fact contract “requires such elements as consideration, mutual assent, legal capacity and legal subject matter.” *Id.* (internal quotation marks omitted). The existence of novelty to the buyer only addresses the element of consideration necessary for the formation of the contract. . . . With respect to a breach of contract claim, the court noted that it would be inequitable to enforce a contract if “it turns out upon disclosure that the buyer already possessed the

idea.” *Id.* The court then concluded that, with respect to these cases, “[a] showing of novelty, at least novelty as to the buyer” should address these problems.⁶

We note, moreover, that the “novelty to the buyer” standard comports with traditional principles of contract law. While an idea may be unoriginal or non-novel in a general sense, it may have substantial value to a particular buyer who is unaware of it and therefore willing to enter into contract to acquire and exploit it. *See Apfel*, 81 N.Y.2d at 475–76; Robert Unikel, *Bridging the “Trade Secret” Gap: Protecting “Confidential Information” Not Rising to the Level of Trade Secrets*, 29 LOY. U. CHI. L.J. 841, 877 n. 151 (1998) (noting that, if a valuable idea is already known to an industry but has not yet been acquired by a prospective buyer, one of two circumstances may exist: “(1) the person[] ha[s] not identified the potential value of the easily acquired information; or (2) the person[] ha[s] not identified the means, however easy or proper, for obtaining the valuable information”). As the *Apfel* court emphasized, “the buyer may reap benefits from such a contract in a number of ways—for instance, by not having to expend resources pursuing the idea through other channels or by having a profit-making idea implemented sooner rather than later.” *Apfel*, 81 N.Y.2d at 478. . . .

In contrast to contract-based claims, a misappropriation claim can only arise from the taking of an idea that is original or novel in absolute terms, because the law of property does not protect against the misappropriation or theft of that which is free and available to all. *See Murray v. National Broad. Co.*, 844 F.2d 988, 993 (2d Cir. 1988) (“Since . . . non-novel ideas are not protectible as property, they cannot be stolen.”); *cf. Ed Graham Prods., Inc. v. National Broad. Co.*, 75 Misc. 2d 334, 347 N.Y.S.2d 766, 769 (1973) (“Ideas such as those presented by the plaintiff are in the public domain and may freely be used by anyone with impunity.”); *Educational Sales Programs, Inc. v. Dreyfus Corp.*, 65 Misc. 2d 412, 317 N.Y.S.2d 840, 843 (1970) (“An idea is impalpable, intangible, incorporeal, yet it may be a stolen gem of great value, or mere dross of no value at all, depending on its novelty and uniqueness.”).

Finally, although the legal requirements for contract-based claims and property-based claims are well-defined, we note that the determination of novelty in a given case is not always clear. *Cf. AEB & Assocs. Design Group, Inc. v. Tonka Corp.*, 853 F. Supp. 724, 734 (S.D.N.Y. 1994) (“In establishing an idea’s originality, a plaintiff cannot rest on mere assertions, but must demonstrate some basis in fact for its claims.”). The determination of whether an idea is original or novel depends upon several factors, including, *inter alia*, the idea’s specificity or generality (is it a generic concept or one of specific application?), its commonality (how many people know of this idea?), its uniqueness (how different is this idea from generally known ideas?), and its commercial availability (how widespread is the idea’s use in the industry?). *Cf. Murray*, 844 F.2d at 993 (“In assessing whether an idea is in the public domain, the central issue is the uniqueness of the creation.”); *AEB & Assocs.*, 853 F. Supp. at 734 (“[N]ovelty cannot

⁶ We note that this particular sentence could be read out of context to suggest that novelty to the buyer will alone support a misappropriation claim under New York law. However, nothing in *Apfel* otherwise suggests that the Court of Appeals meant to supplant the longstanding requirement that originality or novelty generally must be shown to support a misappropriation claim. . . .

be found where the idea consists of nothing more than a variation on a basic theme.”); *Educational Sales Programs*, 317 N.Y.S.2d at 844 (noting that an idea “must show[] genuine novelty and invention, and not a merely clever or useful adaptation of existing knowledge” in order to be considered original or novel). Thus, for example, a once original or novel idea may become so widely disseminated over the course of time that it enters the body of common knowledge. When this occurs, the idea ceases to be novel or original. *See, e.g., Murray*, 844 F.2d at 989, 991–92 (affirming district court’s finding that plaintiff’s idea for a television sitcom about “Black American family life” was not novel or original because it “merely combined two ideas which had been circulating in the industry for a number of years—namely, the family situation comedy, which was a standard formula, and the casting of black actors in non-stereotypical roles,” even though “the portrayal of a nonstereotypical black family on television was indeed a breakthrough”). . . .

In sum, we find that New York law in submission-of-idea cases is governed by the following principles: Contract-based claims require only a showing that the disclosed idea was novel to the buyer in order to find consideration. Such claims involve a fact-specific inquiry that focuses on the perspective of the particular buyer. By contrast, misappropriation claims require that the idea at issue be original and novel in absolute terms. This is so because unoriginal, known ideas have no value as property and the law does not protect against the use of that which is free and available to all. Finally, an idea may be so unoriginal or lacking in novelty generally that, as a matter of law, the buyer is deemed to have knowledge of the idea. In such cases, neither a property-based nor a contract-based claim for uncompensated use of the idea may lie.

In light of New York’s law governing submission-of-idea cases, we next consider whether Nadel’s toy idea was original or novel in absolute terms so as to support his misappropriation claim and whether his idea was novel as to Play-By-Play so as to support his contract claims.

B. Nadel’s Misappropriation Claim

. . . In this case, the district court did not decide whether Nadel’s idea—a plush toy that sits upright, emits sounds, and spins on a flat surface by means of an internal eccentric motor—was inherently lacking in originality. *See Nadel*, 34 F. Supp. 2d at 185 (“[We] need [not] reach the issue of whether combining elements of two commercially available toys to make another toy may be novel or is, as a matter of law, merely a ‘clever adaptation of existing technology,’ for Play-By-Play has demonstrated that plaintiff’s idea was one which was already in use in the industry at the time that it was submitted”). We therefore remand this issue to the district court to determine whether Nadel’s idea exhibited “genuine novelty or invention” or whether it was “a merely clever or useful adaptation of existing knowledge.” *Educational Sales Programs*, 317 N.Y.S.2d at 844.

Moreover, insofar as the district court found that Nadel’s idea lacked originality and novelty generally because similar toys were commercially available prior to October 1996, we believe that there remains a genuine issue of material fact on this point. While the record contains testimony of Play-By-Play’s toy expert—Bert Reiner—in support

return Nadel's prototype monkey toy for several months, despite Nadel's multiple requests for its return. According to Wasserman's secretary, Melissa Rodriguez, Nadel's sample was not returned until after the unveiling of "Tornado Taz" at the New York Toy Fair in February 1997. Ms. Rodriguez testified that from October 1996 through February 1997, Nadel's sample was usually kept in a glass cabinet behind Wasserman's desk, and on one occasion, she remembered seeing it on a table in Wasserman's office. These facts give rise to the reasonable inference that Play-By-Play may have used Nadel's prototype as a model for the development of Tornado Taz.

None of the evidence adduced by Play-By-Play compels a finding to the contrary on summary judgment. With regard to the discussions that Play-By-Play purportedly had in June or July of 1996 about possible ways to create a vibrating or spinning Tazmanian Devil toy, those conversations only lasted, according to Mr. Slattery, "a matter of five minutes." Play-By-Play may have "discussed the concept," as Mr. Slattery testified, but the record provides no evidence suggesting that, in June or July of 1996, Play-By-Play understood exactly how it could apply eccentric motor technology to make its Tazmanian Devil toy spin rather than, say, vibrate like Tickle Me Elmo. Similarly, although Play-By-Play asserts that it commissioned an outside manufacturing agent—Barter Trading of Hong Kong—to begin developing Tornado Taz in late September or early October of 1996, Play-By-Play admits that it can only "guess" the exact date. Play-By-Play cannot confirm that its commission of Barter Trading predated Nadel's alleged disclosure to Wasserman on or about October 9, 1996. Nor has Play-By-Play produced any documents, technical or otherwise, relating to its purported business venture with Barter Trading or its independent development of a spinning Tornado Taz prior to October 1996. Based on this evidence, a jury could reasonably infer that Play-By-Play actually contacted Barter Trading, if at all, after learning of Nadel's product concept, and that Play-By-Play's development of Tornado Taz is attributable to Nadel's disclosure.

We therefore conclude that there exists a genuine issue of material fact as to whether Nadel's idea was, at the time he disclosed it to Wasserman in early October 1996, novel to Play-By-Play. . . .

COMMENTS AND QUESTIONS

1. *Idea Submission Causes of Action.* As the *Nadel* case reflects, idea submission cases must be brought within some property, contract, or tort cause of action. Contract law has proven the most resilient basis for protecting ideas. *Nadel* discusses the availability of express and implied contract rights for the disclosure of an idea. In addition, some courts have protected ideas under the law of confidential relationships (and the related body of trade secret protection). See, e.g., *Ralph Andrews Prods. v. Paramount Pictures*, 222 Cal. App. 3d 676, 271 Cal. Rptr. 797 (1990) (trade secret suit alleging that a former employee stole an idea for a game show and sold it to Paramount Pictures). The misappropriation cause of action derives from property and tort principles. It is narrow. Misappropriation and other property-type claims (e.g., conversion) no longer exist as to ideas for copyrightable works—stories, movies, songs.

Some states jettisoned such protection expressly. *See, e.g., Desny v. Wilder*, 46 Cal. 2d 715 (Cal. Sup. Ct. 1956) (“California does not now accord individual property type protection to abstract ideas”), excerpted below. State laws protecting such subject matter as of January 1, 1978, were preempted by the 1976 Copyright Act. *See Nash v. CBS, Inc.*, 704 F. Supp. 823, 833–35 (N.D. Ill. 1989), *aff’d*, 899 F.2d 1537 (7th Cir. 1990) (rejecting claim that CBS had misappropriated ideas from plaintiff’s book, *The Dillinger Report*, in an episode of the television drama “Simon and Simon”).

2. *Requirements.* Based upon the *Nadel* case, under what circumstances can ideas be protected? What elements must one who submits an idea to another prove in order to recover?

3. *Semantics.* The *Nadel* court uses words familiar from the study of patent and copyright law—originality, novelty, and obviousness. But do these intellectual property words of art have the same meaning in the law of idea submissions? What does the court mean by “original,” “novel,” and “obvious”? How do these meanings compare to the definitions from copyright and patent law? Does the court suggest that the “novelty” requirement for a misappropriation claim incorporates a broader conception of non-obviousness than patent law?

4. The novelty requirement was central to the Second Circuit’s decision rejecting an idea submission claim in *Murray v. National Broadcasting Co.*, 844 F.2d 988 (2d Cir. 1988), *cert. denied*, 488 U.S. 955 (1988). In that case, Murray (an NBC employee) submitted a two-page proposal to NBC for a show entitled “Father’s Day” that would “combine humor with serious situations in a manner similar to that of the old Dick Van Dyke Show” but with a “Black perspective” and “a contemporary, urban setting.” The proposal specifically identified Bill Cosby as the lead actor. NBC informed Murray that it was not interested in pursuing his proposal. When “The Cosby Show” aired four years later, starring Bill Cosby as Dr. Cliff Huxtable living in a contemporary urban setting with his lawyer-spouse and their five children, Murray sued. The court rejected Murray’s claim for lack of novelty:

[W]e believe, as a matter of law, that plaintiff’s idea embodied in his “Father’s Day” proposal was not novel because it merely represented an “adaptation of existing knowledge” and of “known ingredients” and therefore lacked “genuine novelty and invention.” *Educational Sales Programs*, 317 N.Y.S.2d at 844.

We recognize of course that even novel and original ideas to a greater or lesser extent combine elements that are themselves not novel. Originality does not exist in a vacuum. Nevertheless, where, as here, an idea consists in essence of nothing more than a variation on a basic theme—in this case, the family situation comedy—novelty cannot be found to exist. . . .

Appellant would have us believe that by interpreting New York law as we do, we are in effect condoning the theft of ideas. On the contrary, ideas that reflect “genuine novelty and invention” are fully protected against unauthorized use. But those ideas that are not novel “are in the public domain and may freely

be used by anyone with impunity.” Since such non-novel ideas are not protectible as property, they cannot be stolen. *Id.* at 992–93.

How does this use of the term “novelty” compare to the patent law’s definition?¹ Wouldn’t a new combination of known elements be considered novel under the patent law’s standards? Isn’t the court really saying that the idea was obvious? How would this determination be made under the patent law’s standards? Was there a suggestion or motivation to combine? Don’t secondary considerations—especially commercial success—weigh against a finding of obviousness? Would the law of idea submissions be improved by adopting the patent law’s framework for judging novelty and non-obviousness?

5. *The Novelty to the User Standard and Diffusion of Ideas.* Idea protection today is based upon an express or implied contract between an idea purveyor and a potential user. Under *Apfel* and *Nadel*, the idea purveyor need only show that the idea was not known to the defendant in order to satisfy the novelty element. This element provides the consideration necessary for there to be a valid contract. The court notes, however, that “in some cases an idea may be so unoriginal or lacking in novelty that its obviousness bespeaks widespread and public knowledge of the idea, and such knowledge is therefore imputed to the buyer.” Should protection for ideas turn on the sophistication of the buyer?

One justification for such a doctrine is to reward diffusion of ideas to those best situated to commercialize them. As we discussed in Chapter I, economic historians and theorists find that diffusion of knowledge is a crucial element in the creation of social benefit flowing from innovation. This doctrine rewards not the inventor but those who have the insight and possibly the connections to diffuse (or market) information. Certainly, a true inventor can benefit, because being first ensures that the idea will be novel to others. Should the intellectual property system reward diffusion of ideas in this way?

6. *Concreteness.* Some courts consider whether an idea is sufficiently “concrete” in determining liability based on breach of implied contract and confidential relationship causes of action, although not in express contract claims. In the words of one court, “[i]deas are the most intangible of property rights, and their lineage is uniquely difficult to trace. Paternity can be claimed in the most casual of ways, and once such a claim is lodged, definitive blood tests are notoriously lacking.” *Burten v. Milton Bradley Co.*, 592 F. Supp. 1021, 1031 (D.R.I. 1984), *rev’d on other grounds*, 763 F.2d 461 (1st Cir. 1985). In assessing a claim to protect the idea of organizing and sponsoring radio broadcasts of student talent shows, the court in *Hamilton Nat’l Bank v. Belt*, 210 F.2d 706 (D.C. Cir. 1953), noted that “[t]he law shies away from according protection to

¹ It should be noted that Murray’s claim of novelty would have surely failed under a patent law standard. Evidence at the trial revealed that Cosby himself had been quoted in a newspaper article 20 years earlier stating that it was his “dream” to appear in a situation comedy along the lines of “The Dick Van Dyke Show,” but featuring an African-American family. *Id.* at 989. The court did not base its decision on this evidence, which would have gone to the question of whether NBC had independently developed the idea for the show.

vagueness, and must do so especially in the realm of ideas with the obvious dangers of a contrary rule.” *Id.* at 708. Does this amount to an indefinite claiming doctrine? Or is it more akin to a rejection under § 101 of the Patent Act for claiming only an abstract idea?

7. *Contract Analysis; Comparison to Trade Secret.* How does the contract analysis in *Nadel* compare to that in the trade secret/breach of confidence cases involving contracts, such as *Smith v. Dravo Corp.*, discussed in Chapter II? What (if any) differences are there in the relationship of the parties, the duties of the idea/information recipient, and the nature of the idea or information? In the remedies?

8. *Defenses: Waiver/Release.* Many companies and film production studios require that those who submit ideas sign waivers or releases from liability. The release used in the *Downey* case, 286 N.E.2d 257 (N.Y. Ct. App. 1972), stated: I submit this suggestion with the understanding, which is conclusively evidenced by my use and transmittal to you of this form, that this suggestion is not submitted to you in confidence, that no confidential relationship has been or will be established between us and that the use, if any, to be made of this suggestion by you and the compensation to be paid therefor, if any, if you use it, are matters resting solely in your discretion.

Suppose that the recipient used the idea without paying any compensation. Should such a clause be enforceable? Consider the argument put forth by Professor Lionel Sobel favoring enforcement in the context of script submissions: “If courts were to refuse to enforce releases, it is likely that unrepresented writers would be unable to get their material read at all—a consequence more harmful to aspiring writers than the possibility that releases will bar some of them from suing for the suspected theft of their ideas.” See Lionel S. Sobel, *The Law of Ideas, Revisited*, 1 UCLA ENT. L. REV. 9, 91 (1994).

9. *Remedies.* What should be the remedy for the misappropriation of an idea or breach of a contract to pay for an idea? Assuming that *Nadel* prevails on his liability claims (misappropriation and contract) at trial, what should be the measure of damages? Assuming that Murray had carried his burden of proof on the novelty of “The Cosby Show,” should he be entitled to all of the profits from the show?



Desny v. Wilder

Supreme Court of California

46 Cal. 2d 715, 299 P.2d 257, 110 U.S.P.Q. 433 (Cal. Sup. Ct. 1956)

SCHAUER, JUSTICE.

Plaintiff appeals from a summary judgment rendered against him in this action to recover the reasonable value of a literary composition, or of an idea for a photoplay, a synopsis of which composition, embodying the idea, he asserts he submitted to defendants for sale, and which synopsis and idea, plaintiff alleges, were accepted and used by defendants in producing a photoplay. . . .

[W]e have concluded, for reasons hereinafter stated, that the summary judgment in favor of defendants was erroneously granted and should be reversed. . . . [I]t appears from the present record that defendant [Billy] Wilder [a famous director] at the times

here involved was employed by defendant Paramount Pictures Corporation . . . either as a writer, producer or director, or a combination of the three. In November, 1949, plaintiff telephoned Wilder's office. Wilder's secretary, who was also employed by Paramount, answered, and plaintiff stated that he wished to see Wilder. At the secretary's insistence that plaintiff explain his purpose, plaintiff 'told her about this fantastic unusual story. . . . I told her that it was the life story of Floyd Collins who was trapped and made sensational news for two weeks . . . and I told her the plot.' . . . Two days later plaintiff, after preparing a three or four page outline of the story, telephoned Wilder's office a second time and told the secretary the synopsis was ready. The secretary requested plaintiff to read the synopsis to her over the telephone so that she could take it down in shorthand, and plaintiff did so. . . . Plaintiff on his part told the secretary that defendants could use the story only if they paid him 'the reasonable value of it.' . . . She said that if Billy Wilder of Paramount uses the story, 'naturally we will pay you for it.' . . . Plaintiff's only subsequent contact with the secretary was a telephone call to her in July, 1950, to protest the alleged use of his composition and idea in a photoplay produced and exhibited by defendants. The photoplay, as hereinafter shown in some detail, closely parallels both plaintiff's synopsis and the historical material concerning the life and death of Floyd Collins.

Defendants concede, as they must, that "the act of disclosing an unprotectible idea, if that act is in fact the bargained for exchange for a promise, may be consideration to support the promise." They then add, "But once the idea is disclosed without the protection of a contract, the law says that anyone is free to use it. Therefore, subsequent use of the idea cannot constitute consideration so as to support a promise to pay for such use." And as to the effect of the evidence defendants argue that plaintiff "disclosed his material before . . . (defendants) did or could do anything to indicate their willingness or unwillingness to pay for the disclosure. The act of using the idea, from which appellant attempts to imply a promise to pay, came long after the disclosure." . . .

Generally speaking, ideas are as free as the air. . . . But there can be circumstances when neither air nor ideas may be acquired without cost. The diver who goes deep in the sea, even as the pilot who ascends high in the troposphere, knows full well that for life itself he, or someone on his behalf, must arrange for air. . . . The theatrical producer likewise may be dependent for his business life on the procurement of ideas from other persons as well as the dressing up and portrayal of his self-conceptions; he may not find his own sufficient for survival. As counsel for the Writers Guild aptly say, ideas 'are not freely usable by the entertainment media until the latter are made aware of them.' The producer may think up the idea himself, dress it and portray it; or he may purchase either the conveyance of the idea alone or a manuscript embodying the idea in the author's concept of a literary vehicle giving it form, adaptation and expression. It cannot be doubted that some ideas are of value to a producer.

An idea is usually not regarded as property, because all sentient beings may conceive and evolve ideas throughout the gamut of their powers of cerebration and because our concept of property implies something which may be owned and possessed to the exclusion of all other persons. We quote as an accurate statement of the law in

this respect the following language of Mr. Justice Brandeis, dissenting in *International News Service v. Associated Press* (1918), 248 U.S. 215, 250: “An essential element of individual property is the legal right to exclude others from enjoying it. [. . .] But the fact that a product of the mind has cost its producer money and labor, and has a value for which others are willing to pay, is not sufficient to ensure to it this legal attribute of property. The general rule of law is, that the noblest of human productions, knowledge, truths ascertained, conceptions, and ideas become, after voluntary communication to others, free as the air to common use.”

The principles above stated do not, however, lead to the conclusion that ideas cannot be a subject of contract. As Mr. Justice Traynor stated in his dissenting opinion in *Stanley v. Columbia Broadcasting System* (1950), 35 Cal. 2d 653, 674, 221 P.2d 73: The policy that precludes protection of an abstract idea by copyright does not prevent its protection by contract. Even though an idea is not property subject to exclusive ownership, its disclosure may be of substantial benefit to the person to whom it is disclosed. That disclosure may therefore be consideration for a promise to pay. . . . Even though the idea disclosed may be “widely known and generally understood” (citation), it may be protected by an express contract providing that it will be paid for regardless of its lack of novelty.

The lawyer or doctor who applies specialized knowledge to a state of facts and gives advice for a fee is selling and conveying an idea. In doing that he is rendering a service. The lawyer and doctor have no property rights in their ideas, as such, but they do not ordinarily convey them without solicitation by client or patient. Usually the parties will expressly contract for the performance of and payment for such services, but, in the absence of an express contract, when the service is requested and rendered the law does not hesitate to infer or imply a promise to compensate for it. In other words the recovery may be based on contract either express or implied. The person who can and does convey a valuable idea to a producer who commercially solicits the service or who voluntarily accepts it knowing that it is tendered for a price should likewise be entitled to recover. In so holding we do not fail to recognize that free-lance writers are not necessarily members of a learned profession and as such bound to the exalted standards to which doctors and lawyers are dedicated. So too we are not oblivious of the hazards with which producers of the class represented here by defendants and their related amici are confronted through the unsolicited submission of numerous scripts on public domain materials in which public materials the producers through their own initiative may well find nuclei for legitimately developing the “stupendous and colossal.” The law, however, is dedicated to the proposition that for every wrong there is a remedy. . . . To that end the law of implied contracts assumes particular importance in literary idea and property controversies. . . .

[W]e conclude that conveyance of an idea can constitute valuable consideration and can be bargained for before it is disclosed to the proposed purchaser, but once it is conveyed, i.e., disclosed to him and he has grasped it, it is henceforth his own and he may work with it and use it as he sees fit. In the field of entertainment the producer may properly and validly agree that he will pay for the service of conveying to him ideas

those facts and to translate it into a script for the play. But equally unassailable (assuming the verity of the facts which plaintiff asserts) is plaintiff's position that defendants had no right except by purchase on the terms he offered to acquire and use the synopsis prepared by him.

[Affirmed in part, reversed in part, and remanded.]

CARTER, Justice [concurring in result] . . .

When we consider the difference in economic and social backgrounds of those offering such merchandise for sale and those purchasing the same, we are met with the inescapable conclusion that it is the seller who stands in the inferior bargaining position. It should be borne in mind that producers are not easy to contact. . . It should also be borne in mind that writers have no way of advertising their wares that, as is most graphically illustrated by the present opinion, no producer, publisher, or purchaser for radio or television, is going to buy a pig in a poke. And, when the writer, in an earnest endeavor to sell what he has written, conveys his idea or his different interpretation of an old idea, to such prospective purchaser, he has lost the result of his labor, definitely and irrevocably. And, in addition, there is no way in which he can protect himself. If he says to whomever he is permitted to see, or, as in this case, talk with over the telephone, "I won't tell you what my idea is until you promise to pay me for it," it takes no Sherlock Holmes to figure out what the answer will be! This case is a beautiful example of the practical difficulties besetting a writer with something to sell. . . .

I disagree with the statement in the majority opinion that: "The idea man who blurts out his idea without having first made his bargain has no one but himself to blame for the loss of his bargaining power." It seems to me that in the ordinary situation, when the so-called "idea man" has an opportunity to see, or talk with, the prospective purchaser, or someone in his employ, that it is at that time, without anything being said, known to both parties that the one is there to sell, and the other to buy. This is surely true of a department store when merchandise is displayed on the counter; it is understood by anyone entering the store that the merchandise so displayed is for sale. [I]t is completely unnecessary for the storekeeper, or anyone in his employ, to state to anyone entering the store that all articles there are for sale. I am at a loss to see why any different rules should apply when it is ideas for sale rather than the normal run of merchandise.

COMMENTS AND QUESTIONS

1. The concurring opinion makes an interesting point: "[W]hen the writer, in an earnest endeavor to sell what he has written, conveys his idea or his different interpretation of an old idea, to [a] prospective purchaser, he has lost the result of his labor." This general feature of the "market for information" was noted by Kenneth Arrow, in an article entitled *Economic Welfare and the Allocation of Resources for Invention*, in *THE RATE AND DIRECTION OF INVENTIVE ACTIVITY* 615 (1962). Indeed, the phenomenon is sometimes called "Arrow's paradox of information." Without a property right, Arrow pointed out, the seller of information is in a pickle: if in trying to strike a deal she discloses the information, she has nothing left to sell, but if she does

not disclose anything the buyer has no idea what is for sale. Arrow pointed out that when the information involves an invention, patents protect the seller so she can confidently offer her idea for sale. In other words, patents solve Arrow's Paradox. Does the opinion above prove that property rights are necessary to overcome the information paradox?

One problem with giving property rights to abstract ideas is that it can put the recipients of idea submissions in a bind. They are just as bound by Arrow's information paradox as plaintiffs—if they don't listen to the idea "pitch," they will never know whether the idea was worth paying for. The point of intellectual property protection in this situation is to encourage such idea submissions by making the plaintiff confident in her ability to protect her idea. But suppose that a defendant hears a "pitch" for an idea that is old, that she has already come up with herself, or that someone else has already pitched to her. If intellectual property protection extends to idea submissions, the recipient may be forced to pay for an idea she already has! Arguably, therefore, awarding property rights in idea submissions merely changes the nature of Arrow's paradox, rather than eliminating it entirely.

2. Professor Wendy Gordon has explored the notion that a central problem of intellectual property law is to compensate creators of works who bestow benefits on those who follow, up to some socially justifiable point. In this analysis, the basic structure of intellectual property law is closely akin to the law of restitution, which seeks to determine when someone who bestows unbargained-for benefits deserves compensation. *See, e.g.,* Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149 (1992); Wendy J. Gordon, *Of Harms and Benefits: Torts, Restitution and Intellectual Property*, 21 J. LEGAL STUD. 449 (1992); *see generally* Saul Levmore, *Explaining Restitution*, 71 VA. L. REV. 65 (1985). Does this literature help explain the need for a remand in the *Desny* case? Recall that the purpose of the remand is to determine how much *Desny*'s idea contributed to the profits of Wilder's film.

3. The oral presentation of ideas for movies, TV series, etc., is a well-recognized part of the entertainment industry. The holding in *Desny* has been applied and extended in a number of cases. For instance, in *Blaustein v. Burton*, 88 Cal. Rptr. 319, 9 Cal. App. 3d 161 (Cal. Ct. App. 1970), the plaintiff Blaustein orally "pitched" the idea of using Richard Burton and Elizabeth Taylor in a film version of Shakespeare's "Taming of the Shrew." Although there was little that was novel in the pitch, the court held that there were triable issues of fact concerning the enforceability of an implied contract for the idea. The case is notable in that the "pitch" was protectable even though it was never reduced to writing.

4. *Return to Sender*. Under some cases, habitual rejection and return of unsolicited ideas eliminates the prospect of liability. *See, e.g.,* *Davis v. General Foods Corp.*, 21 F. Supp. 445 (S.D.N.Y. 1937) (plaintiff's unsolicited recipe returned with form letter); *Whitfield v. Lear*, 751 F.2d 90 (2d Cir. 1984) (noting, in decision reversing summary judgment for defendant, plaintiff's evidence that it was customary in the television industry for a studio not desiring outside submissions to say so explicitly and to return scripts so submitted without opening them). Is it desirable for firms to routinely reject

submissions, some of which may be worth pursuing, for fear of spurious lawsuits? Is this an example of nuisance lawsuits undermining an otherwise mutually beneficial market? Is it an example of the “market for lemons,” where bad idea submissions (i.e., ones that lead to spurious suits) drive out the good ones? Is it enough that studios and production companies can rely on trusted middlepersons such as agents to obtain ideas from proven submitters? See Julie Salamon, *Bookshelf: Celluloid Immortals and Literary He-Men*, WALL ST. J., July 29, 1992, at A7:

Whatever the outcome, the suit has made Hollywood acutely aware of where it gets its ideas. “Producers are going to have to be very careful what submissions they read, and that makes it harder in the way they conduct business,” says producer Howard Rosenman, co-president of Sandollar Productions, adding, “I never accept any unsolicited material. Ever.”

5. *The Hollywood Script Registry*. The Writer’s Guild of America, West, developed a “Script Registry” to lower the risks to both aspiring writers and studios. Writers deposit a copy of a script they are going to submit with the Registry, which date-stamps it and stores it for five years. The Registry also operates an arbitration service for resolving disputes over writing credits.

6. *Copyright Preemption*. The Ninth Circuit reaffirmed that *Desny*-type cases—featuring an express or implied agreement to pay for use of the disclosed ideas—possess the extra element required to survive a copyright preemption challenge. See *Montz v. Pilgrim Films & Television, Inc.*, 649 F.3d 975 (9th Cir. 2011) (en banc). Notably, this is true even where the work in question is not sufficiently similar to infringe copyright. See *Benay v. Warner Bros. Ent. Inc.*, 607 F.3d 620 (9th Cir. 2010).

The Second Circuit followed *Montz* and a host of other cases in holding that express and implied-in-fact contract claims to pay for use of ideas or material provide the “extra element” needed to survive copyright preemption. Plaintiffs alleged that they developed, and pitched to defendants, an idea for a TV series to be titled “Housecall,” based on “a doctor who relocates to Malibu, California after being expelled from the conventional medical community for treating patients who could not pay their medical bills. Once in Malibu, the main character becomes a doctor who makes house calls to the rich and famous residents of Malibu—otherwise known as a ‘concierger’ doctor.” The defendant developed a similar series, set in the Hamptons rather than Malibu, under the title “Royal Pains,” which aired beginning in 2009. The Second Circuit held that the alleged contract supplied the “extra element” by “not simply requir[ing] USA Network to honor Forest Park’s exclusive rights under the Copyright Act (assuming the material at issue to be copyrightable); it require[d] USA Network to pay for the use of Forest Park’s ideas. A claim for breach of a contract including a promise to pay is qualitatively different from a suit to vindicate a right included in the Copyright Act and is not subject to preemption.” *Forest Park Pictures v. Universal Television Network, Inc.*, 683 F.3d 424, 432–33 (2d Cir. 2012). The court noted, however, that “preemption cannot be avoided simply by labeling a claim ‘breach of contract.’ A plaintiff must actually allege the elements of an enforceable contract (whether express or implied-in-fact), including

Because of Coming to America, Warner Brothers decided not to pursue Buchwald's story. Buchwald then sued Paramount. The contract between Buchwald and Paramount provided in pertinent part:

“Work” means the aforementioned Material and includes all prior, present and future versions, adaptations and translations thereof (whether written by Author or by others), its theme, story, plot, characters and their names, its title or titles and subtitles, if any, . . . and each and every part of all thereof. “Work” does not include any material written or prepared by Purchaser or under Purchaser’s Authority. . . .

[“Contingent consideration”:] For the first theatrical motion picture (the “Picture”): If, but only if, a feature length theatrical motion picture shall be produced based upon Author’s Work.”

How should the court rule?

Problem VI-4. If you were an independent scriptwriter, how would you protect your ideas while trying to market them? Under what circumstances would the career damage from obtaining a reputation for litigiousness be worth it? If you were a film studio or television production company, how could you guard against suits by people like Buchwald, or by people who claim to have submitted ideas that no one in your company ever recalls seeing?

Problem VI-5. Lohr, an eccentric engineer, mails an idea she has had for a new invention to several engineering companies. The idea is mailed in a “double envelope.” The outer envelope contains a confidentiality agreement, indicating that the contents of a second, sealed envelope are the property of Lohr and may not be used unless the user pays Lohr 10 percent of any profit that results. If the recipient does not agree to these terms, he is instructed to mail back the sealed, stamped, self-addressed envelope containing the idea. The “agreement” clearly provides that by opening the envelope, the recipient agrees to the terms. Dupco receives the agreement and opens the inner envelope. The next day, Dupco discovers that Lohr has posted the complete text of her idea on the Internet with no confidentiality restriction. Can Dupco use Lohr’s idea without compensating her? Does it matter how novel or original the idea was on the day Dupco opened the envelope?

D. RIGHT OF PUBLICITY

The right of publicity protects an individual's marketable image or persona. Although theoretically available to any individual, the right of publicity rarely arises outside of the celebrity realm. The right of publicity developed in response to the rise of mass advertising and the growing recognition that a celebrity's imprimatur on a product or even association of a product with a celebrity's persona enhances its appeal to consumers. This right affords individuals an exclusive right in the use of their name, likeness, photograph, portrait, voice, and other personal characteristics in connection with the marketing of products and services. Jurisdictions approach publicity rights in a variety of ways. Today, 16 states recognize common law rights of publicity, and another fifteen states have codified the right of publicity in statute. Some states, like California, recognize both statutory and common law sources for this form of protection. New York's statutory privacy and publicity protections are embodied in a single statute.

The modern right of publicity reflects two distinct rationales—one grounded in privacy and the other in economic exploitation. The privacy branch can be traced back to an influential law review article published in the late nineteenth century. *See* Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193 (1890). Lamenting technological and cultural developments invading the private sphere, Warren and Brandeis advocated a right “to be let alone” that would forbid the publication of idle gossip and restore “propriety and dignity” to the press. *Id.* at 205. Central to their claim was the recognition that traditional notions of intellectual property (specifically, copyright) were inadequate to protect this interest. Legislatures and courts gradually came to recognize this interest. New York led the way with its privacy law, enacted in 1903, banning the unauthorized use of “the name, portrait or picture of any living persons” for “advertising purposes, or for purposes of trade.” The privacy right was quite limited in practice. Courts tended to view celebrities as inviting exploitation of their image and were reluctant to find the mere use of their image, even in advertising, to suggest endorsement. Even when liability was found, recovery was limited to the personal injury suffered, as opposed to the economic value to the advertiser.

As a result, celebrities pushed for stronger protection for the economic value of their image. In 1953, the Second Circuit found such a right in New York's common law, which it dubbed the “right of publicity.” *See Haelen Laboratories, Inc. v. Topps Chewing Gum*, 202 F.2d 866 (2d Cir. 1953). In that case, Haelan had negotiated exclusive licenses from several Major League Baseball players authorizing the use of their images on baseball cards that it included with packs of gum. Topps sold its own gum with photographs of the same players. Although ruling that New York's statutory privacy law did not extend to such uses, the court ruled that “a man has a right in the publicity value of his photograph, i.e., the right to grant the exclusive privilege of publishing the picture, and that such a grant may validly be made ‘in gross,’ i.e., without an accompanying transfer of a business or of anything else” under New York's common

law.² The concept was refined in a subsequent law review article by Melville Nimmer, *The Right of Publicity*, 19 LAW & CONTEMP. PROBS. 203 (1954). Beginning in the 1970s, a number of states enacted “publicity” statutes, which continue to evolve today. For a discussion of this history, see JENNIFER E. ROTHMAN, *THE RIGHT OF PUBLICITY: PRIVACY REIMAGINED FOR A PUBLIC WORLD* (2018); Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161 (2006).

Should a right of publicity be freely assignable to others? Why or why not?

A critical distinction to make among jurisdictions is the extent to which the right of publicity is recognized separately from the right of privacy. Perhaps the most substantial difference between “publicity” regimes oriented toward privacy and those oriented toward property is that, as a property right, a celebrity’s interest is assignable and descendable. However, some jurisdictions place limits on the duration of publicity rights following a celebrity’s death, and still others do not recognize the descendability of publicity rights at all.

As the home to a significant portion of the film, television, and sound recording industries, California has played a particularly important role in the development of the right of publicity at both the statutory and jurisprudential levels. The main statutory provision, enacted in 1971, provides:

Cal. Civ. Code § 3344. Unauthorized Commercial Use of Name, Voice, Signature, Photograph or Likeness

(a) Any person who knowingly uses another’s name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services, without such person’s prior consent, or, in the case of a minor, the prior consent of his parent or legal guardian, shall be liable for any damages sustained by the person or persons injured as a result thereof. In addition, in any action brought under this section, the person who violated the section shall be liable to the injured party or parties in an amount equal to the greater of seven hundred fifty dollars (\$750) or the actual damages suffered by him or her as a result of the unauthorized use, and any profits from the unauthorized use that are attributable to the use and are not taken into account in computing the actual damages. In establishing such profits, the injured party or parties are required to present proof only of the gross revenue attributable to such use, and the person who violated this section is required to prove his or her deductible expenses. Punitive damages may also be awarded to the injured party or parties. The prevailing party in any action under this section shall also be entitled to attorney’s fees and costs.

² Ironically, *Stephano v. News Group Publications, Inc.*, 64 N.Y.2d 174 (1984), held that *Haelan* had misinterpreted New York law, and that there was no right of publicity independent of the privacy protections in sections 50 and 51 of the New York Civil Rights Law

(b) As used in this section, “photograph” means any photograph or photographic reproduction, still or moving, or any videotape or live television transmission, of any person, such that the person is readily identifiable. . . .

(c) Where a photograph or likeness of an employee of the person using the photograph or likeness appearing in the advertisement or other publication prepared by or in behalf of the user is only incidental, and not essential, to the purpose of the publication in which it appears, there shall arise a rebuttable presumption affecting the burden of producing evidence that the failure to obtain the consent of the employee was not a knowing use of the employee’s photograph or likeness.

(d) For purposes of this section, a use of a name, voice, signature, photograph, or likeness in connection with any news, public affairs, or sports broadcast or account, or any political campaign, shall not constitute a use for which consent is required under subdivision (a).

(e) The use of a name, voice, signature, photograph, or likeness in a commercial medium shall not constitute a use for which consent is required under subdivision (a) solely because the material containing such use is commercially sponsored or contains paid advertising. Rather it shall be a question of fact whether or not the use of the person’s name, voice, signature, photograph, or likeness was so directly connected with the commercial sponsorship or with the paid advertising as to constitute a use for which consent is required under subdivision (a).

(f) Nothing in this section shall apply to the owners or employees of any medium used for advertising, including, but not limited to, newspapers, magazines, radio and television networks and stations, cable television systems, billboards, and transit ads, by whom any advertisement or solicitation in violation of this section is published or disseminated, unless it is established that such owners or employees had knowledge of the unauthorized use of the person’s name, voice, signature, photograph, or likeness as prohibited by this section.

(g) The remedies provided for in this section are cumulative and shall be in addition to any others provided for by law.

In 1984, California provided for publicity rights in the persona of deceased celebrities. Those provisions have since been amended and are codified as Civil Code § 3344.1. Like the right of publicity held by a living person, § 3344.1(a) declares broadly that “[a]ny person who uses a deceased personality’s name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods, or services, without prior consent from the person or persons specified in subdivision (c), shall be liable for any damages sustained by the person or persons injured as a result thereof.” The amount recoverable includes the greater of \$750 or actual damages and any profits, as well as punitive damages, attorney fees, and costs.

The statute provides that the post-mortem publicity right is freely transferable before or after the personality dies, by contract, or by trust or will. § 33414.1(b). Consent to use the deceased personality's name, voice, photograph, etc., must be obtained from such a transferee or, if there is none, from certain described survivors of the personality. § 3341(c), (d). Any person claiming to be such a transferee or survivor must register the claim with the Secretary of State before recovering damages. § 3344.1(f). Drawing upon the duration of copyrights, the post-mortem right of publicity expires 70 years after the personality dies. § 3344.1(g). The post-mortem statute includes the same exemption for creative expression found in § 3344(d) for "news, public affairs, or sports broadcast or account, or any political campaign." See § 3344.1(j). It also expressly affording leeway for "a play, book, magazine, newspaper, musical composition, audiovisual work, radio or television program, single and original work of art, work of political or newsworthy value, or any advertisement or commercial announcement for any of these works . . . if it is fictional or nonfictional entertainment, or a dramatic, literary, or musical work," § 3344.1(a)(2).

COMMENTS AND QUESTIONS

1. Does allowing descendability and transfer of a publicity right make sense? Or is the right more personal to the person being depicted? Whose interests are served by preventing imitation after a singer's death?

2. What justifies giving celebrities an economic right to control use of their name? In what sense is this an intellectual property right? Are we encouraging celebrity?



Midler v. Ford Motor Co.

United States Court of Appeals for the Ninth Circuit
849 F.2d 460 (9th Cir. 1988)

NOONAN, CIRCUIT JUDGE:

This case centers on the protectibility of the voice of a celebrated chanteuse from commercial exploitation without her consent. Ford Motor Company and its advertising agency, Young & Rubicam, Inc., in 1985 advertised the Ford Lincoln Mercury with a series of nineteen 30 or 60 second television commercials in what the agency called "The Yuppie Campaign." The aim was to make an emotional connection with Yuppies, bringing back memories of when they were in college. Different popular songs of the seventies were sung on each commercial. The agency tried to get "the original people," that is, the singers who had popularized the songs, to sing them. Failing in that endeavor in ten cases the agency had the songs sung by "sound alike." Bette Midler, the plaintiff and appellant here, was done by a sound alike.

Midler is a nationally known actress and singer. She won a Grammy as early as 1973 as the Best New Artist of that year. Records made by her since then have gone Platinum and Gold. She was nominated in 1979 for an Academy award for Best Female Actress in *The Rose*, in which she portrayed a pop singer. *NEWSWEEK* in its June 30, 1986 issue described her as an "outrageously original singer/comedian." *Time* hailed

her in its March 2, 1987 issue as “a legend” and “the most dynamic and poignant singer-actress of her time.”

When Young & Rubicam was preparing the Yuppie Campaign it presented the commercial to its client by playing an edited version of Midler singing “*Do You Want To Dance*,” taken from the 1973 Midler album, “*The Divine Miss M.*” After the client accepted the idea and form of the commercial, the agency contacted Midler’s manager, Jerry Edelstein. The conversation went as follows: “Hello, I am Craig Hazen from Young and Rubicam. I am calling you to find out if Bette Midler would be interested in doing . . . ?” Edelstein: “Is it a commercial?” “Yes.” “We are not interested.”

Undeterred, Young & Rubicam sought out Ula Hedwig, whom it knew to have been one of “the Harlettes,” a backup singer for Midler for ten years. Hedwig was told by Young & Rubicam that “they wanted someone who could sound like Bette Midler’s recording of [*Do You Want To Dance*].” She was asked to make a “demo” tape of the song if she was interested. She made an a capella demo and got the job.

At the direction of Young & Rubicam, Hedwig then made a record for the commercial. The Midler record of “*Do You Want To Dance*” was first played to her. She was told to “sound as much as possible like the Bette Midler record,” leaving out only a few “aahs” unsuitable for the commercial. Hedwig imitated Midler to the best of her ability.

After the commercial was aired Midler was told by “a number of people” that it “sounded exactly” like her record of “*Do You Want To Dance*.” Hedwig was told by “many personal friends” that they thought it was Midler singing the commercial. Ken Fritz, a personal manager in the entertainment business not associated with Midler, declares by affidavit that he heard the commercial on more than one occasion and thought Midler was doing the singing.

Neither the name nor the picture of Midler was used in the commercial; Young & Rubicam had a license from the copyright holder to use the song. At issue in this case is only the protection of Midler’s voice. The district court described the defendants’ conduct as that “of the average thief.” They decided, “If we can’t buy it, we’ll take it.” The court nonetheless believed there was no legal principle preventing imitation of Midler’s voice and so gave summary judgment for the defendants. Midler appeals.

The First Amendment protects much of what the media do in the reproduction of likenesses or sounds. A primary value is freedom of speech and press. *Time, Inc. v. Hill*, 385 U.S. 374, 388 (1967). The purpose of the media’s use of a person’s identity is central. If the purpose is “informative or cultural” the use is immune; “if it serves no such function but merely exploits the individual portrayed, immunity will not be granted.” Felcher and Rubin, *Privacy, Publicity and the Portrayal of Real People by the Media*, 88 YALE L.J. 1577, 1596 (1979). Moreover, federal copyright law preempts much of the area. “Mere imitation of a recorded performance would not constitute a copyright infringement even where one performer deliberately sets out to simulate another’s performance as exactly as possible.” Notes of Committee on the Judiciary, 17

Reynolds Tobacco Co., 498 F.2d 821 (9th Cir. 1974). In that case what the defendants used in their television commercial for Winston cigarettes was a photograph of a famous professional racing driver's racing car. The number of the car was changed and a wing-like device known as a "spoiler" was attached to the car; the car's features of white pinpointing, an oval medallion, and solid red coloring were retained. The driver, Lothar Motschenbacher, was in the car but his features were not visible. Some persons, viewing the commercial, correctly inferred that the car was his and that he was in the car and was therefore endorsing the product. The defendants were held to have invaded a "proprietary interest" of Motschenbacher in his own identity. *Id.* at 825.

Midler's case is different from Motschenbacher's. He and his car were physically used by the tobacco company's ad; he made part of his living out of giving commercial endorsements. But, as Judge Koelsch expressed it in *Motschenbacher*, California will recognize an injury from "an appropriation of the attributes of one's identity." *Id.* at 824. It was irrelevant that Motschenbacher could not be identified in the ad. The ad suggested that it was he. The ad did so by emphasizing signs or symbols associated with him. In the same way the defendants here used an imitation to convey the impression that Midler was singing for them.

Why did the defendants ask Midler to sing if her voice was not of value to them? Why did they studiously acquire the services of a sound-alike and instruct her to imitate Midler if Midler's voice was not of value to them? What they sought was an attribute of Midler's identity. Its value was what the market would have paid for Midler to have sung the commercial in person.

A voice is more distinctive and more personal than the automobile accouterments protected in *Motschenbacher*. A voice is as distinctive and personal as a face. The human voice is one of the most palpable ways identity is manifested. We are all aware that a friend is at once known by a few words on the phone. At a philosophical level it has been observed that with the sound of a voice, "the other stands before me." D. IHDE, *LISTENING AND VOICE* 77 (1976). *A fortiori*, these observations hold true of singing, especially singing by a singer of renown. The singer manifests herself in the song. To impersonate her voice is to pirate her identity. See W. KEETON, D. DOBBS, R. KEETON, D. OWEN, *PROSSER & KEETON ON TORTS* 852 (5th ed. 1984).

We need not and do not go so far as to hold that every imitation of a voice to advertise merchandise is actionable. We hold only that when a distinctive voice of a professional singer is widely known and is deliberately imitated in order to sell a product, the sellers have appropriated what is not theirs and have committed a tort in California. Midler has made a showing, sufficient to defeat summary judgment, that the defendants here for their own profit in selling their product did appropriate part of her identity.

Reversed and remanded for trial.

COMMENTS AND QUESTIONS

1. Young & Rubicam licensed the right to record the song "*Do You Want to Dance*" from the owner of the copyright in the musical composition. Why wasn't that enough?

Should Midler have the additional right to prevent imitation of her voice? Note that the owner of the copyright in sound recordings is often the producer or the studio, rather than the singer who made the original recording. Does it matter whether Young & Rubicam could have purchased the rights to the recording of Midler herself singing “*Do You Want to Dance*” from the studio? If an artist doesn’t control the rights to her own recording, why should she be able to prevent imitations of that recording?

A related question is whether the right of publicity is subject to an implicit first sale defense. In *Allison v. Vintage Sports Plaques*, 136 F.3d 1443 (11th Cir. 1998), the Eleventh Circuit held that it was. The defendant had purchased authorized sports trading cards and framed them for resale. The court held that the defendant could lawfully resell the images of celebrities that he had lawfully purchased and that he was not impermissibly using the sports trading cards to sell the associated frames.

2. Midler, the imitator, and independent third parties all provided evidence that people hearing the Ford commercial were confused—they thought that Midler was the one singing. Is likelihood of confusion (the test for trademark infringement) the relevant question here? Could Midler prevail even if the attempt to imitate her was not very good, so that most people could tell the difference? If a disclaimer at the beginning of the ad had indicated that the song was an impersonation, rather than Midler herself? See Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161 (2006) (arguing that the real issue in *Midler* is consumer confusion).

Does the use of a song or catch-phrase associated with a celebrity necessarily imply endorsement? One court has said no, reasoning that the use of a catch-phrase is distinct from the use of the celebrity’s identity. *Jackson v. Robinhood Markets, Inc.*, 2021 WL 5277550 (N.D. Cal. 2021) (finding no liability as a matter of law for Robinhood’s use of Ice Cube’s phrase “check yo self before you wreck yo self”). Does it matter how closely associated the phrase is with the celebrity in the public’s mind?

3. A related question is whether the right of publicity applies only to celebrities. Historically, the answer has been no. The right of publicity is derived from the “commercial advantage” wing of the tort of invasion of privacy, and can be invoked by anyone whose name or likeness was appropriated by another for commercial advantage. See RESTATEMENT (2D) TORTS § 652C. Does this lineage suggest that the “likelihood of confusion” test shouldn’t limit the right of publicity?

In practice, the public’s recognition of, admiration for, or enjoyment of the voice of a person drive the value of (and litigation over) the right of publicity. Hence, most of the cases are brought on behalf of celebrities. The occasional right of publicity lawsuits brought by non-celebrities typically result from inadvertence, such as failing to clear rights to use a photograph in an advertisement. See *Callahan v. Ancestry.com*, 2021 WL 2433893 (N.D. Cal. 2021) (rejecting lawsuit filed by ordinary citizens whose high school yearbook records were used in Ancestry.com ads for lack of injury-in-fact, and hence absence of Article III standing). Some, however, reflect the privacy values that originally underlay the right of publicity. See, e.g., *Bullard v. MRA Holding, LLC*, 740 S.E.2d 622 (Ga. 2013) (holding that producer of *College Girls Gone Wild* video violated

Bullard's right of publicity by putting a topless photo of her on the cover of the video); *Longoria v. Kodiak Concepts LLC*, 527 F.Supp.3d 1085 (D. Ariz. 2021) (strip club violated plaintiffs' rights of publicity by using their pictures to advertise the club even though plaintiffs did not appear at the club).



White v. Samsung Electronics America, Inc.
United States Court of Appeals for the Ninth Circuit
989 F.2d 1512 (9th Cir. 1993)

Before GOODWIN, PREGERSON and ALARCON, CIRCUIT JUDGES.

[The Ninth Circuit panel held that actress Vanna White from the game show Wheel of Fortune could bring a right of publicity action against Samsung, which ran an ad for its electronics products that implied that they would still be around after Vanna White had been replaced by a robot on Wheel of Fortune. The court held that the robot in a dress and wig appropriated White's likeness.]

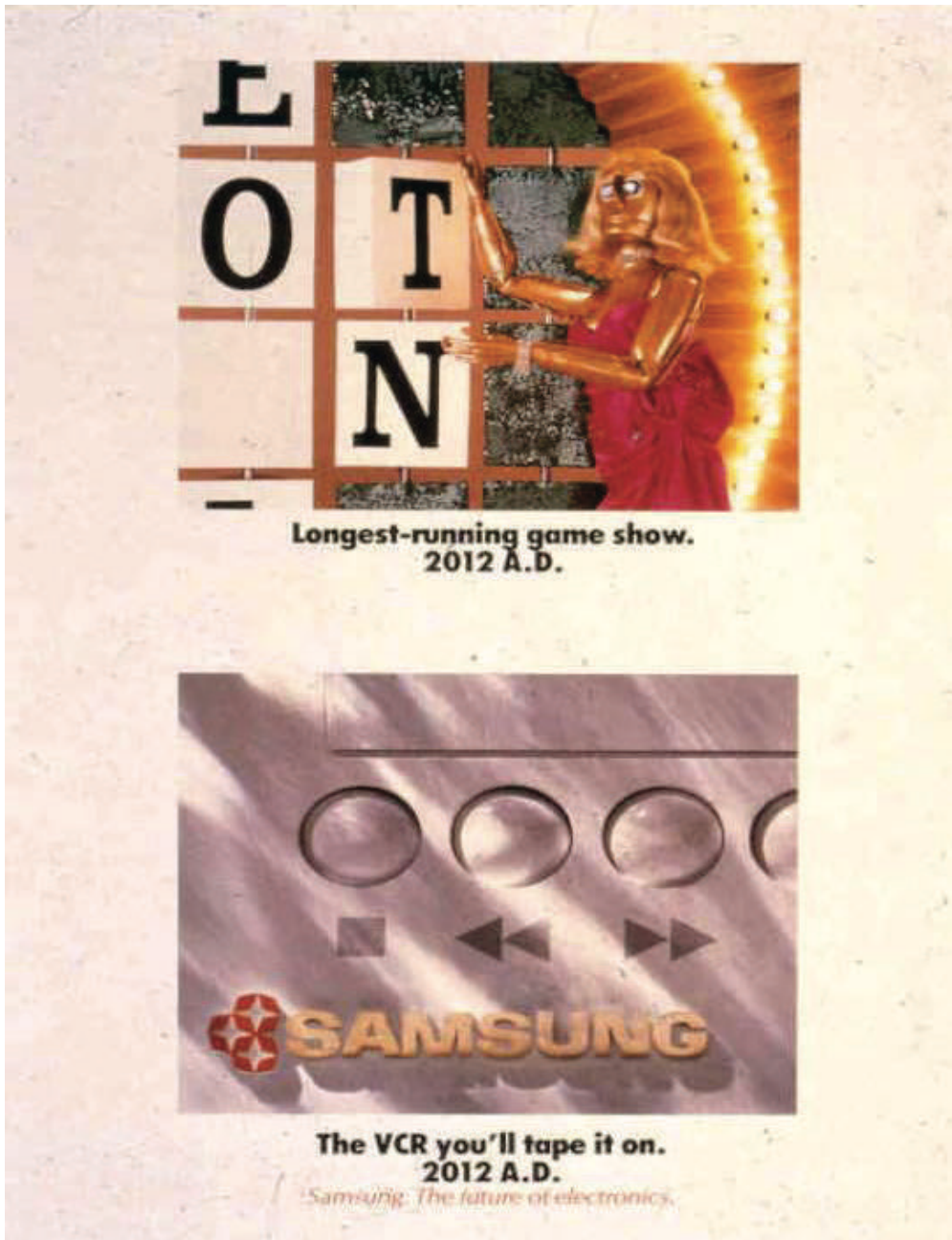
KOZINSKI, CIRCUIT JUDGE, with whom CIRCUIT JUDGES O'SCANLAIN and KLEINFELD join, dissenting from the order rejecting the suggestion for rehearing en banc.

I.

Saddam Hussein wants to keep advertisers from using his picture in unflattering contexts. Clint Eastwood doesn't want tabloids to write about him. Rudolf Valentino's heirs want to control his film biography. The Girl Scouts don't want their image soiled by association with certain activities. George Lucas wants to keep Strategic Defense Initiative fans from calling it "Star Wars." Pepsico doesn't want singers to use the word "Pepsi" in their songs. Guy Lombardo wants an exclusive property right to ads that show big bands playing on New Year's Eve. Uri Geller thinks he should be paid for ads showing psychics bending metal through telekinesis. Paul Prudhomme, that household name, thinks the same about ads featuring corpulent bearded chefs. And scads of copyright holders see purple when their creations are made fun of.

Something very dangerous is going on here. Private property, including intellectual property, is essential to our way of life. It provides an incentive for investment and innovation; it stimulates the flourishing of our culture; it protects the moral entitlements of people to the fruits of their labors. But reducing too much to private property can be bad medicine. Private land, for instance, is far more useful if separated from other private land by public streets, roads and highways. Public parks, utility rights-of-way and sewers reduce the amount of land in private hands, but vastly enhance the value of the property that remains.

So too it is with intellectual property. Overprotecting intellectual property is as harmful as underprotecting it. Creativity is impossible without a rich public domain. Nothing today, likely nothing since we tamed fire, is genuinely new: Culture, like science and technology, grows by accretion, each new creator building on the works of those who came before. Overprotection stifles the very creative forces it's supposed to nurture.



Samsung's Advertisement

III.

But what does “evisceration” mean in intellectual property law? Intellectual property rights aren’t like some constitutional rights, absolute guarantees protected

that evokes White's image. The panel is giving White an exclusive right not in what she looks like or who she is, but in what she does for a living.¹⁸

This is entirely the wrong place to strike the balance. Intellectual property rights aren't free: They're imposed at the expense of future creators and of the public at large. Where would we be if Charles Lindbergh had an exclusive right in the concept of a heroic solo aviator? If Arthur Conan Doyle had gotten a copyright in the idea of the detective story, or Albert Einstein had patented the theory of relativity? If every author and celebrity had been given the right to keep people from mocking them or their work? Surely this would have made the world poorer, not richer, culturally as well as economically.

This is why intellectual property law is full of careful balances between what's set aside for the owner and what's left in the public domain for the rest of us: The relatively short life of patents; the longer, but finite, life of copyrights; copyright's idea-expression dichotomy; the fair use doctrine; the prohibition on copyrighting facts; the compulsory license of television broadcasts and musical compositions; federal preemption of overbroad state intellectual property laws; the nominative use doctrine in trademark law; the right to make soundalike recordings. All of these diminish an intellectual property owner's rights. All let the public use something created by someone else. But all are necessary to maintain a free environment in which creative genius can flourish.

The intellectual property right created by the panel here has none of these essential limitations: No fair use exception; no right to parody; no idea-expression dichotomy. It impoverishes the public domain, to the detriment of future creators and the public at large. Instead of well-defined, limited characteristics such as name, likeness or voice, advertisers will now have to cope with vague claims of "appropriation of identity," claims often made by people with a wholly exaggerated sense of their own fame and significance. . . . Future Vanna Whites might not get the chance to create their personae, because their employers may fear some celebrity will claim the persona is too similar to her own. The public will be robbed of parodies of celebrities, and our culture will be deprived of the valuable safety valve that parody and mockery create.

¹⁸ Once the right of publicity is extended beyond specific physical characteristics, this will become a recurring problem: Outside name, likeness and voice, the things that most reliably remind the public of celebrities are the actions or roles they're famous for. A commercial with an astronaut setting foot on the moon would evoke the image of Neil Armstrong. Any masked man on horseback would remind people (over a certain age) of Clayton Moore. And any number of songs—"My Way," "Yellow Submarine," "Like a Virgin," "Beat It," "Michael, Row the Boat Ashore," to name only a few—instantly evoke an image of the person or group who made them famous, regardless of who is singing. *See also* Carlos V. Lozano, *West Loses Lawsuit over Batman TV Commercial*, L.A. TIMES, Jan. 18, 1990, at B3 (Adam West sues over Batman-like character in commercial); *Nurmi v. Peterson*, 10 U.S.P.Q.2d 1775, 1989 WL 407484 (C.D. Cal. 1989) (1950s TV movie hostess "Vampira" sues 1980s TV hostess "Elvira"); text accompanying notes 7–8 (lawsuits brought by Guy Lombardo, claiming big bands playing at New Year's Eve parties remind people of him, and by Uri Geller, claiming psychics who can bend metal remind people of him). *Cf. Motschenbacher*, where the claim was that viewers would think plaintiff was actually in the commercial, and not merely that the commercial reminded people of him.

Moreover, consider the moral dimension, about which the panel majority seems to have gotten so exercised. Saying Samsung “appropriated” something of White’s begs the question: Should White have the exclusive right to something as broad and amorphous as her “identity”? Samsung’s ad didn’t simply copy White’s schtick—like all parody, it created something new. True, Samsung did it to make money, but White does whatever she does to make money, too; the majority talks of “the difference between fun and profit,” 971 F.2d at 1401, but in the entertainment industry fun is profit. Why is Vanna White’s right to exclusive for-profit use of her persona—a persona that might not even be her own creation, but that of a writer, director or producer—superior to Samsung’s right to profit by creating its own inventions? Why should she have such absolute rights to control the conduct of others, unlimited by the idea-expression dichotomy or by the fair use doctrine?

To paraphrase only slightly *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 349–50 (1991), it may seem unfair that much of the fruit of a creator’s labor may be used by others without compensation. But this is not some unforeseen byproduct of our intellectual property system; it is the system’s very essence. Intellectual property law assures authors the right to their original expression, but encourages others to build freely on the ideas that underlie it. This result is neither unfair nor unfortunate: It is the means by which intellectual property law advances the progress of science and art. We give authors certain exclusive rights, but in exchange we get a richer public domain. The majority ignores this wise teaching, and all of us are the poorer for it. . . .

VI.

Finally, I can’t see how giving White the power to keep others from evoking her image in the public’s mind can be squared with the First Amendment. Where does White get this right to control our thoughts? The majority’s creation goes way beyond the protection given a trademark or a copyrighted work, or a person’s name or likeness. All those things control one particular way of expressing an idea, one way of referring to an object or a person. But not allowing any means of reminding people of someone? That’s a speech restriction unparalleled in First Amendment law.

What’s more, I doubt even a name-and-likeness-only right of publicity can stand without a parody exception. The First Amendment isn’t just about religion or politics—it’s also about protecting the free development of our national culture. Parody, humor, irreverence are all vital components of the marketplace of ideas. The last thing we need, the last thing the First Amendment will tolerate, is a law that lets public figures keep people from mocking them, or from “evok[ing]” their images in the mind of the public. 971 F.2d at 1399.

The majority dismisses the First Amendment issue out of hand because Samsung’s ad was commercial speech. *Id.* at 1401 & n.3. So what? Commercial speech may be less protected by the First Amendment than noncommercial speech, but less protected means protected nonetheless. *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm’n*, 447 U.S. 557 (1980). And there are very good reasons for this. Commercial speech has a

profound effect on our culture and our attitudes. Neutral-seeming ads influence people's social and political attitudes, and themselves arouse political controversy. . . .

In our pop culture, where salesmanship must be entertaining and entertainment must sell, the line between the commercial and noncommercial has not merely blurred; it has disappeared. Is the Samsung parody any different from a parody on Saturday Night Live or in Spy Magazine? Both are equally profit-motivated. Both use a celebrity's identity to sell things—one to sell VCRs, the other to sell advertising. Both mock their subjects. Both try to make people laugh. Both add something, perhaps something worthwhile and memorable, perhaps not, to our culture. Both are things that the people being portrayed might dearly want to suppress. . . .

VII.

For better or worse, we are the Court of Appeals for the Hollywood Circuit. Millions of people toil in the shadow of the law we make, and much of their livelihood is made possible by the existence of intellectual property rights. But much of their livelihood—and much of the vibrancy of our culture—also depends on the existence of other intangible rights: The right to draw ideas from a rich and varied public domain, and the right to mock, for profit as well as fun, the cultural icons of our time.

In the name of avoiding the “evisceration” of a celebrity's rights in her image, the majority diminishes the rights of copyright holders and the public at large. In the name of fostering creativity, the majority suppresses it. Vanna White and those like her have been given something they never had before, and they've been given it at our expense. I cannot agree.

COMMENTS AND QUESTIONS

1. *More Robots*. The Ninth Circuit partially reaffirmed its *White* decision in *Wendt v. Host Int'l*, 125 F.3d 806 (9th Cir. 1997). That case also involved animatronic robots. These were representative of characters from the television show “Cheers” and were placed in licensed airport *Cheers* bars. The bars had obtained rights from the producers of the television show but not from the actors themselves. The court held that the actors retained publicity rights in their portrayal of the fictional characters under California law and remanded the case for an analysis of the similarities between the plaintiffs and the robots.

Had the actors brought a claim under California law based on the use of their images from the TV show itself, they would have lost. See *Fleet v. CBS*, 50 Cal. App. 4th 1911 (1996) (California publicity law preempted to the extent it imposes controls on the exploitation of name or likeness through distribution of a motion picture in which actor appeared); *Page v. Something Weird Video*, 960 F. Supp. 1438 (C.D. Cal. 1996) (First Amendment allows use of drawing of character in film to promote that film). Should the result be any different where a spin-off product is licensed?

2. Cases other than *White* discuss “celebrity attributes” besides appearance and voice. See, e.g., *McFarland v. Miller*, 14 F.3d 912 (3d Cir. 1994) (granting damages for use of appearance and name of “Our Gang” member Spanky McFarland in restaurant decor). Is there any natural boundary to the right of publicity? If mere “evocation of a

celebrity” is required, which of the following could be protected by a right of publicity: (1) a characteristic walk or even running style; (2) a characteristic gesture, such as Clint Eastwood’s sneer, or Johnny Carson’s musically accompanied golf swing, or Michael Jackson’s “moonwalking” dance steps; (3) a “signature” joke, such as Henny Youngman’s “take my wife—please,” or Joan Rivers’ “can we talk?”—notwithstanding that both jokes were well known when they were adopted as “signatures”; (4) a style of chess opening that has become associated with a particular grand master; (5) a shot, move, or technique in sports that is closely identified with a particular athlete—e.g., Tiger Woods’ fist pump?

On the other hand, is there any natural limit to Judge Kozinski’s reasoning? Or does it suggest that the entire concept of a right of publicity is ill considered? Is there some identifiable reason that Bette Midler’s claim seems more plausible than Vanna White’s? Should it matter that a consumer might be confused by the Midler imitation, but won’t be by the robot?

3. Judge Kozinski emphasizes throughout his opinion that the right of publicity adds extra burdens to the creators of works that draw on celebrity attributes. For example, he states: “We must make sure state law doesn’t give the Vanna Whites and Adam Wests of the world a veto over fair use parodies of the shows in which they appear, or over copyright holders’ exclusive right to license derivative works of those shows.” Judge Kozinski’s point is that the right of publicity creates the need for an entirely new “layer” of transactions *on top of* the traditional copyright license. For example, in many of the “voice-alike” cases such as *Midler*, the defendant in the publicity action is a legitimate licensee of the copyright holder in the song that the defendant used. The right of publicity cases thus implicitly hold that the copyright license does not shield the licensee from liability for using the work, at least under some circumstances. It also means that, at least for copyrighted works assigned prior to the rapid growth of the right of publicity, creators of works can use the new right to extract some extra value. *See* Eben Shapiro, *Rising Caution on Using Celebrity Images*, N.Y. TIMES, Nov. 4, 1992, at D20.

4. Does the economic branch of the right of publicity serve utilitarian purposes? In *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 575 (1977) (finding that protection of a human cannonball performer’s right of publicity against an unauthorized news broadcast of his exhibition did not violate the First Amendment), the Supreme Court commented that “protecting the proprietary interest of the individual in his act” serves in part “to encourage such entertainment,” which is “closely analogous to the goals of patent and copyright law.” Although it seems unlikely that failure to protect uses of a celebrity’s image would discourage the pursuit of fame generally, *see* Diane Leenheer Zimmerman, *Fitting Publicity Rights into Intellectual Property and Free Speech Theory: Sam, You Made the Pants Too Long!*, 10 DEPAUL-LCA J. ART & ENT. L. & POL’Y 283, 306 (2000) (observing that “not a shred of empirical data exists to show that [celebrities] would invest less energy and talent in becoming famous” without a publicity right), the absence of protection could discourage some performers and interfere with licensing deals that might fund particular creative projects. Is *Zacchini*

likely to be such a case? Is *White*? What would such a rationale say about the proper scope of the right of publicity doctrine?

A second utilitarian theory holds that failure to protect a celebrity's image could produce a congestion externality. Under this theory, the value of an image can be inefficiently depleted by oversaturation of the marketplace, which an exclusive right to exploit can prevent. See WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 222–28 (2003); Mark Grady, *A Positive Economic Theory of the Right of Publicity*, 1 *UCLA ENT. L. REV.* 97 (1994). Landes and Posner point to the Disney Corporation's self-imposed restraint on commercialization as a response to this problem: "To avoid overkill, Disney manages its character portfolio with care. It has hundreds of characters on its books, many of them just waiting to be called out of retirement. . . . Disney practices good husbandry of its characters and extends the life of its brands by not overexposing them. . . . They avoid debasing the currency." See B. Britt, *International Marketing: Disney's Global Goals*, *MARKETING* 22–26 (May 17, 1990). Landes and Posner suggest that a similar oversaturation can arise with regard to some rights of publicity (use of persona in advertising) and trademarks (justifying protection against dilution by blurring). Do you find this argument persuasive? See Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 *STAN. L. REV.* (2006) (disputing the congestion externality rationale on the grounds that it distorts the market by preventing the dissemination of truthful information); see also Dennis S. Karjala, *Congestion Externalities and Extended Copyright Protection*, 94 *GEO. L.J.* 1065 (2006). If so, how far should it extend in constraining uses of another's image? What about parodies? Satire? Does this theory apply to all celebrity images? If so, how do we account for nearly ubiquitous images, such as Mickey Mouse, Michael Jordan, and the Coca-Cola logo? For images that survive without any protection, such as Uncle Sam or the Statue of Liberty? Is it possible that for at least some images, more exposure means *higher* value? Should the law try to distinguish between such images and those for which overexposure is more clearly a problem—for instance, the Rolls Royce logo? See Mark A. Lemley, *Ex Ante Versus Ex Post Justifications for Intellectual Property*, 71 *U. CHI. L. REV.* 129, 145 (2004) (arguing that the congestion externality may be limited to a narrow subset of images or works that become cultural icons).

Alternatively, is the right of publicity better understood under a Lockean rationale, a Kantian theory of personal autonomy, or a means of preventing of unjust enrichment? See Alice Haemmerli, *Whose Who? The Case for a Kantian Right of Publicity*, 49 *DUKE L.J.* 383 (1999); Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights*, 81 *CAL. L. REV.* 127 (1993). What is the basis for this property right? Would a moral right based in personal autonomy justify the transferable property interest celebrities receive under the law today? See JENNIFER ROTHMAN, *THE RIGHT OF PUBLICITY: PRIVACY REIMAGINED FOR A PUBLIC WORLD* (2018) (defending the right of publicity on autonomy grounds but questioning its reach); Mark A. Lemley, *Privacy, Property, and Publicity*, 117 *MICH. L. REV.* 1153 (2019) (questioning the autonomy theory).

following stipulated facts: Comedy III is the registered owner of all rights to the former comedy act known as The Three Stooges, who are deceased personalities within the meaning of the statute.

Saderup is an artist with over 25 years' experience in making charcoal drawings of celebrities. These drawings are used to create lithographic and silkscreen masters, which in turn are used to produce multiple reproductions in the form, respectively, of lithographic prints and silkscreened images on T-shirts. Saderup creates the original drawings and is actively involved in the ensuing lithographic and silkscreening processes. Without securing Comedy III's consent, Saderup sold lithographs and T-shirts bearing a likeness of The Three Stooges reproduced from a charcoal drawing he had made. These lithographs and T-shirts did not constitute an advertisement, endorsement, or sponsorship of any product.



The Three Stooges t-shirt image

Saderup's profits from the sale of unlicensed lithographs and T-shirts bearing a likeness of The Three Stooges was \$75,000 and Comedy III's reasonable attorney fees were \$150,000.

On these stipulated facts the court found for Comedy III and entered judgment against Saderup awarding damages of \$75,000 and attorney fees of \$150,000 plus costs. The court also issued a permanent injunction restraining Saderup from violating the statute by use of any likeness of The Three Stooges in lithographs, T-shirts, "or any other medium by which the [Saderup's] art work may be sold or marketed." The

injunction further prohibited Saderup from “Creating, producing, reproducing, copying, distributing, selling or exhibiting any lithographs, prints, posters, t-shirts, buttons, or other goods, products or merchandise of any kind, bearing the photograph, image, face, symbols, trademarks, likeness, name, voice or signature of The Three Stooges or any of the individual members of The Three Stooges.” The sole exception to this broad prohibition was Saderup’s original charcoal drawing from which the reproductions at issue were made.

Saderup appealed. The Court of Appeal modified the judgment by striking the injunction. The court reasoned that Comedy III had not proved a likelihood of continued violation of the statute, and that the wording of the injunction was overbroad because it exceeded the terms of the statute and because it “could extend to matters and conduct protected by the First Amendment. . . .”

The Court of Appeal affirmed the judgment as thus modified, however, upholding the award of damages, attorney fees, and costs. In so doing, it rejected Saderup’s contentions that his conduct (1) did not violate the terms of the statute, and (2) in any event was protected by the constitutional guaranty of freedom of speech.

We granted review to address these two issues.

III. Discussion

A. *The Statutory Issue*

[The court held that the statute extends to the sale of products featuring a deceased personality’s likeness as well as advertisements.]

B. *The Constitutional Issue*

Saderup next contends that enforcement of the judgment against him violates his right of free speech and expression under the First Amendment. He raises a difficult issue, which we address below.

The right of publicity is often invoked in the context of commercial speech when the appropriation of a celebrity likeness creates a false and misleading impression that the celebrity is endorsing a product. (*See Waits v. Frito-Lay, Inc.* (9th Cir. 1992) 978 F.2d 1093; *Midler v. Ford Motor Co.* (9th Cir. 1988) 849 F.2d 460.) Because the First Amendment does not protect false and misleading commercial speech (*Central Hudson Gas & Elec. Corp. v. Public Serv. Com’n* (1980) 447 U.S. 557, 563–564), and because even nonmisleading commercial speech is generally subject to somewhat lesser First Amendment protection (*Central Hudson*, at p. 566), the right of publicity may often trump the right of advertisers to make use of celebrity figures.

But the present case does not concern commercial speech. As the trial court found, Saderup’s portraits of The Three Stooges are expressive works and not an advertisement for or endorsement of a product. Although his work was done for financial gain, “[t]he First Amendment is not limited to those who publish without charge. . . . [An expressive activity] does not lose its constitutional protection because it is undertaken for profit.” (*Guglielmi v. Spelling-Goldberg Productions* (1979) 25 Cal. 3d 860, 868, 160 Cal. Rptr. 352, 603 P.2d 454 (conc. opn. of Bird, C.J.) (*Guglielmi*)).

The tension between the right of publicity and the First Amendment is highlighted by recalling the two distinct, commonly acknowledged purposes of the latter. First, “to preserve an uninhibited marketplace of ideas’ and to repel efforts to limit the ‘uninhibited, robust and wide-open debate on public issues.’” (*Guglielmi, supra*, 25 Cal. 3d at p. 866, 160 Cal. Rptr. 352, 603 P.2d 454.) Second, to foster a “fundamental respect for individual development and self-realization. The right to self-expression is inherent in any political system which respects individual dignity. Each speaker must be free of government restraint regardless of the nature or manner of the views expressed unless there is a compelling reason to the contrary.” (*Ibid.*, fn. omitted; see also EMERSON, THE SYSTEM OF FREEDOM OF EXPRESSION (1970) pp. 6–7.)

The right of publicity has a potential for frustrating the fulfillment of both these purposes. Because celebrities take on public meaning, the appropriation of their likenesses may have important uses in uninhibited debate on public issues, particularly debates about culture and values. And because celebrities take on personal meanings to many individuals in the society, the creative appropriation of celebrity images can be an important avenue of individual expression. As one commentator has stated: “Entertainment and sports celebrities are the leading players in our Public Drama. We tell tales, both tall and cautionary, about them. We monitor their comings and goings, their missteps and heartbreaks. We copy their mannerisms, their styles, their modes of conversation and of consumption. Whether or not celebrities are ‘the chief agents of moral change in the United States,’ they certainly are widely used—far more than are institutionally anchored elites—to symbolize individual aspirations, group identities, and cultural values. Their images are thus important expressive and communicative resources: the peculiar, yet familiar idiom in which we conduct a fair portion of our cultural business and everyday conversation.” (Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights* (1993) 81 CAL. L. REV. 125, 128 (Madow, italics and fns. omitted.)

As Madow further points out, the very importance of celebrities in society means that the right of publicity has the potential of censoring significant expression by suppressing alternative versions of celebrity images that are iconoclastic, irreverent, or otherwise attempt to redefine the celebrity’s meaning. A majority of this court recognized as much in *Guglielmi*: “The right of publicity derived from public prominence does not confer a shield to ward off caricature, parody and satire. Rather, prominence invites creative comment.” (*Guglielmi, supra*, 25 Cal. 3d at p. 869, 160 Cal. Rptr. 352, 603 P.2d 454.)

For similar reasons, speech about public figures is accorded heightened First Amendment protection in defamation law. As the United States Supreme Court held in *Gertz v. Robert Welch, Inc.* (1974) 418 U.S. 323, public figures may prevail in a libel action only if they prove that the defendant’s defamatory statements were made with actual malice, i.e., actual knowledge of falsehood or reckless disregard for the truth, whereas private figures need prove only negligence. (*Id.* at pp. 328, 342, 344–45.) The rationale for such differential treatment is, first, that the public figure has greater access to the media and therefore greater opportunity to rebut defamatory statements, and

second, that those who have become public figures have done so voluntarily and therefore “invite attention and comment.” (*Id.* at pp. 344–345.) Giving broad scope to the right of publicity has the potential of allowing a celebrity to accomplish through the vigorous exercise of that right the censorship of unflattering commentary that cannot be constitutionally accomplished through defamation actions.

Nor do Saderup’s creations lose their constitutional protections because they are for purposes of entertaining rather than informing. As Chief Justice Bird stated in *Guglielmi*, invoking the dual purpose of the First Amendment: “Our courts have often observed that entertainment is entitled to the same constitutional protection as the exposition of ideas. That conclusion rests on two propositions. First, ‘[t]he line between informing and entertaining is too elusive for the protection of the basic right. Everyone is familiar with instances of propaganda through fiction. What is one man’s amusement, teaches another doctrine.’” (*Guglielmi, supra*, 25 Cal. 3d at p. 867, 160 Cal. Rptr. 352, 603 P.2d 454, fn. omitted.) “Second, entertainment, as a mode of self-expression, is entitled to constitutional protection irrespective of its contribution to the marketplace of ideas. ‘For expression is an integral part of the development of ideas, of mental exploration and of the affirmation of self. The power to realize his potentiality as a human being begins at this point and must extend at least this far if the whole nature of man is not to be thwarted.’” (*Ibid.*)

Nor does the fact that expression takes a form of nonverbal, visual representation remove it from the ambit of First Amendment protection. In *Bery v. City of New York* (2d Cir. 1996) 97 F.3d 689, the court overturned an ordinance requiring visual artists—painters, printers, photographers, sculptors, etc.—to obtain licenses to sell their work in public places, but exempted the vendors of books, newspapers or other written matter. As the court stated: “Both the [district] court and the City demonstrate an unduly restricted view of the First Amendment and of visual art itself. Such myopic vision not only overlooks case law central to First Amendment jurisprudence but fundamentally misperceives the essence of visual communication and artistic expression. Visual art is as wide ranging in its depiction of ideas, concepts and emotions as any book, treatise, pamphlet or other writing, and is similarly entitled to full First Amendment protection. . . . One cannot look at Winslow Homer’s paintings on the Civil War without seeing, in his depictions of the boredom and hardship of the individual soldier, expressions of anti-war sentiments, the idea that war is not heroic.” (*Id.* at p. 695.)

Moreover, the United States Supreme Court has made it clear that a work of art is protected by the First Amendment even if it conveys no discernible message: “[A] narrow, succinctly articulable message is not a condition of constitutional protection, which if confined to expressions conveying a ‘particularized message,’ [citation], would never reach the unquestionably shielded painting of Jackson Pollock, music of Arnold Schoenberg, or Jabberwocky verse of Lewis Carroll.” (*Hurley v. Irish-American Gay, Lesbian and Bisexual Group of Boston, Inc.* (1995) 515 U.S. 557, 569.)

Nor does the fact that Saderup’s art appears in large part on a less conventional avenue of communications, T-shirts, result in reduced First Amendment protection. As Judge Posner stated in the case of a defendant who sold T-shirts advocating the

legalization of marijuana, “its T-shirts . . . are to [the seller] what the *New York Times* is to the Sulzbergers and the Ochs—the vehicle of her ideas and opinions.” (*Ayres v. City of Chicago* (7th Cir. 1997) 125 F.3d 1010, 1017; *see also Cohen v. California* (1971) 403 U.S. 15, [jacket with words “Fuck the Draft” on the back is protected speech].) First Amendment doctrine does not disfavor nontraditional media of expression.

But having recognized the high degree of First Amendment protection for noncommercial speech about celebrities, we need not conclude that all expression that trenches on the right of publicity receives such protection. The right of publicity, like copyright, protects a form of intellectual property that society deems to have some social utility. “Often considerable money, time and energy are needed to develop one’s prominence in a particular field. Years of labor may be required before one’s skill, reputation, notoriety or virtues are sufficiently developed to permit an economic return through some medium of commercial promotion. [Citations.] For some, the investment may eventually create considerable commercial value in one’s identity.” (*Lugosi, supra*, 25 Cal. 3d at pp. 834–835, 160 Cal. Rptr. 323, 603 P.2d 425 (dis. opn. of Bird, C.J.).)

The present case exemplifies this kind of creative labor. Moe and Jerome (Curly) Howard and Larry Fein fashioned personae collectively known as The Three Stooges, first in vaudeville and later in movie shorts, over a period extending from the 1920’s to the 1940’s. (*See FLEMING, THE THREE STOOGES: AMALGAMATED MORONS TO AMERICAN ICONS* (1999) pp. 10–46.) The three comic characters they created and whose names they shared—Larry, Moe, and Curly—possess a kind of mythic status in our culture. Their journey from ordinary vaudeville performers to the heights (or depths) of slapstick comic celebrity was long and arduous. Their brand of physical humor—the nimble, comically stylized violence, the “nyuk-nyuks” and “whoop-whoop-whoops,” eye-pokes, slaps and head conks (*See, e.g., Three Little Pigskins* (Columbia Pictures 1934), *Hoi Polloi* (Columbia Pictures 1935), *A Gem of a Jam* (Columbia Pictures 1943), *Micro Phonies* (Columbia Pictures 1945))—created a distinct comedic trademark. Through their talent and labor, they joined the relatively small group of actors who constructed identifiable, recurrent comic personalities that they brought to the many parts they were scripted to play. “Groucho Marx just being Groucho Marx, with his moustache, cigar, slouch and leer, cannot be exploited by others. Red Skelton’s variety of self-devised roles would appear to be protectible, as would the unique personal creations of Abbott and Costello, Laurel and Hardy and others of that genre. . . . [W]e deal here with actors portraying themselves and developing their own characters.” (*Lugosi, supra*, 25 Cal. 3d at pp. 825–826, 160 Cal. Rptr. 323, 603 P.2d 425 (conc. opn. of Mosk, J.).)

In sum, society may recognize, as the Legislature has done here, that a celebrity’s heirs and assigns have a legitimate protectible interest in exploiting the value to be obtained from merchandising the celebrity’s image, whether that interest be conceived as a kind of natural property right or as an incentive for encouraging creative work. (*See 1 MCCARTHY, THE RIGHTS OF PUBLICITY AND PRIVACY* (2d ed. 2000) §§ 2.2–2.7, pp. 2-1 to 2-22 (McCarthy).) Although critics have questioned whether the right of publicity

truly serves any social purpose, (*See, e.g.,* Madow, *supra*, 81 CAL. L. REV. at pp. 178–238), there is no question that the Legislature has a rational basis for permitting celebrities and their heirs to control the commercial exploitation of the celebrity’s likeness.

Although surprisingly few courts have considered in any depth the means of reconciling the right of publicity and the First Amendment, we follow those that have in concluding that depictions of celebrities amounting to little more than the appropriation of the celebrity’s economic value are not protected expression under the First Amendment. We begin with *Zacchini v. Scripps-Howard Broadcasting Co.* (1977) 433 U.S. 562, 576 (*Zacchini*), the only United States Supreme Court case to directly address the right of publicity. *Zacchini*, the performer of a human cannonball act, sued a television station that had videotaped and broadcast his entire performance without his consent. The court held the First Amendment did not protect the television station against a right of publicity claim under Ohio common law. In explaining why the enforcement of the right of publicity in this case would not violate the First Amendment, the court stated: “[T]he rationale for [protecting the right of publicity] is the straightforward one of preventing unjust enrichment by the theft of good will. No social purpose is served by having the defendant get free some aspect of the plaintiff that would have market value and for which he would normally pay.” (*Id.* at p. 576.) The court also rejected the notion that federal copyright or patent law preempted this type of state law protection of intellectual property: “[Copyright and patent] laws perhaps regard the ‘reward to the owner [as] a secondary consideration,’ [citation], but they were ‘intended definitely to grant valuable, enforceable rights’ in order to afford greater encouragement to the production of works of benefit to the public. [Citation.] The Constitution does not prevent Ohio from making a similar choice here in deciding to protect the entertainer’s incentive in order to encourage the production of this type of work.” (*Id.* at p. 577.)

To be sure, *Zacchini* was not an ordinary right of publicity case: the defendant television station had appropriated the plaintiff’s entire act, a species of common law copyright violation. Nonetheless, two principles enunciated in *Zacchini* apply to this case: (1) state law may validly safeguard forms of intellectual property not covered under federal copyright and patent law as a means of protecting the fruits of a performing artist’s labor; and (2) the state’s interest in preventing the outright misappropriation of such intellectual property by others is not automatically trumped by the interest in free expression or dissemination of information; rather, as in the case of defamation, the state law interest and the interest in free expression must be balanced, according to the relative importance of the interests at stake. (*See Gertz v. Robert Welch, Inc., supra*, 418 U.S. at pp. 347–350.)

Guglielmi adopted a similar balancing approach. The purported heir of Rudolph Valentino filed suit against the makers of a fictional film based on the latter’s life. *Guglielmi* concluded that the First Amendment protection of entertainment superseded any right of publicity. This was in contrast to the companion *Lugosi* case, in which Chief Justice Bird concluded in her dissenting opinion that there may be an enforceable right of publicity that would prevent the merchandising of Count Dracula using the likeness

purposes, such as the sale of merchandise,” in which the right of publicity would prevail. (523 F. Supp. at p. 492.) In creating this dichotomy, the court did not appear to give due consideration to forms of creative expression protected by the First Amendment that cannot be categorized as ideas or information. Moreover, the court, borrowing from certain copyright cases, seemed to believe that the validity of the First Amendment defense turned on whether the play was a parody, without explaining why other forms of creative appropriation, such as using established characters in new theatrical works to advance various creative objectives, were not protected by the First Amendment. Nonetheless, the case is in line with *Zacchini*, *Guglielmi* and *Russen* in recognizing that certain forms of commercial exploitation of celebrities that violate the state law right of publicity do not receive First Amendment protection.

It is admittedly not a simple matter to develop a test that will unerringly distinguish between forms of artistic expression protected by the First Amendment and those that must give way to the right of publicity. Certainly, any such test must incorporate the principle that the right of publicity cannot, consistent with the First Amendment, be a right to control the celebrity’s image by censoring disagreeable portrayals. Once the celebrity thrusts himself or herself forward into the limelight, the First Amendment dictates that the right to comment on, parody, lampoon, and make other expressive uses of the celebrity image must be given broad scope. The necessary implication of this observation is that the right of publicity is essentially an economic right. What the right of publicity holder possesses is not a right of censorship, but a right to prevent others from misappropriating the economic value generated by the celebrity’s fame through the merchandising of the “name, voice, signature, photograph, or likeness” of the celebrity. (§ 990.)

Beyond this precept, how may courts distinguish between protected and unprotected expression? Some commentators have proposed importing the fair use defense from copyright law (17 U.S.C. § 107), which has the advantage of employing an established doctrine developed from a related area of the law. (See Barnett, *First Amendment Limits on the Right of Publicity* (1995) 30 TORT & INS. L.J. 635, 650–657; Coyne, *Toward a Modified Fair Use Defense in Right of Publicity Cases* (1988) 29 WM. & MARY L. REV. 781, 812–820.) Others disagree, pointing to the murkiness of the fair use doctrine and arguing that the idea/expression dichotomy, rather than fair use, is the principal means of reconciling copyright protection and First Amendment rights. (2 MCCARTHY, *supra*, § 8.38, pp. 8-358 to 8-360; see also Kwall, *The Right of Publicity vs. The First Amendment: A Property and Liability Rule Analysis* (1994) 70 IND. L.J. 47, 58, fn. 54.)

We conclude that a wholesale importation of the fair use doctrine into right of publicity law would not be advisable. At least two of the factors employed in the fair use test, “the nature of the copyrighted work” and “the amount and substantiality of the portion used” (17 U.S.C. § 107(2), (3)), seem particularly designed to be applied to the partial copying of works of authorship “fixed in [a] tangible medium of expression” (17 U.S.C. § 102); it is difficult to understand why these factors would be especially useful for determining whether the depiction of a celebrity likeness is protected by the First Amendment.

Nonetheless, the first fair use factor—“the purpose and character of the use” (17 U.S.C. § 107(1))—does seem particularly pertinent to the task of reconciling the rights of free expression and publicity. As the Supreme Court has stated, the central purpose of the inquiry into this fair use factor “is to see, in Justice Story’s words, whether the new work merely ‘supersede[s] the objects’ of the original creation [citations], or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is ‘transformative.’ Although such transformative use is not absolutely necessary for a finding of fair use, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works.” (*Campbell v. Acuff-Rose Music, Inc.* (1994) 510 U.S. 569, 579, fn. omitted.)

This inquiry into whether a work is “transformative” appears to us to be necessarily at the heart of any judicial attempt to square the right of publicity with the First Amendment. As the above quotation suggests, both the First Amendment and copyright law have a common goal of encouragement of free expression and creativity, the former by protecting such expression from government interference, the latter by protecting the creative fruits of intellectual and artistic labor. (See 1 NIMMER ON COPYRIGHT (2000 ed.) § 1.10, pp. 1-66.43 to 1-66.44 (Nimmer).) The right of publicity, at least theoretically, shares this goal with copyright law. (1 McCarthy, *supra*, § 2.6, pp. 2-14 to 2-19.) When artistic expression takes the form of a literal depiction or imitation of a celebrity for commercial gain,⁹ directly trespassing on the right of publicity without adding significant expression beyond that trespass, the state law interest in protecting the fruits of artistic labor outweighs the expressive interests of the imitative artist. (See *Zacchini, supra*, 433 U.S. at pp. 575–576.)

On the other hand, when a work contains significant transformative elements, it is not only especially worthy of First Amendment protection, but it is also less likely to interfere with the economic interest protected by the right of publicity. As has been observed, works of parody or other distortions of the celebrity figure are not, from the celebrity fan’s viewpoint, good substitutes for conventional depictions of the celebrity and therefore do not generally threaten markets for celebrity memorabilia that the right of publicity is designed to protect. (See *Cardtoons, L.C. v. Major League Baseball Players Association* (10th Cir. 1996) 95 F.3d 959, 974 (*Cardtoons*).) Accordingly, First Amendment protection of such works outweighs whatever interest the state may have in enforcing the right of publicity. The right-of-publicity holder continues to enforce the right to monopolize the production of conventional, more or less fungible, images of the

⁹ Inquiry into the “purpose and character” of the work in copyright law also includes “whether such use is of a commercial nature or is for nonprofit educational purposes.” (17 U.S.C. § 107(1).) It could be argued that reproduction of a celebrity likeness for noncommercial use—e.g., T-shirts of a recently deceased rock musician produced by a fan as a not-for-profit tribute—is a form of personal expression and therefore more worthy of First Amendment protection. This is an issue, however, that we need not decide in this case. It is undisputed that Saderup sold his reproductions for financial gain.

celebrity.¹⁰ *Cardtoons, supra*, 95 F.3d 959, cited by *Saderup*, is consistent with this “transformative” test. There, the court held that the First Amendment protected a company that produced trading cards caricaturing and parodying well-known major league baseball players against a claim brought under the Oklahoma right of publicity statute. The court concluded that “[t]he cards provide social commentary on public figures, major league baseball players, who are involved in a significant commercial enterprise, major league baseball,” and that “[t]he cards are no less protected because they provide humorous rather than serious commentary.” (*Cardtoons*, at p. 969.) The *Cardtoons* court weighed these First Amendment rights against what it concluded was the less-than-compelling interests advanced by the right of publicity outside the advertising context—especially in light of the reality that parody would not likely substantially impact the economic interests of celebrities—and found the cards to be a form of protected expression. (*Cardtoons*, at pp. 973–976.) While *Cardtoons* contained dicta calling into question the social value of the right of publicity, its conclusion that works parodying and caricaturing celebrities are protected by the First Amendment appears unassailable in light of the test articulated above.

We emphasize that the transformative elements or creative contributions that require First Amendment protection are not confined to parody and can take many forms, from factual reporting (*See, e.g., Rosemont Enterprises, Inc. v. Random House, Inc.* (N.Y. Sup. Ct. 1968) 58 Misc. 2d 1, 294 N.Y.S.2d 122, 129, *affd. mem.* (1969) 32 A.D.2d 892, 301 N.Y.S.2d 948) to fictionalized portrayal (*Guglielmi, supra*, 25 Cal. 3d at pp. 871–872, 160 Cal. Rptr. 352, 603 P.2d 454; *see also Parks v. LaFace Records* (E.D. Mich. 1999) 76 F. Supp. 2d 775, 779–782 [use of civil rights figure Rosa Parks in song title is protected expression]^[4]), from heavy-handed lampooning (*see Hustler Magazine v. Falwell* (1988) 485 U.S. 46) to subtle social criticism (*see COPLANS ET AL., ANDY WARHOL* (1970) pp. 50–52 [explaining Warhol’s celebrity portraits as a critique of the celebrity phenomenon])).

Another way of stating the inquiry is whether the celebrity likeness is one of the “raw materials” from which an original work is synthesized, or whether the depiction or imitation of the celebrity is the very sum and substance of the work in question. We ask, in other words, whether a product containing a celebrity’s likeness is so transformed

¹⁰ There is a fourth factor in the fair use test not yet mentioned, “the effect of the use upon the potential market for or value of the copyrighted work” (17 U.S.C. § 107(4)), that bears directly on this question. We do not believe, however, that consideration of this factor would usefully supplement the test articulated here. If it is determined that a work is worthy of First Amendment protection because added creative elements significantly transform the celebrity depiction, then independent inquiry into whether or not that work is cutting into the market for the celebrity’s images—something that might be particularly difficult to ascertain in the right of publicity context (*see Madow, supra*, 81 CAL. L. REV. at pp. 221–222)—appears to be irrelevant. Moreover, this “potential market” test has been criticized for circularity: it could be argued that if a defendant has capitalized in any way on a celebrity’s image, he or she has found a potential market and therefore could be liable for such work. (*See* 4 NIMMER, *supra*, § 13.05[A][4] at pp. 13-183 to 13-184.) The “transformative” test elaborated in this opinion will, we conclude, protect the right-of-publicity holder’s core interest in monopolizing the merchandising of celebrity images without unnecessarily impinging on the artists’ right of free expression.

^[4] [The *Parks* case was reversed. *See Parks v. LaFace Records*, 329 F.3d 437 (6th Cir. 2003).—EDS.]

that it has become primarily the defendant's own expression rather than the celebrity's likeness. And when we use the word "expression," we mean expression of something other than the likeness of the celebrity.

We further emphasize that in determining whether the work is transformative, courts are not to be concerned with the quality of the artistic contribution—vulgar forms of expression fully qualify for First Amendment protection. (*See, e.g., Hustler Magazine v. Falwell, supra*, 485 U.S. 46; *see also Campbell v. Acuff-Rose Music, Inc., supra*, 510 U.S. at p. 582.) On the other hand, a literal depiction of a celebrity, even if accomplished with great skill, may still be subject to a right of publicity challenge. The inquiry is in a sense more quantitative than qualitative, asking whether the literal and imitative or the creative elements predominate in the work.

Furthermore, in determining whether a work is sufficiently transformative, courts may find useful a subsidiary inquiry, particularly in close cases: does the marketability and economic value of the challenged work derive primarily from the fame of the celebrity depicted? If this question is answered in the negative, then there would generally be no actionable right of publicity. When the value of the work comes principally from some source other than the fame of the celebrity—from the creativity, skill, and reputation of the artist—it may be presumed that sufficient transformative elements are present to warrant First Amendment protection. If the question is answered in the affirmative, however, it does not necessarily follow that the work is without First Amendment protection—it may still be a transformative work.

In sum, when an artist is faced with a right of publicity challenge to his or her work, he or she may raise as affirmative defense that the work is protected by the First Amendment inasmuch as it contains significant transformative elements or that the value of the work does not derive primarily from the celebrity's fame.

Turning to the present case, we note that the trial court, in ruling against Saderup, stated that "the commercial enterprise conducted by [Saderup] involves the sale of lithographs and T-shirts which are not original single works of art, and which are not protected by the First Amendment; the enterprise conducted by the [Saderup] was a commercial enterprise designed to generate profits solely from the use of the likeness of The Three Stooges which is the right of publicity . . . protected by section 990." Although not entirely clear, the trial court seemed to be holding that *reproductions* of celebrity images are categorically outside First Amendment protection. The Court of Appeal was more explicit in adopting this rationale: "Simply put, although the First Amendment protects speech that is sold, reproductions of an image, made to be sold for profit do not per se constitute speech." But this position has no basis in logic or authority. No one would claim that a published book, because it is one of many copies, receives less First Amendment protection than the original manuscript. It is true that the statute at issue here makes a distinction between a single and original work of fine art and a reproduction. (§ 990, subd. (n)(3).) Because the statute evidently aims at preventing the illicit merchandising of celebrity images, and because single original works of fine art are not forms of merchandising, the state has little if any interest in preventing the exhibition and sale of such works, and the First Amendment rights of the

artist should therefore prevail. But the inverse—that a reproduction receives no First Amendment protection—is patently false: a reproduction of a celebrity image that, as explained above, contains significant creative elements is entitled to as much First Amendment protection as an original work of art. The trial court and the Court of Appeal therefore erred in this respect.

Rather, the inquiry is into whether Saderup’s work is sufficiently transformative. Correctly anticipating this inquiry, he argues that all portraiture involves creative decisions, that therefore no portrait portrays a mere literal likeness, and that accordingly all portraiture, including reproductions, is protected by the First Amendment. We reject any such categorical position. Without denying that all portraiture involves the making of artistic choices, we find it equally undeniable, under the test formulated above, that when an artist’s skill and talent is manifestly subordinated to the overall goal of creating a conventional portrait of a celebrity so as to commercially exploit his or her fame, then the artist’s right of free expression is outweighed by the right of publicity. As is the case with fair use in the area of copyright law, an artist depicting a celebrity must contribute something more than a “merely trivial” variation, [but must create] something recognizably “his own” (*L. Batlin & Son, Inc. v. Snyder* (2d Cir. 1976) 536 F.2d 486, 490), in order to qualify for legal protection.

On the other hand, we do not hold that all reproductions of celebrity portraits are unprotected by the First Amendment. The silkscreens of Andy Warhol, for example, have as their subjects the images of such celebrities as Marilyn Monroe, Elizabeth Taylor, and Elvis Presley. Through distortion and the careful manipulation of context, Warhol was able to convey a message that went beyond the commercial exploitation of celebrity images and became a form of ironic social comment on the dehumanization of celebrity itself. (*See* COPLANS ET AL., *supra*, at p. 52.) Such expression may well be entitled to First Amendment protection. Although the distinction between protected and unprotected expression will sometimes be subtle, it is no more so than other distinctions triers of fact are called on to make in First Amendment jurisprudence. (*See, e.g., Miller v. California* (1973) 413 U.S. 15, 24, [requiring determination, in the context of work alleged to be obscene, of “whether the work, taken as a whole, lacks serious literary, artistic, political, or scientific value”].)

Turning to Saderup’s work, we can discern no significant transformative or creative contribution. His undeniable skill is manifestly subordinated to the overall goal of creating literal, conventional depictions of The Three Stooges so as to exploit their fame. Indeed, were we to decide that Saderup’s depictions were protected by the First Amendment, we cannot perceive how the right of publicity would remain a viable right other than in cases of falsified celebrity endorsements.

Moreover, the marketability and economic value of Saderup’s work derives primarily from the fame of the celebrities depicted. While that fact alone does not necessarily mean the work receives no First Amendment protection, we can perceive no transformative elements in Saderup’s works that would require such protection.

Saderup argues that it would be incongruous and unjust to protect parodies and other distortions of celebrity figures but not wholesome, reverential portraits of such



Just two years after its *Saderup* decision, the California Supreme Court revisited the interplay of the right of publicity and the First Amendment. Johnny and Edgar Winter, well-known musicians (their 1973 album “They Only Come Out at Night” featured the #1 hit instrumental “Frankenstein” and the top 15 single “Free Ride”) with albino complexions and long white hair, brought a right of publicity action against D.C. Comics for its publication of a comic book featuring the characters “Johnny and Edgar Autumn,” half-worm, half-human creatures with pale faces and long white hair. The comic books series portrayed them as “vile, depraved, stupid, cowardly, subhuman individuals who engage in wanton acts of violence, murder and bestiality for pleasure and who should be killed.” Applying the *Saderup* balancing framework, the California Supreme Court concluded that the expressive qualities of the work afforded D.C. Comics First Amendment protection from a right of publicity claim. *Winter v. D.C. Comics*, 30 Cal. 4th 881, 134 Cal. Rptr. 2d 634, 69 P.3d 473 (Cal. S.Ct. 2003).



Jonah Hex Comic Book



Depiction of Johnny and Edgar Autumn

By contrast, the Missouri Supreme Court held that same year that another comic book publisher's use of a former professional hockey player's name and image as a metaphorical reference to tough-guy "enforcers" "was predominantly a ploy to sell comic books and related products rather than an artistic or literary expression" and hence "free speech must give way to the right of publicity." *John Doe, a/k/a Tony Twist v. TCI Cablevision*, 110 S.W.3d 363 (Mo. S.Ct. 2003).

Is there any other approach to balancing the tension between the right of publicity and the First Amendment? What about the use of disclaimers to the effect that a work of art was not authorized, sponsored, or endorsed by the target celebrity (or the holders of his or her post-mortem right of publicity)? If the right of publicity is predominantly an economic right, should society be deeply concerned about the economic plight of celebrities? Or is the right based on other interests, such as personal autonomy and identity? Do the facts in the *Winter* case suggest the need for a broader foundation for protection?

Professors Robert Post and Jennifer Rothman suggest that the right of publicity actually embodies four distinct rights: the right of performance, the right of commercial value, the right of control, and the right of dignity. They further argue that breaking down the tort into these distinct rights allows for a more streamlined First Amendment analysis. See Robert C. Post & Jennifer E. Rothman, *The First Amendment and the Right(s) of Publicity*, 130 YALE L.J. 86 (2020). Do you agree?

4. *Artistic Advertising*. In its March 1997 "Fabulous Hollywood Issue!," *Los Angeles Magazine* featured an article entitled "Grand Illusions," which used digitally altered film stills to make it appear that the actors were wearing Spring 1997 fashions. The 16 familiar scenes included movies and actors such as *Rear Window* (Grace Kelly and Jimmy Stewart), *The Seven Year Itch* (Marilyn Monroe), and *Thelma and Louise* (Susan Sarandon and Geena Davis). The feature also included an image from the film *Tootsie* in which Dustin Hoffman's head was digitally superimposed atop a picture of another model. The caption read "Dustin Hoffman isn't a drag in a butter-colored silk gown by Richard Tyler and Ralph Lauren heels." Hoffman sued, claiming violation of his right of publicity as well as Lanham Act and other state law claims. The Ninth Circuit reversed an award in excess of \$3 million on the ground that *L.A. Magazine's* appropriation of Hoffman's identity was "communicative" rather than "commercial" and hence was entitled to the highest level of protection under the First Amendment. See *Hoffman v. Capital Cities/ABC, Inc., and L.A. Magazine, Inc.*, 255 F.3d 1180 (9th Cir. 2001); but see *Jordan v. Jewel Food Stores, Inc.*, 743 F.3d 509 (7th Cir. 2014) (holding that an ad for a grocery store chain featuring Michael Jordan's Air Jordan shoes with his iconic #23, ostensibly celebrating his induction into the NBA Hall of Fame, was commercial speech unprotected by the First Amendment despite its communicative message). Can you square the result in *Hoffman* with the California Supreme Court's analytical framework in *Saderup*? Can freedom of expression and marketing be treated separately or are they inextricably intertwined? Will future Dustin Hoffmans abandon careers in acting (or otherwise alter their creative and commercial choices) as a result

of this case? If not, doesn't this case suggest that we need not be so solicitous of right of publicity claimants? What other justifications might support celebrities in such cases?

5. *Artistic Relevance*. How relevant must a creative work be to a person before the author can use their name in the title? In *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), the court held that the maker of a movie about two cabaret dancers who imitated Fred Astaire and Ginger Rogers in their act could title the movie "Ginger and Fred" over Ginger Rogers' trademark and right of publicity. As regards the trademark cause of action, the court construed the Lanham Act narrowly to avoid intrusion on First Amendment values, holding that:

In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the [Lanham] Act unless [1] the title has no artistic relevance to the underlying work whatsoever, or, [2] if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.

Id. at 999 (footnote omitted). The court similarly interpreted the right of publicity to allow use of a celebrity's name "in a title so long as the item was a literary work and not 'simply a disguised commercial advertisement for the sale of goods or services.'" *Id.* at 1004 (citation omitted).

An analogous issue arose when the rap group OutKast titled a song "Rosa Parks," after the woman who helped trigger the civil rights movement by refusing to sit in the back of a segregated bus. The only reference to Parks in the song is the line "Ah-ha, hush that fuss. Everybody move to the back of the bus." Parks sued alleging false advertising and violation of the right of publicity. After the appellate court overturned a grant of summary judgment for the defendants on the ground that a reasonable jury could find violations of the Lanham Act and the common law right of publicity, *see Parks v. LaFace Records*, 329 F.3d 437 (6th Cir. 2003), the parties settled with OutKast and its record label paying an undisclosed sum and agreeing to "enlighten today's youth about the significant role Rosa Parks played in making America a better place for all races" by working with Parks and the Rosa and Raymond Parks Institute for Self-Development to promote Parks' legacy. (The record labels and OutKast admitted no wrongdoing.) Other songs lack even that tenuous connection. Hear, e.g., Gorillaz, "Clint Eastwood." Can the title alone ever give political content to a song not otherwise obviously about a famous person?

Ironically, although the Ginger Rogers and Rosa Parks lawsuits focused on name appropriation, the Ninth Circuit has declined to extend the *Rogers* test, which it applies to trademark cases, to right of publicity claims. *See Keller v. Electronic Arts*, 724 F.3d 1268, 1279-82 (9th Cir. 2013).

6. *Newsworthiness Exception*. Reflecting freedom of speech and First Amendment protections, right of publicity statutes as well as common law rulings recognize a newsworthiness exception. *See, e.g., Cal. Civ. Code* § 3344(d) (exempting "use of a name, voice, signature, photograph, or likeness in connection with any news, public affairs, or sports broadcast or account, or any political campaign"). The scope of this

more nuanced. The appellate court disagreed with the trial court's conclusion that *Feud: Bette and Joan* was not transformative:

The fictitious, 'imagined' interview in which Zeta-Jones talks about Hollywood's treatment of women and the Crawford/Davis rivalry is a far cry from T-shirts depicting a representational, pedestrian, uncreative drawing of The Three Stooges. The de Havilland role, performed by Zeta-Jones, constitutes about 4.2 percent of *Feud*. The docudrama tells the story, in nearly eight hours, of the competition between Hollywood's leading ladies of the day, Bette Davis and Joan Crawford, for film roles, attention, awards, and acclaim. The miniseries tells many stories within the story as well: Jack Warner's demeaning and dismissive treatment of director Robert Aldrich; Crawford's and Davis's struggles with their personal relationships: husbands, partners, and children; the obstacles faced by capable women like Aldrich's assistant Pauline Jameson who want to direct motion pictures; and the refusal of powerful men in the entertainment business to take women seriously, even when their movies make money.

In the words of the *Comedy III* Court, Zeta-Jones's 'celebrity likeness [of de Havilland] is one of the "raw materials" from which [the] original work [*Feud*] is synthesized.' (*Comedy III*, 25 Cal.4th at p. 406.) Applying *Comedy III*'s 'useful subsidiary inquiry' here, we conclude as a matter of law that *Feud*'s 'marketability and economic value' does not 'derive primarily from [de Havilland's] fame' but rather 'comes principally from . . . the creativity, skill, and reputation' of *Feud*'s creators and actors. . . . In short, *Feud* constitutes 'significant expression'—a story of two Hollywood legends—of which the de Havilland character is but a small part. . . .

Id. at 863–64. The court concluded that:

The trial court's ruling leaves authors, filmmakers, playwrights, and television producers in a Catch-22. If they portray a real person in an expressive work accurately and realistically without paying that person, they face a right of publicity lawsuit. If they portray a real person in an expressive work in a fanciful, imaginative—even fictitious and therefore 'false'—way, they face a false light lawsuit if the person portrayed does not like the portrayal. '[T]he right of publicity cannot, consistent with the First Amendment, be a right to control the celebrity's image by censoring disagreeable portrayals.' (*Comedy III*, 25 Cal. 4th at p. 403.) FX's evidence here—especially the docudrama itself—establishes as a matter of law that de Havilland cannot prevail.

Id. at 870–71 (footnotes and some citations omitted).

8. *Video Games Featuring College Athlete Avatars*. Video games have fared less well than movies when they report information about real people. In *Keller v. Electronic Arts Inc.*, 724 F.3d 1268 (9th Cir. 2013), the court rejected a free speech defense offered by a video game maker that included the likeness and biographical information of college athletes in its sports games, allowing players to build "fantasy" football teams.

The court concluded that the use was not transformative under *Saderup* and did not constitute news reporting protected under the public interest exception. The Third Circuit reached the same result in *Hart v. Electronic Arts, Inc.*, 717 F.3d 141 (3d Cir. 2013).

Similarly, the California Court of Appeals held that the video game *Band Hero*, in which users can perform duly licensed versions of hit songs through avatars based on band members, violates the members' right of publicity. See *No Doubt v. Activision Publishing, Inc.*, 192 Cal. App. 4th 1018, 122 Cal. Rptr. 3d 397 (Cal. Ct. App. 2011). Applying the transformative use test, the court rules that the fact "[t]hat the avatars can be manipulated to perform at fanciful venues including outer space or to sing songs the real band would object to singing, or that the avatars appear in the context of a videogame that contains many other creative elements, does not transform the avatars into anything other than the exact depictions of No Doubt's members doing exactly what they do as celebrities." *Id.* at 411. Activision's use of highly realistic digital depictions of No Doubt was motivated by a desire to capitalize on the band's fan-base, "because it encourages [fans] to purchase the game so as to perform as, or alongside, the members of No Doubt." *Id.*

Does this approach comport with *Saderup*? With the First Amendment? Judge Ambro, dissenting in *Hart*, argued that the video games as a whole were transformative even if the depictions of individual players in those games were realistic:

To determine whether an individual's identity has been "transformed" for purposes of the Transformative Use Test, I believe it is necessary to review the likeness in the context of the work in its entirety, rather than focusing only on the individual's likeness. . . .

To me, a narrow focus on an individual's likeness, rather than how that likeness is incorporated into and transformed by the work as a whole, is a flawed formulation of the transformative inquiry. The whole-the aggregate of many parts (including, here, many individuals)-is the better baseline for that inquiry. . . .

My colleagues' understanding of the Transformative Use Test underplays the creative elements of NCAA Football by equating its inclusion of realistic player likenesses to increase profits with the wrongful appropriation of Hart's commercial value. This approach is at odds with the First Amendment protection afforded to expressive works incorporating real-life figures. That protection does not depend on whether the characters are depicted realistically or whether their inclusion increases profits. See *Guglielmi [v. Spelling-Goldberg Prods.]*, 603 P.2d 454, at 460-62 (1979) (Bird, C.J., concurring) (concluding that acceptance of this argument would chill free expression and mean "the creation of historical novels and other works inspired by actual events and people would be off limits to the fictional author").

In sum, applying the Transformative Use Test in the manner done by my colleagues creates a medium-specific metric that provides less protection to

video games than other expressive works. Because the Supreme Court's decision in *Brown* [*v. Entm't Merchs. Ass'n*, 131 S.Ct. 2729 (2011)] forecloses just such a distinction, *see* 131 S.Ct. at 2740, my colleagues' treatment of realism and profitability in their transformative use analysis puts us on a different course. . . .

With this understanding of the Transformative Use Test, I conclude EA's use of avatars resembling actual players is entitled to First Amendment protection. NCAA Football transforms Hart's mere likeness into an avatar that, along with the rest of a digitally created college football team, users can direct and manipulate in fictional football games. With the many other creative features incorporated throughout the games, sufficient expressive transformation takes place to merit First Amendment protection. . . .

By limiting their inquiry to the realistic rendering of Hart's individual image, my colleagues misapply the Transformative Use Test. Contrary to their assertion that the other creative elements of NCAA Football are "[w]holly unrelated", those elements are, in fact, related to its use of Hart's likeness. If and when a user decides to select the virtual 2005 Rutgers' football team as a competitor in a game, and to the extent that user does not alter the characteristics of the avatar based on Hart's likeness, the numerous creative elements of the video games discussed above are part of every fictional play a user calls. Any attempt to separate these elements from the use of Hart's likeness disregards NCAA Football's many expressive features beyond an avatar having characteristics similar to Hart. His likeness is transformed by the artistry necessary to create a digitally rendered avatar within the imaginative and interactive world EA has placed that avatar. . . .

The Transformative Use Test I support would prevent commercial exploitation of an individual's likeness where the work at issue lacks creative contribution that transforms that likeness in a meaningful way. I sympathize with the position of Hart and other similarly situated college football players, and understand why they feel it is fair to share in the significant profits produced by including their avatar likenesses into EA's commercially successful video game franchise. I nonetheless remain convinced that the creative components of NCAA Football contain sufficient expressive transformation to merit First Amendment protection. Thus I respectfully dissent, and would affirm the District Court's grant of summary judgment in favor of EA.

Hart v. Electronic Arts, Inc., 717 F.3d 141 (3d Cir. 2013) (Ambro, J., dissenting).

9. *College Athlete Name Image and Likeness Rights*. With growth in college sports revenue, professional athlete compensation, and professional athlete endorsement deals, rights of publicity have received significant media attention within the area of collegiate sports, governed and regulated by the National Collegiate Athletic Association (NCAA). Until recently, the NCAA's Bylaws prohibited student-athletes from engaging in what it termed "name, image and likeness" (or NIL) activity: "the use of an individual's name, image and likeness for commercial or promotional purposes." Under

violate the players' right of publicity. *Accord Daniels v. FanDuel, Inc.*, 109 N.E.3d 390 (Ind. 2018). Are fantasy sports leagues run for profit distinguishable from video games? How?

11. *Data Aggregation and Search Sites*. A number of plaintiffs have brought right of publicity claims based on the fact that their names appear in search results for sites that let users find addresses or background information on individuals. Courts are split in their treatment of those uses. *Compare Wilson v. Ancestry. Com*, 2023 WL 1112265 (S.D. Ohio Jan. 31, 2023) (holding that the availability of names and class yearbook photos of individuals in a people search site could be “advertising or promotion” of the site that violates the right of publicity) *with In re Facebook, Inc. Consumer Privacy Profile Litig.*, 402 F. Supp. 3d 767, 803 (N.D. Cal. 2019) (holding that while such sites “use” the plaintiff’s name they do not “appropriate” the name under the right of publicity); *Brooks v. Thomson Reuters Corp.*, 2021 WL 3621837, at *5 (N.D. Cal. Aug. 16, 2021) (same).

12. *Copyright Preemption*. In *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1977), the Supreme Court rejected the argument that the Copyright Clause preempts state law publicity rights, holding that state law could protect the unauthorized news broadcast of the plaintiff’s entire (15 second) human cannonball. Many applications of the right of publicity—such as the unauthorized use of a celebrity’s name to endorse a product—easily survive federal preemption by the Copyright Act because enforcement of the right in such circumstances does not implicate a copyrighted work. Several contexts, however, strain the tests for federal preemption. Consider, for example, the implications of Bette Midler’s publicity rights in her rendition of “Do You Want to Dance” for the owner of the underlying musical composition. Midler’s right of publicity in her vocal rendition trumps other performers from imitating her version, yet § 114(b) of the Copyright Act expressly authorizes cover recordings that “imitate or simulate those in the copyrighted sound recording.” While recognizing this implication, the Ninth Circuit in *Midler v. Ford* breezily concluded that Midler’s assertion of the right of publicity was not preempted because “a voice is not copyrightable.” 849 F.2d 462. Does such treatment adequately address the apparent conflict with federal copyright law?

By contrast, the Seventh Circuit found that federal copyright law preempted baseball players’ assertions of state publicity rights in their images and game performances. *See Baltimore Orioles, Inc. v. Major League Baseball Players Ass’n*, 805 F.2d 663 (7th Cir. 1986). Because each game was embodied in a copyrighted telecast and players uniformly assign their copyrights to their teams, the court reasoned that the game performances could not be the subject of independent state publicity rights. The Seventh Circuit has since construed *Baltimore Orioles* narrowly, *see Toney v. L’Oreal USA, Inc.*, 406 F.3d 905 (7th Cir. 2005) (holding that a model whose photograph was used in connection with packaging and promotion of a hair care product could recover under the right of publicity), and commentators question its logic, *see NIMMER ON COPYRIGHT*, § 1.01 (criticizing the court’s premise that a baseball game is a protected “work of authorship” under the Copyright Act); Jennifer E. Rothman, *Copyright*

Copyright preemption does not bar right of publicity actions where a person's image or likeness is used to advertise a product. See *Downing v. Abercrombie & Fitch*, 265 F.3d 994 (9th Cir. 2001) (defendant-retailer published a photograph of the surfer-plaintiffs without their permission in the defendant's catalog to promote the defendant's products as part of its surf-themed advertising campaign, and sold t-shirts like those worn by the plaintiffs in the photograph); *Brown v. Ames*, 201 F.3d 654 (5th Cir. 2000). A court allowed rock star Bret Michaels and actress Pamela Anderson Lee to block the unauthorized distribution over the Internet of a videotape showing them engaged in sex as a violation of their right of publicity. The basis of the right of publicity claim was the use of their names, likenesses, and identities to advertise imminent distribution of the video, and not the distribution of the copyrighted tape itself. See *Michaels v. Internet Entm't Grp., Inc.*, 5 F. Supp. 2d 823, 837 (C.D. Cal. 1998).

PROBLEMS

Problem VI-6. In the late 1980s, the New Kids on the Block were an enormously successful pop music group, especially among the younger teen market. Capitalizing on this success, the New Kids sold over 500 products or services bearing their trademarked name. Among those services were "900 numbers" that fans could call to learn more about the New Kids, or to talk to the New Kids themselves.

During the height of the New Kids craze, the newspaper USA Today conducted a telephone poll that allowed readers to "vote" for their favorite New Kid (or for "none of the above" if they did not like the band at all) by calling a USA Today 900 number. As a part of the poll, the paper included captioned pictures of each of the band members. Suppose that the New Kids on the Block sued USA Today for infringement of their right of publicity. Do they have a claim under California law?

Problem VI-7. Facebook targets advertising to its users based on what it knows about them. As part of this targeting effort, Facebook sometimes shows a user an ad for a product that indicates (truthfully) that the user's friends have "liked" that product on Facebook. Those ads show the name and a thumbnail image of the Facebook friend who liked the advertised product.

Assume Facebook did not get permission from the friend before running the ad. Does the ad violate the right of publicity?

Problem VI-8. Don Henley is a well-known musician and the lead singer of The Eagles. Duluth Trading Company, a clothier, makes a variety of shirts, including the shirt style known as a "Henley."

A Henley shirt is a collarless pullover, characterized by a placket beneath the round neckline with several buttons. It resembles a collarless polo shirt. It is so-named because this particular style of shirt was the traditional uniform of rowers in the English town of Henley-on-Thames.

Duluth runs an advertisement recommending buyers to “Don a Henley” and “Take it easy,” the title of an iconic Eagles’ song. Henley sues for violation of the right of publicity. What result?



Problem VI-9. Ghostwriter100 is the developer of a generative AI model that produces music, known as MajorMusic. MajorMusic can produce music resembling the musical style and voice of the artists whose music it is trained on.

In one such project, Ghostwriter100 trains MajorMusic on the music of several prominent pop musicians, including Taylor Swift and Keisha, and prompts MajorMusic to generate a piece of music in the style of “a Taylor Swift and Keisha duet” about spirituality, kindness, and love. Ghostwriter100 then posts the resulting 3-minute song, entitled “Heart and Soul,” to YouTube. Word of the song goes viral, and “Heart and Soul” quickly surpasses a million times views. It is clear from the comments that many listeners believe that Swift and Keisha produced the duet.

Do Keisha and Swift have a right of publicity claim against Ghostwriter100?