

**INTELLECTUAL PROPERTY
UNIVERSITY OF MARYLAND
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COURSEPACK**

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1. INTRODUCTION

Readings

- Casebook §§ 1.A (overview of policies) and 1.B (overview of IP)

Apfel v. Prudential-Bache Securities, Inc.

81 N.Y.2d 470 (1993)

Simons, Judge:

Defendant, an investment bank, seeks to avoid an agreement to purchase plaintiffs' idea for issuing and selling municipal bonds. Its principal contention is that plaintiffs had no property right in the idea because it was not novel and, therefore, consideration for the contract was lacking. For reasons which follow, we conclude that a showing of novelty is not required to validate the contract. The decisive question is whether the idea had value, not whether it was novel.

I

In 1982, plaintiffs, an investment banker and a lawyer, approached defendant's predecessor with a proposal for issuing municipal securities through a system that eliminated paper certificates and allowed bonds to be sold, traded, and held exclusively by means of computerized "book entries". Initially, the parties signed a confidentiality agreement that allowed defendant to review the techniques as detailed in a 99-page summary. Nearly a month of negotiations followed before the parties entered into a sale agreement under which plaintiffs conveyed their rights to the techniques and certain trade names and defendant agreed to pay a stipulated rate based on its use of the techniques for a term from October 1982 to January 1988. Under the provisions of the contract, defendant's obligation to pay was to remain even if the techniques became public knowledge or standard practice in the industry and applications for patents and trademarks were denied. Plaintiffs asserted that they had not previously disclosed the techniques to anyone and they agreed to maintain them in confidence until they became public.

From 1982 until 1985, defendant implemented the contract, although the parties dispute whether amounts due were fully paid. Defendant actively encouraged bond issuers to use the computerized "book entry" system and, for at least the first year, was the sole underwriter in the industry employing such a system. However, in 1985, following a change in personnel, defendant refused to make any further payments. It maintained that the ideas conveyed by plaintiffs had been in the public domain at the time of the sale agreement and that what plaintiffs sold had never been theirs to sell. Defendant's attempts to patent the techniques proved unsuccessful. By 1985, investment banks were increasingly using computerized systems, and by 1990 such systems were handling 60% of the dollar volume of all new issues of municipal securities.

Plaintiffs commenced this litigation seeking \$45 million in compensatory and punitive damages. They asserted 17 causes of action based on theories of breach of contract, breach of a fiduciary duty, fraud, various torts arising from defendant's failure to obtain patents, and unjust enrichment. ...

On this appeal, defendant's principal contention is that no contract existed between the parties because the sale agreement lacked consideration. Underlying that argument is its assertion that an idea cannot be legally sufficient consideration unless it is novel. Defendant supports that proposition by its reading of such cases as *Downey v General Foods Corp.* (31 N.Y.2d 56), *Soule v Bon Ami Co.* (201 App Div 794, affd 235 N.Y. 609), and *Murray v National Broadcasting Co.* (844 F.2d 988). Plaintiffs insist that their system was indeed novel, but contend that, in any event, novelty is not required to validate the contract at issue here.

II

Defendant's cross motion for summary judgment insofar as it sought to dismiss the first cause of action alleging breach of contract was properly denied. Additionally, plaintiffs' motion to dismiss the lack of consideration defenses and counterclaims should be granted.

Under the traditional principles of contract law, the parties to a contract are free to make their bargain, even if the consideration exchanged is grossly unequal or of dubious value. Absent fraud or unconscionability, the adequacy of consideration is not a proper subject for judicial scrutiny. It is enough that something of "real value in the eye of the law" was exchanged. The fact that the sellers may not have had a property right in what they sold does not, by itself, render the contract void for lack of consideration.

Manifestly, defendant received something of value here; its own conduct establishes that. After signing the confidentiality agreement, defendant thoroughly reviewed plaintiffs' system before buying it. Having done so, it was in the best position to know whether the idea had value. It decided to enter into the sale agreement and aggressively market the system to potential bond issuers. For at least a year, it was the only underwriter to use plaintiffs' "book entry" system for municipal bonds, and it handled millions of such bond transactions during that time. Having obtained full disclosure of the system, used it in advance of competitors, and received the associated benefits of precluding its disclosure to others, defendant can hardly claim now the idea had no value to its municipal securities business. Indeed, defendant acknowledges it made payments to plaintiffs under the sale agreement for more than two years, conduct that would belie any claim it might make that the idea was lacking in value or that it had actually been obtained from some other source before plaintiffs' disclosure.

Thus, defendant has failed to demonstrate on this record that the contract was void or to raise a triable issue of fact on lack of consideration.

III

Defendant's position rests on *Downey v General Foods Corp.* (31 N.Y.2d 56) and *Soule v Bon Ami Co.* (235 N.Y. 609) and similar decisions. It contends those cases establish an exception to traditional principles of contract law and require that the idea must be novel before it can constitute valid consideration for a contract. ...

In *Downey*, plaintiff submitted an idea for an advertising campaign.* A short time later, defendant General Foods mounted a campaign that was similar to the one plaintiff

* [Ed: The plaintiff's idea in *Downey* was that Jell-O should be renamed "WIG-L-E" because it wiggles. Among the variations of the name he suggested was "Mr. Wiggley." The de defendant later introduced a product named "Mr. Wiggle."]

had suggested and plaintiff sought damages in a complaint alleging several theories for recovery. We ordered the dismissal of the complaint on two separate grounds: first, the lack of novelty and, second, defendant's prior possession of the idea — i.e., its lack of novelty as to defendant. To the extent plaintiff's causes of action were grounded on assertions of a property right, we found that they were untenable "if the elements of novelty and originality [were] absent, since the property right in an idea is based upon these two elements." Second, we concluded that the defendant possessed plaintiff's ideas prior to plaintiff's disclosure. Thus, the ideas could have no value to defendant and could not supply consideration for any agreement between the parties.

In *Soule v Bon Ami Co.* plaintiff made an express contract with Bon Ami to disclose a way to increase profits. The idea consisted largely of a proposal to raise prices.* The Appellate Division, in a frequently cited opinion, denied plaintiff any recovery, finding that the bargain lacked consideration because the idea was not novel. This Court affirmed but it did so on a different basis: it held that plaintiff had failed to show that profits resulted from the disclosure.

These decisions do not support defendant's contention that novelty is required in all cases involving disclosure of ideas. Indeed, we have explicitly held that it is not. *Downey, Soule* and cases in that line of decisions involve a distinct factual pattern: the buyer and seller contract for *disclosure* of the idea with payment based on use, but no separate postdisclosure contract for *use* of the idea has been made. Thus, they present the issue of whether the idea the buyer was using was, in fact, the seller's.

Such transactions pose two problems for the courts. On the one hand, how can sellers prove that the buyer obtained the idea from them, and nowhere else, and that the buyer's use of it thus constitutes misappropriation of property? Unlike tangible property, an idea lacks title and boundaries and cannot be rendered exclusive by the acts of the one who first thinks it. On the other hand, there is no equity in enforcing a seemingly valid contract when, in fact, it turns out upon disclosure that the buyer already possessed the idea. In such instances, the disclosure, though freely bargained for, is manifestly without value. A showing of novelty, at least novelty as to the buyer, addresses these two concerns. Novelty can then serve to establish both the attributes of ownership necessary for a property-based claim and the value of the consideration — the disclosure — necessary for contract-based claims.

There are no such concerns in a transaction such as the one before us. Defendant does not claim that it was aware of the idea before plaintiffs disclosed it but, rather, concedes that the idea came from them. When a seller's claim arises from a contract to use an idea entered into *after* the disclosure of the idea, the question is not whether the buyer misappropriated property from the seller, but whether the idea had value to the buyer and thus constitutes valid consideration. In such a case, the 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 lack of novelty, in and of itself, does not demonstrate a lack of value. To the contrary, 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

* [Ed: The defendant's product, a non-scratch scouring powder, was sold to grocers for \$10 per 144. The plaintiff suggested raising this price to \$10.50 or \$10.80; he believed that this could be done without reducing sales. The defendant increased its price to grocers to \$11 per 144.]

channels or by having a profitmaking idea implemented sooner rather than later. The law of contracts would have to be substantially rewritten were we to allow buyers of fully disclosed ideas to disregard their obligation to pay simply because an idea could have been obtained from some other source or in some other way. ...

Bizarro World Problem

Apfel gives us a glimpse of a world without intellectual property laws. Note that the defendant tried and failed to obtain a patent on the computerized-book-entry idea, and that the plaintiff's suit proceeds under general principles of contract law. Suppose that you lived in such a world. A client comes to you with one of the following. How would you advise her to proceed?

- A 75,000-word novel about a boy who discovers that he is a wizard
- A new drug for treating heart disease, which will cost \$100 million to test in humans
- An easier-to-hold design for a pipe wrench
- A process for producing pure aluminum from aluminum ore that reduces the cost by 85%.
- A catchy song about taking revenge on a cheating boyfriend, recorded in her kitchen with lots of background noise
- A recut version of a popular movie, which takes five minutes off the running time and makes it much more suspenseful and exciting
- A sketch for an elegant off-the-shoulder dress
- A joke about traffic in Los Angeles
- The perfect name for a laundromat

2. TRADE SECRET

A. SUBJECT MATTER, OWNERSHIP, AND PROCEDURES

Restatement (Third) of Unfair Competition

Section 39. Definition of Trade Secret

A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.

Uniform Trade Secrets Act

Section 1. Definitions ...

(4) “Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Restatement of Torts

Section 757. Liability for Disclosure or Use of Another’s Trade Secret

Cmt. b: A trade secret may consist of any formula, pattern, device or compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. ... An exact definition of a trade secret is not possible. Some factors to be considered in determining whether given information is one’s trade secret are:

1. the extent to which the information is known outside of his business;
2. the extent to which it is known by employees and others involved in his business;
3. the extent of measures taken by him to guard the secrecy of the information;
4. the value of the information to him and to his competitors;
5. the amount of effort or money expended by him in developing the information;
6. the ease or difficulty with which the information could be properly acquired or duplicated by others.

Economic Espionage Act

Section 1839. Definitions

...

(3) the term “trade secret” means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if—

(A) the owner thereof has taken reasonable measures to keep such information secret; and

(B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public; ...

Readings

- Casebook §§ 2.I.A pp. 29–41 (*Amoco, CDI*), 2.1.B (*Rockwell*)

Questions

1. Are college football teams’ playbooks protectable as trade secrets?
2. This [Tom Cruise video](#) was created to be used as part of training for members of the Church of Scientology. Before it leaked to Gawker, was it protectable as a trade secret? Is it now?

B. INFRINGEMENT AND DEFENSES

Uniform Trade Secrets Act

Section 1. Definitions

(1) “Improper means” includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means;

(2) “Misappropriation” means:

(i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(ii) disclosure or use of a trade secret of another without express or implied consent by a person who

(A) used improper means to acquire knowledge of the trade secret; or

(B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was

(I) derived from or through a person who had utilized improper means to acquire it;

(II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

(III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

(C) before a material change of his [or her] position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

Restatement (Third) of Unfair Competition

Section 43. Improper Acquisition of Trade Secrets

“Improper” means of acquiring another’s trade secret under the rule stated in § 40 include theft, fraud, unauthorized interception of communications, inducement of or knowing participation in breach of confidence, and other means either wrongful in themselves or wrongful under the circumstances of the case. Independent discovery and analysis of publicly available products or information are not improper means of acquisition.

Economic Espionage Act

Section 1832. Theft of trade secrets

(a) Whoever, with intent to convert a trade secret, that is related to or included in a product that is produced for or placed in interstate or foreign commerce, to the economic benefit of anyone other than the owner thereof, and intending or knowing that the offense will, injure any owner of that trade secret, knowingly—

(1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains such information;

(2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys such information;

(3) receives, buys, or possesses such information, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;

(4) attempts to commit any offense described in paragraphs (1) through (3); or

(5) conspires with one or more other persons to commit any offense described in paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy,

shall, except as provided in subsection (b), be fined under this title or imprisoned not more than 10 years, or both.

(b) Any organization that commits any offense described in subsection (a) shall be fined not more than \$5,000,000.

Readings

- Casebook §§ 2.I.A pp. 41–47 (*Cemen Tech*), 2.II.A pp.53–57 (*Christopher*)

Kamin v. Kuhnau

374 P.2d 912 (Or. 1962)

O’Connell, J:

This is a suit in equity to enjoin defendants from unfairly competing with plaintiff and to recover damages resulting from such competition. Defendants appeal from a de-

cree permanently enjoining them from engaging in unfair competition with plaintiff and from an award of damages in the amount of \$19,272.48. ...

The facts are as follows. For approximately 25 years plaintiff had been employed by a knitting mill as a mechanic. In 1953 he entered into the garbage collection business. From the time plaintiff entered into the garbage collection business he began thinking of methods of facilitating the loading of garbage trucks and of compressing or packing the materials after they were loaded. By 1955 he had done some experimental work on his own truck, devising a hoist mechanism operated by hydraulic cylinders to lift a bucket from the ground to the top of the truck box. By this time he had also arrived at the conclusion that the packing of the loaded materials could best be effected through the use of a hydraulically operated plow which would move against the loaded materials and compress them against the interior of the truck. At the time plaintiff conceived this solution there were on the market garbage truck bodies containing various "packer" mechanisms, including hydraulically operated plows. However, plaintiff and defendant apparently were not aware of the use of hydraulic cylinders for this purpose and thought that plaintiff's idea was novel in this respect.

In January, 1955, plaintiff made arrangements with defendant Kuhnau, president and manager of Oregon Rental Equipment Company, to use the company's machine shop and one or more of its employees to assist plaintiff in carrying on further experimental work in developing plaintiff's ideas. This experimental work was carried on for approximately one year. According to plaintiff's evidence, all of the experimental work was done under his supervision and Kuhnau had no voice or control as to the manner in which the developmental work was to be carried on. It is Kuhnau's contention that he and the employees of Oregon Rental Equipment Company contributed suggestions and ideas which were used in the development and improvement of the truck body and compressor mechanism.

In the course of working on the project several persons who were engaged in the garbage collection business came to the defendant's machine shop, observed the progress being made by plaintiff and made suggestions as to the practical application of plaintiff's idea. Sometime in the summer of 1956 the truck and compressor mechanism which plaintiff was seeking to develop was crystallized substantially in the form in which it now exists.

When plaintiff had completed his experimental work he began to receive orders for truck bodies embodying his improvements. The first two units sold were manufactured by Oregon Rental Equipment Company. After the sale of these two units (in the spring of 1956) Kuhnau terminated his connections with Oregon Rental Equipment Company. He rented a machine shop at another location and began business under the name of R.K. Truck Sales. Between May and October, 1956, he manufactured ten units for plaintiff. For each unit Kuhnau received an amount agreed upon by the parties. Plaintiff fixed the selling price of the unit and his profit consisted of the difference between the selling price and the amount he paid Kuhnau.

On or about October 1, 1956, Kuhnau informed plaintiff that he was going to manufacture truck bodies in competition with plaintiff. Kuhnau testified that the relationship was terminated as a result of a disagreement over the amount he was to receive for manufacturing the unit for plaintiff. Plaintiff contends that Kuhnau terminated the relationship for the purpose of entering into competition with plaintiff. The units manufac-

tured by Kuhnau were similar to those which he had previously manufactured for plaintiff. However, there were some differences in the design of the two units. The principal difference was that Kuhnau mounted the hydraulic cylinder operating the plow or blade under the truck bed whereas the cylinder in plaintiff's truck was above the bed. There was testimony supporting plaintiff's assertion that it was his idea to place the cylinder under the bed of the truck but that suggestion was not adopted because Kuhnau did not think it was feasible.

The trial judge inspected the competing devices at the conclusion of the testimony. The trial court concluded that the agreement entered into between plaintiff and Kuhnau for the manufacture of the truck bodies established a confidential relationship between the parties and that this relationship imposed upon Kuhnau the duty not to use the information disclosed to him by plaintiff for his own benefit. ...

Whether the information disclosed was intended to be appropriable by the discloser will depend upon the relationship of the parties and the circumstances under which the disclosure was made. It is not necessary to show that the defendant expressly agreed not to use the plaintiff's information; the agreement may be implied. And the implication may be made not simply as a product of the quest for the intention of the parties but as a legal conclusion recognizing the need for ethical practices in the commercial world. In the case at bar the relationship between plaintiff and Kuhnau was such that an obligation not to appropriate the plaintiff's improvements could be implied. Kuhnau was paid to assist plaintiff in the development of the latter's idea. It must have been apparent to Kuhnau that plaintiff was attempting to produce a unit which could be marketed. Certainly it would not have been contemplated that as soon as the packer unit was perfected Kuhnau would have the benefit of plaintiff's ideas and the perfection of the unit through painstaking and expensive experimentation. It is to be remembered that the plaintiff's experimentation was being carried on, not on the assumption that he was duplicating an existing machine, but upon the assumption that he was creating a new product. It has been recognized in the cases that a manufacturer who has been employed to develop an inventor's ideas is not entitled to appropriate those ideas to his own use.

Hyde Corporation v. Huffines, 314 S.W.2d 763 (Tex. 1958) is closely in point. In that case the defendant manufacturer, having gained knowledge of a garbage compressor through a licensing agreement with the plaintiff inventor, repudiated the agreement and proceeded to manufacture and sell on its own account a compressor of similar design. Defendant was enjoined. The court held that the parties were in a confidential relationship and that the information relating to the compressor acquired by the defendant incident to that relationship could not be appropriated by him. In that case, as in the present case, plaintiff obtained a patent during the course of the trial. The defendant argued that since plaintiff's process was revealed by the patent the process could not be regarded as a trade secret. The court held that the public disclosure of plaintiff's process did not remove defendant's duty not to exploit the economic advantage gained through the information initially disclosed to him by plaintiff. We see no essential difference between the facts in the *Hyde* case and the case at bar.

The principles applied in the foregoing cases have been recognized by this court. In *McKinzie v. Cline*, 252 P.2d 564 (Or. 1953), the plaintiff employed the defendants to manufacture a gun swivel which one of the plaintiffs had invented. The defendants discontinued manufacturing the swivel for the plaintiffs and proceeded to manufacture and

sell it for their own account. It was held that defendants violated a confidential relationship which existed between the parties and that therefore plaintiffs were entitled to an injunction and damages. In that case, as in the present one, plaintiffs had placed their product on the market and had discussed its manufacture with various machinists. The court noted that there was no “evidence in the record that anyone other than defendant Cline and the plaintiffs had any knowledge of the inside workings of the gadget.” The court went further and held that even though others might have become acquainted with the manufacturing process this would not entitle the defendants to violate the confidence reposed in them by the plaintiffs. With respect to this point, defendants in the present case argue that the *McKinzie* case is distinguishable from the case at bar in that the mechanism of the gun swivel was complex, whereas the mechanism of the garbage truck was not. The evidence does not support this contention. The description of the packer mechanism, particularly the manner in which the blade was attached (the proper adjustment of which was one of the principal improvements claimed by plaintiff), would indicate that it was of such complexity that more than a general inspection of the unit would be required to reveal the secret of plaintiff’s improvements. The *McKinzie* case followed the line of authority previously discussed which de-emphasizes the elements of secrecy and novelty and stresses the breach of the confidential relation between the parties. The court adopted the higher standard of commercial ethics to which we have already alluded:

If our system of private enterprise on which our nation has thrived, prospered and grown great is to survive, fair dealing, honesty and good faith between contracting parties must be zealously maintained; therefore, if one who has learned of another’s invention through contractual relationship, such as in the present case, takes unconscionable and inequitable advantage of the other to his own enrichment and at the expense of the latter, a court of equity will extend its broad equitable powers to protect the party injured.

We reaffirm this declaration of business ethics and hold that defendant Kuhnau violated his duty to plaintiff by appropriating the information derived through their business relationship.

Defendants contend that there was no proof that their product contained the improvements alleged to have been developed by plaintiff. There is evidence that the plaintiff’s and defendants’ trucks were similar in structure and design. The trial judge, who inspected the trucks, concluded that defendants’ trucks used the improvements developed by plaintiff. Where a person develops a product similar to that developed by his discloser, the proof of similarity may be sufficient to impose upon the discloser the burden of proving that there was no misappropriation. *Hoeltke v. C.M. Kemp Mfg. Co.*, 80 F.2d 912 (4th Cir. 1936), stated: “The similarity of defendant’s device to that of complainant is strong proof that one was copied from the other; for it is hardly probable that different persons should independently of each other invent devices so nearly similar at so nearly the same time.” In the same case the court said that “one who admittedly receives a disclosure from an inventor, proceeds thereafter to manufacture articles of similar character, and, when called to account, makes answer that he was using his own ideas and not the ideas imparted to him” must sustain his position by proof that is “clear, satisfactory, and beyond a reasonable doubt.” We are of the opinion that there was sufficient evidence to support the conclusion that defendants appropriated plaintiff’s improvements.

Flaming Moe's Problem

Moe Szyslak is the owner of Moe's Tavern, where the specialty drink is a "Flaming Moe." Moe mixes the drinks in a back room, then sets them on fire in front of customers.

1. Representatives from Topsy McStagger's Good-Time Drinking and Eating Emporium meet with Moe to discuss licensing the recipe. As part of the negotiations, Moe tells them how it's made. Topsy McStagger's breaks off talks and start selling its own version. What result?
2. A Topsy's employee orders a Flaming Moe, pours it into a thermos, and uses a gas chromatograph to analyze its chemical composition. By so doing, he learns that the secret ingredient is cough syrup. What result?
3. A Topsy's employee goes to Moe's Tavern and bribes a bartender to tell her the formula. What result?
4. Same facts as in (3), except that anyone who tastes the drink can recognize that it's cough syrup. The Topsy's employee still bribes the bartender to tell them. What result?
5. Would Moe be better off trying to patent the formula for the Flaming Moe? What are the advantages and disadvantages for him? For society?

Locksmiths Problem:

You represent the Chicago Lock Company, whose "Ace" series of locks is used in vending machines, burglar alarms, and other high-security settings. Ace locks use an unusual cylindrical key that requires specialized equipment to cut. Each lock has a serial number printed on it; the company uses a secret formula to translate the configuration of tumblers inside the lock into a serial number. The company's policy is that it will sell replacement keys only to the registered owner of a lock with a given serial number. All Ace locks and keys are stamped "Do Not Duplicate."

For years, locksmiths have known how to analyze Ace locks. After a few minutes poking at the lock with their tools, they can write down the configuration of pins and tumblers inside the lock. They can then go back to their toolkits and grind a replacement key, which will open the lock. If the locksmiths keep the configuration information on file, they can grind replacement keys in the future without needing to go back to the lock and analyze it again. Individual locksmiths have, for years, kept such files for their local customers.

Recently, Morris and Victor Fanberg, two locksmiths, published a book entitled "AA Advanced Locksmith's Tubular Lock Codes." They asked locksmiths around the country to send them lists of Ace lock serial numbers and the corresponding tumbler configurations. Based on that information, they were able to program a computer to reconstruct Chicago's secret formula. The book contains a table that shows how to turn an Ace serial number into a key configuration, which any locksmith with the proper equipment could then use to cut a key opening the lock with that serial number.

Because the serial numbers on Ace locks are frequently printed on the outside, Chicago is concerned that the publication of this book will undermine the security of Ace locks. It has asked you whether it can and should sue the Fanbergs for damages and to halt publication of the book. What is your advice? Is there anything further it would be helpful

for you to know? Are there changes that Chicago Lock can and should make to its procedures in the future?

3. PATENT

A. INTRODUCTION

Readings

- Casebook § 2.IV.B (trade secret and patent)
- Casebook § 3.I.A (introduction to patents)

Worm Patent

Read U.S. Patent No. 4,800,666.* Then consider the following questions:

1. What, in your own words, does this invention do?
2. What good does it do for society to grant Mr. Lukehart a patent on it?
3. What costs does it impose on society to grant him a patent on it?
4. If Maine's game laws prohibit the use of live earthworms as bait, what effect does this patent have on fishing in Maine?

B. SUBJECT MATTER

I. STATUTORY SUBJECT MATTER

Readings

- 35 U.S.C. § 101
- Casebook § 3.IV.A pp. 167–77) (*Prometheus, CLS Myriad*)

Tax Planning Patent Problem

You are staff counsel to Representative Helvering (R-IA), who has read a number of newspaper articles on the growing phenomenon of “tax planning patents.” These patents describe transactions designed to help a company reduce the taxes it owes. For example, one such patent describes dividing a real estate portfolio into a number of shares held as tenancies in common subject to a master lease, in which each holder receives guaranteed annual income and is subject to repurchase at fair market value at a specified date, such that the investments qualify for tax-deferred treatment under ... you get the picture.

The Representative has asked you to help her think through the policy and legal issues these patents raise. She wants to know whether they are valid under current law and whether they're contributing to tax evasion. If they're problematic, she would like your suggestions on possible legislative fixes (either to the Patent Act or to the Internal Revenue Code).

* In the Appendix.

II. UTILITY

Readings

- Casebook § 3.IV.B (*Juicy Whip*)

C. PROCEDURES

I. PATENT PROSECUTION

Readings

- Casebook § 3.I.B and § 3.I.C

Questions

Reread the '666 patent and be prepared to answer the following questions:

1. Who is the inventor?
2. How long did it take the Patent Office to issue this patent after it was filed?
3. For whom does M. Jordan work and what role did he or she play with regard to this patent? For whom does Frank J. Dykas work, and what role did he play with regard to this patent?
4. Is this patent still in effect?

II. CLAIMS

Readings

- 35 U.S.C. §§ 112(b),(c),(d)
- Casebook § 3.II (*Thorner, Nautilus*).

Question

As a further definiteness example, claim 1 of [U.S. Reissue Patent No. 30867](#) reads, in part:

In a wheel chair having a seat portion, a front leg portion, and a rear wheel assembly, the improvement wherein said front leg portion is *so dimensioned as to be insertable through the space between the doorframe of an automobile and one of the seats thereof...*

Is the italicized language indefinite in light of the substantial variation in automobile sizes and designs?

More Questions

Reread the '666 patent and be prepared to answer the following questions:

1. Which parts of this patent document are the specification? Which part are the claims?
2. How many claims does this patent have?
3. What is the difference between claims 1 and 2 on the one hand and claim 3 on the other? Don't they end up describing the same thing? (Hint: no.)

4. Which of the following items would infringe this patent, if manufactured and sold by the defendant during the patent's term?

- Aluminum boxes that contain sharp-grained sand with a grain size of 1/25 of an inch?
- Aluminum boxes that contain sharp-grained sand with a grain size of 1/10 of an inch?
- Aluminum boxes that contain mud?
- Empty open-topped rectangular aluminum boxes, with a length slightly less than the width of a bait box, lips at each end that are the right shape to attach to the top edges of a bait box, and a detachable plastic cover?

5. If Doug Defendant is fishing on a beach whose sand is sharp-grained with a grain size of less than 1/20 of an inch, and Doug rolls earthworms in the sand on the beach, would Doug infringe this patent?

Salt Shaker Problem

Assume that you represent the inventor of the first screw-top [salt shaker](#). (In this alternate universe, prior art salt shakers were filled through a [hole in the bottom](#).) Draft a claim for this new invention. Suggestions:

- What are the constituent parts of the screw-top shaker? Your claim will need to describe them and explain how they are related.
- Which features of the screw-top shaker are essential to its use? Which can safely be omitted?
- Once the new screw-top shaker is publicly available, competing shaker-makers will try to invent around the patent. How can you make their job harder?
- Inventors in other industries may be inspired by the screw-top design. Can you make sure that your claim is not restricted to the one use your client has in mind?

Email me your claim by midnight the night before class.

III. ENABLEMENT

Readings

- 35 U.S.C. § 112(a)
- Casebook § 3.III (*Wyeth and Cordis*)

Question

Are the claims in the Lukehart worm-immobilizing patent sufficiently enabled?

Plastic-Sorting Problem

You are drafting claims for a patent application for an industrial dye that turns certain plastics an attractive shade of blue. Your client has tested it, with success, on PETE, HDPE, PEEK, and PVDC (all semi-crystalline plastics). You could draft a broad claim that refers to "plastic" or you could draft a narrow claim that refers to "a plastic selected from the group of PETE, HDPE, PEEK, and PVDC." What are the advantages and disadvantages of each approach?

D. OWNERSHIP

I. NOVELTY

Readings

- 35 U.S.C. §§ 102(a), (b)
- Casebook §§ 3.V.A (introduction), 3.V.B (*Titanium Metals*), 3.V.C.1 (*Klopfenstein*), 3.V.C.2 pp. 207–08 (*Beachcombers*), 3.V.D (the America Invents Act)

Questions

1. Suppose that from 1960 to 1972, the Acme Corporation sold the Bait-o-Matic, a grey egg-shaped plastic container containing sharp-grained sand with a grain size of 1/25 of an inch designed to be used to immobilize earthworms. Which claims, if any, of the Lukehart worm-immobilizing patent are invalid because they were anticipated by the Bait-o-Matic?
2. Look back at question 4 from the previous questions about this patent. Do your answers to any of them change if the Bait-o-Matic is prior art?
3. Ivan Inventor is working on a new battery design. Ivan has identified promising materials, but has not yet found a way to combine them safely in a sealed container. Ivan is afraid that others are working on a similar invention. What factors do Ivan and his patent attorney need to consider in deciding when to file?

Pleistocene Park Problem

Two biotechnology firms, Crichton Industries and Spielberg Genetics, have been attempting to clone a woolly mammoth (an elephant-like mammal that became extinct about 3,500 years ago) from scattered preserved DNA fragments. The teams made only slow progress at first; the available mammoth DNA fragments were too short and too numerous to combine into a complete DNA sequence using standard laboratory techniques.

Then, on January 1, 2004, mathematician Rube Goldblum published an academic paper describing efficient ways to arrange books in libraries. Crichton's lead researcher read the paper on February 2, 2005 and realized that the method Goldblum was describing could be used to arrange DNA fragments and compile complete DNA sequences.

Goldblum published (on March 3, 2006), a follow-up academic paper explaining how to apply his book-sorting method to the problem of DNA compilation. An executive at Spielberg read the paper on April 4, 2007, and decided to try the technique on the woolly mammoth problem.

On May 5, 2013, in a Crichton laboratory, a modern elephant implanted with a woolly mammoth embryo using standard artificial insemination techniques gave birth to a live woolly mammoth. On June 6, 2013, a Spielberg elephant successfully gave birth to a woolly mammoth. Because both teams started from the same, publicly available sets of woolly mammoth DNA fragments, their DNA sequences were identical. The next day, June 7, 2013, Spielberg held a press conference to announce the birth; it showed video of the baby mammoth and its scientists passed out CDs with the DNA sequence.

On July 12, 2013, Spielberg filed a patent application claiming “a woolly mammoth, having the DNA sequence ...” Crichton filed its own patent application on August 20, 2013 with an identical claim.

You are an examiner for the USPTO, which has declared an interference between the two applications. Which application, if either, should you allow, and why?

II. NONOBVIOUSNESS

Readings

- 35 U.S.C. § 103
- Casebook §§ 3.VI.A and B (*KSR, St. Jude Medical*)

Questions

1. What is the problem the Lukehart patent tries to solve? Would you have framed the problem in this way? What is the method the patent describes for solving that problem? Would you have thought of that method? Having had the method described to you, would you have expected it to work? How much testing would be necessary to discover whether it works or not? Is the invention something that someone who was not specifically searching for a solution to this problem might nonetheless stumble upon?

2. Compare *Adams* and *Anderson’s Black-Rock*, discussed in II.A of the Court’s opinion in *KSR*. What makes the two cases distinguishable?

3. The [Bud Light Foozie](#) consists of a foam can holder attached to a foam we’re-number-one finger. Obvious? What about a Sawzie—a foam can holder attached to a [rotary saw](#)?

KSR Problem

In relevant part, claim 4 of the patent in suit in *KSR* comprises:

- A pedal
- that is adjustable
- and has a fixed pivot,
- and a sensor
- that is in the pedal
- and is and mounted on a fixed position

The Court had before it a number of pieces of prior art, and had to decide whether claim 4 was obvious in light of them. Please look closely at the Court’s descriptions of the following prior art:

- Asano
- Redding
- ‘936
- Smith
- ‘068
- Certain 1994 Chevrolet trucks
- Rixon

Which of the characteristics of claim 4, as listed above, do each of these prior art references disclose? *Make a chart.* What improvements, if any, does each prior art reference suggest to a person having ordinary skill in the art. Using your chart as a guide, explain whether the Supreme Court's analysis is persuasive.

III. JOINT INVENTION

Readings

- Casebook § 3.VII.A

E. INFRINGEMENT

I. SIMILARITY

Readings

- Casebook §§ 3.VII.C (*Nassau Precision Casting*), 3.VII.D.1 (overview of doctrine of equivalents). Please skim section 3.VII.D.2; I will lecture on the doctrine of equivalents.

Super Soaker Problem

This is claim 1 from U.S. Patent No. 4,239,129:

[a] toy comprising an elongated housing [case] having a chamber therein for a liquid [tank], a pump including a piston having an exposed rod [piston rod] and extending rearwardly of said toy facilitating manual operation for building up an appreciable amount of pressure in said chamber for ejecting a stream of liquid therefrom an appreciable distance substantially forwardly of said toy, and means for controlling the ejection.

Does the [Super Soaker 50](#) literally infringe this claim? Note that to use a Super Soaker, one fills it with water through the orange cap at the back top. Sliding the yellow handle back and forth along the white barrel pumps air into the green part, along with water. Pulling the trigger opens a valve that causes the air to press water forward, resulting in the Super Soaker's famed superior soaking ability. (Conventional water pistols didn't store up compressed air; they drove water out the barrel using the force of the trigger pull itself.)

II. PROHIBITED CONDUCT

Readings

- Casebook § 3.VII.B (direct and secondary infringement)
- Casebook 6.II.B (*Bowman*)
- 35 U.S.C. §§ 271(a) to (c)

Question

Suppose that the Plano Bait Shop is selling empty open-topped rectangular aluminum boxes, with a length slightly less than the width of a bait box, lips at each end that are the right shape to attach to the top edges of a bait box, and a detachable plastic cover. Some buyers take the boxes, fill them with sharp-grained sand, and use it to immobilize earthworms. Others take the boxes and fill them with fish hooks, washcloths, or other

items. Who, if anyone, is infringing? Does it matter if Plano includes instructions with the boxes explaining how to fill them with sand to immobilize earthworms?

F. DEFENSES**Readings**

- Casebook §§ 3.VII.E (miscellaneous defenses)

3. COPYRIGHT

A. SUBJECT MATTER

I. ORIGINALITY

Readings

- 17 U.S.C. § 102(a)
- Casebook §§ 4.I.A and 4.I.B.II (*Bleistein, Feist*)

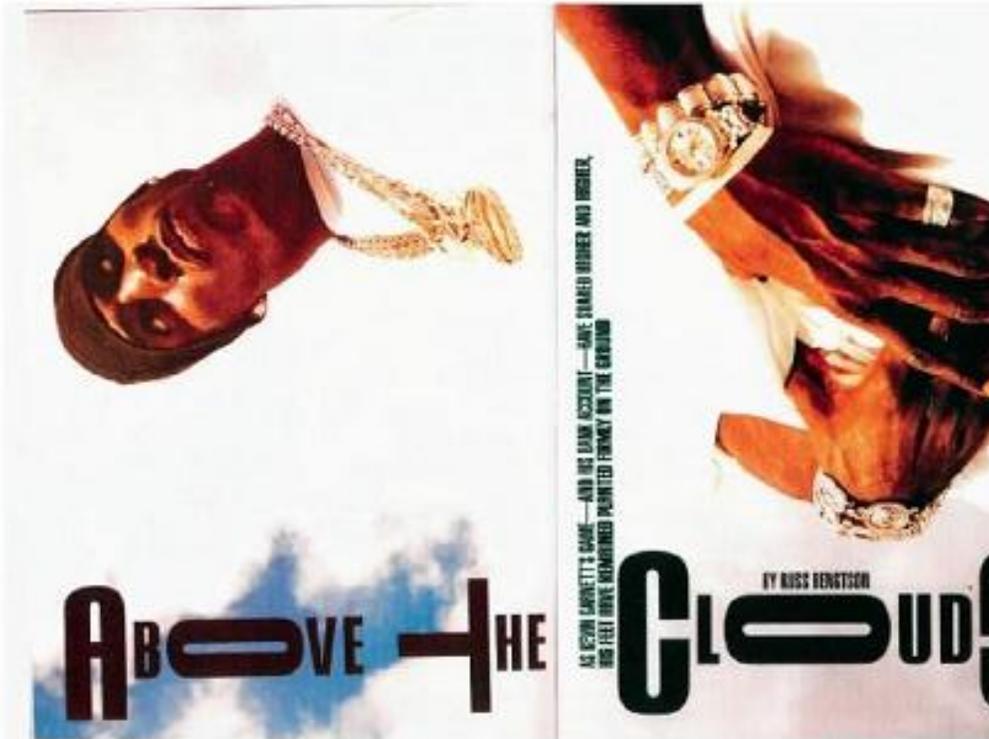
Arrows Problem

Is this logo (for a professional sports team) sufficiently original to be copyrightable?



Kevin Garnett Problem

Here are a photograph of basketball player Kevin Garnett taken by photographer Jonathan Mannion and (part) of a billboard advertisement for Coors Ice. You represent Mannion. Does he have grounds for a copyright lawsuit against Coors and the advertising agency that prepared the billboard? What would you advise him to do?



II. IDEA/EXPRESSION

Readings

- 17 U.S.C. § 102(b)
- Casebook §§ 4.II.A (*Baker*)

Blehm v. Jacobs

702 F. 3d 1193 (10th Cir. 2012)

Matheson, Circuit Judge:

Appellant Gary Blehm brought this copyright infringement action against brothers Albert and John Jacobs and the Life is Good Company (collectively “Life is Good”). Mr. Blehm is the creator of copyrighted posters featuring cartoon characters called “Penmen.” He contends that numerous Life is Good depictions of a cartoon character called “Jake” infringe on his copyrighted works. The district court granted Life is Good’s motion for summary judgment, holding that no infringement occurred because the copyrighted and accused works are not substantially similar.

1. BACKGROUND

A. Factual Background

1. Development and Distribution of Mr. Blehm’s Copyrighted Works

Mr. Blehm is a commercial artist who lives in Colorado Springs, Colorado. In the late 1980s, he developed characters called “Penmen.” According to Mr. Blehm, each Penman is “a deceptively-simple looking figure” that “engage[s] in a variety of activities pulled directly from [his] colorful life experiences.” The Penmen have “round heads, disproportionately large half-moon smiles, four fingers, large feet, disproportionately long legs, and a message of unbridled optimism.” ...

The Penmen are a product of Mr. Blehm’s commercial art training. Through his training, Mr. Blehm learned how to “add a slight bend to a figure’s limb to show weight bearing into it” and how, as he puts it, to apply negative space. Eventually, Mr. Blehm developed rules and guidelines for drawing each Penman. These rules and guidelines include a specific shape for each Penman’s head, specific length and height requirements for each character, rules on fluidity and perspective, and the “Penmen parallel curve,” which Mr. Blehm employs to “create eye-pleasing shapes within the negative space.”

Between 1989 and 1993, Mr. Blehm developed six posters featuring Penmen and registered them with the U.S. Copyright Office (the “copyrighted works”). Each poster contains hundreds of black-and-white Penmen in a variety of poses. The Penmen are arranged on the posters in multiple rows with consistent spacing. Many of the characters interact with one another, and some have only slight differences. The posters, some of which have golf or galactic themes, challenge purchasers to find identical Penmen within each poster.

In 1990, Mr. Blehm began selling his posters to distributors. From 1990 to 2004, Prints Plus sold his posters nationally. ...

2. The Jacobs Brothers, Life is Good, and the Development of “Jake”

Starting in 1989, the Jacobs brothers designed and sold t-shirts “infused with a positive undertone as a reflection of their beliefs.” The brothers sold t-shirts in areas around Boston, including Harvard Square, not far from the Harvard Coop. During the 1993 holiday season, the Jacobses sold t-shirts from carts in the Cambridgeside Galleria and the Emerald Square Mall, both of which had Prints Plus stores that sold Mr. Blehm’s posters.

According to the Jacobses, around April 1994 John Jacobs drew a sketch of a figure with a red face, wide smile, sunglasses, and a beret. The figure was enclosed in two circles. John hung the sketch on the wall of the brothers’ apartment.

The Jacobses recall hosting a party in August 1994 at their apartment and soliciting feedback on the sketch from their friends. After a friend stated that the figure in the sketch “really has life figured out,” John Jacobs wrote “Life is good” under the image. They named the image “Jake,” a spinoff of their last name.

The Jacobses soon made and sold t-shirts featuring Jake at street fairs and to retailers. As demand for the shirts increased, John Jacobs added a torso, arms, and feet to the Jake head. Jake was portrayed engaging in simple activities, such as biking, hiking, golfing, and playing soccer. ...

The Jacobses incorporated Life is Good in 1997 with the “overarching themes of optimism, simplicity, humor, and humility.” ...

II. DISCUSSION

A. Substantial Similarity

1. Legal Framework

In order to prove copying of legally protectable material, a plaintiff must typically show substantial similarity between legally [protectable] elements of the original work and the allegedly infringing work. This commonly stated rule raises two questions: First, what elements of a copyrighted work are legally protectable? Second, how do courts determine whether a copyrighted work’s legally protectable elements are “substantially similar” to an accused work?

a. Legally Protectable Elements: The Idea/Expression Distinction

Section 102(a) of the Copyright Act states that a copyright protects the “original works of authorship fixed in any tangible medium of expression,” including pictorial and graphic works. 17 U.S.C. § 102(a). To gain protection, the work must demonstrate at least some minimal degree of creativity, but 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.

But legal protection does not extend to all aspects of a copyrighted work. Section 102(b) provides, “In no case does copyright protection ... extend to any idea ... [or] concept ... regardless of the form in which it is described, explained, illustrated, or embodied in such work.” 17 U.S.C. § 102(b). This provision enshrines the fundamental tenet that copyright protection extends only to the author’s original expression and not to the ideas embodied in that expression.

Thus, courts comparing works must first distill the protectable elements of the copyrighted work — i.e., determine what aspects constitute protectable expression. But

this process, although sound in theory, is difficult to apply in practice. More than 50 years ago, Judge Learned Hand recognized that “[t]he test for infringement of a copyright is of necessity vague.” *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960); see also *Nichols v. Univ. Pictures Corp.*, 45 F.2d 119, 122 (2d Cir. 1930) (explaining that drawing the line between what is protected and what is not “will seem arbitrary, [but] that is no excuse for not drawing it”). Because “no principle can be stated as to when an imitator has gone beyond copying the ‘idea,’ and has borrowed its ‘expression[,]’ [d]ecisions must therefore inevitably be ad hoc.” *Peter Pan Fabrics*, 274 F.2d at 489. We follow this case-by-case approach, and are mindful that copyright law seeks to achieve a proper balance between competition based on public ideas and incentive to produce original work.

Because the idea/expression distinction is the most complex part of the substantial similarity inquiry, we discuss a few examples where courts have separated the two. In *Country Kids ‘N City Slicks, Inc. v. Sheen*, 77 F.3d 1280, 1284 (10th Cir. 1996), this court held that copyright protection did not “extend to the size, shape and medium” of wooden dolls. We explained that the Copyright Act is concerned with artistic innovation and excludes protection for a work’s “utilitarian qualities.” *Id.* at 1287. The idea of a wooden doll is not copyrightable, nor are “any basic and utilitarian aspects of the dolls, such as the shape of a human body and standard ... doll poses which are both friendly and inviting and also utilitarian in their ease of manufacture and adaptability to the attachment of various wardrobes.” *Id.*

Similarly, a copyright owner has no monopoly over the idea of “fashion dolls with a bratty look or attitude, or dolls sporting trendy clothing.” *Mattel, Inc. v. MGA Entm’t, Inc.*, 616 F.3d 904, 916 (9th Cir. 2010), *as amended on denial of reh’g* (Oct. 21, 2010). Nor does copyright protection extend to the idea of creating a doll with “an upturned nose, bow lips, and widely spaced eyes,” even if the allegedly infringing work has explicitly taken this idea from the copyrighted work. *Mattel, Inc. v. Goldberger Doll Mfg. Co.*, 365 F.3d 133, 136 (2d Cir. 2004).

Copyright instead protects the “particularized expression” of the idea of a doll with such features. *Id.* For example, although a copyright owner has no monopoly over the idea of a muscular doll in a standard pose, the owner may have a valid infringement claim for copying of the “particularized expression of that idea,” such as “the decision to accentuate certain muscle groups relative to others.” *Mattel, Inc. v. Azrak-Hamway Int’l, Inc.*, 724 F.2d 357, 360 (2d Cir. 1983). A copyright owner’s original stylistic choices qualify as protectable expression if the choices are not dictated by the underlying idea. See *Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 901 (9th Cir. 1987) (stuffed dinosaur toys cannot be substantially similar because of shared physiognomy, but a distinctive “eye style and stitching” could qualify as protectable expression if they are “not dictated by the idea of stuffed dinosaur dolls”).

In architecture, there is no copyright protection for the idea of using “domes, wind-towers, parapets and arches.” *Sturdza v. United Arab Emirates*, 281 F.3d 1287, 1297 (D.C. Cir. 2002). “[T]o hold otherwise would render basic architectural elements unavailable to architects generally, thus running afoul of the very purpose of the idea/expression distinction: promoting incentives for authors to produce original work while protecting society’s interest in the free flow of ideas.” *Id.* On the other hand, the combination of common architectural elements and use of specific designs may constitute original

expression that is protected. An architectural design may infringe if its use of public-domain elements gives off a similar unique effect in decoration and design as the copyrighted work.

Thus, a sweater designer can have copyright protection over an original way of using squirrels as a design element in conjunction with fall colors, stripes, and panels, even though those elements individually constitute ideas in the public domain. *See Knitwaves, Inc. v. Lollytogs Ltd.*, 71 F.3d 996, 1004 (2d Cir.1995). A plaintiff's "selective and particularized" alterations of a public-domain carpet pattern also can constitute protectable expression. *Tufenkian Imp./Exp. Ventures, Inc. v. Einstein Moomjy, Inc.*, 338 F.3d 127, 136 (2d Cir. 2003).

Even factual compilations may contain protectable expression. In *Feist*, the Supreme Court explained that facts themselves "are not original and therefore may not be copyrighted," but that copyright does protect "an original selection or arrangement of facts." In that case, the plaintiff's compilation of facts in a telephone directory "lack[ed] the modicum of creativity necessary to transform mere selection [of facts] into copyrightable expression." ...

2. Comparing the Penmen and Jake Images

Mr. Blehm asserts that the district court's substantial similarity analysis excluded protected expression from the Penmen and focused on differences between the Penmen and Jake images rather than similarities. When his works' expression is considered and compared to the Jake images for similarities, Mr. Blehm argues, a reasonable jury could determine that Life is Good unlawfully appropriated protectable expression by taking material of substance and value.

The district court viewed the Penmen as "simple" stick figures and explained that any similarities between them and the Jake images "result[]from common themes and general concepts such as the idea of a person skateboarding, playing [F]risbee, playing a musical instrument, holding a birthday cake, roasting a marshmallow over a campfire, or holding his hand in a peace sign." These themes, the court noted, are unprotected ideas. It further explained that no copyright protection extends to Penmen poses that flow from the described activities, or to anatomical similarities between the Penmen and Jake images.

After parsing out these elements, the district court concluded that "the remaining original expression [of the Penmen] that is subject to protection is thin." *Id.* It determined that the Penmen and Jake images are different "with respect to color, the orientation of the body, the relation of the body to the head, expression, clothing and other features," and that any similarities "flow from considerations external to the Plaintiff's creativity, such as common themes and natural poses."

The district court was correct that Mr. Blehm has no copyright over the idea of a cartoon figure holding a birthday cake, catching a Frisbee, skateboarding, or engaging in various other everyday activities. Nor can the Jake images infringe on the Penmen because the figures share the idea of using common anatomical features such as arms, legs, faces, and fingers, which are not protectable elements. *See Baby Buddies, Inc. v. Toys "R" Us, Inc.*, 611 F.3d 1308, 1317 (11th Cir. 2010) (no copyright protection over common anatomical features of teddy bear). Mr. Blehm's copyright also does not protect Penmen poses that are attributable to an associated activity, such as reclining while taking a bath or

lounging in an inner tube. These everyday activities, common anatomical features, and natural poses are ideas that belong to the public domain; Mr. Blehm does not own these elements.

Although we do not consider these unprotected elements in our substantial similarity analysis, we acknowledge that Mr. Blehm's works do contain some protectable expression.⁶ The Penmen at first glance might be considered simple stick figures, but they are more nuanced than a child's rudimentary doodling. For example, the prototypical Penman has a rounded, half-moon smile that takes up a substantial portion of the face. Mr. Blehm has chosen to omit any other facial features on the Penmen. Each figure is filled in black, except for the white half-moon smile, and each Penman's head is detached, hovering above the body. Many of the Penmen stand facing the viewer, flashing the half-moon smile.

Mr. Blehm also drew the Penmen according to his own rules and guidelines. The figure's head might be perceived as slightly disproportional to the body. Its arms and legs are thin, long, and disproportionate to the torso, which is relatively short. Mr. Blehm also chose to give the Penmen four fingers — each about as thick as their arms and legs — on each hand, as well as feet that are disproportionately long and thick compared with the rest of the body.

Thus, each Penman reflects particular stylistic choices Mr. Blehm has made. It is likely that these stylistic choices contributed substantially to the success of his copyrighted works. Although some may discount Mr. Blehm's drawings as simple stick figures, we are mindful that each Penman follows a seemingly uniform standard to achieve a unique expression. We also are cognizant that under the law of copyright, even a modicum of creativity may suffice for a work to be protected. Mr. Blehm's works easily clear that threshold.

Having identified protectable expression in Mr. Blehm's drawings, we must determine whether that expression is substantially similar to the allegedly infringing Life is Good images. Life is Good is not entitled to summary judgment unless its Jake figures are

⁶ The district court characterized any remaining expression in Mr. Blehm's works as "thin." This may be a reference to the Supreme Court's decision in *Feist*, in which the Court addressed copyright protection in a telephone directory and explained that "copyright in a factual compilation is thin." ... But unlike the fact-based works in *Feist* and *TransWestern*, Mr. Blehm's works are pictorial.

"Thin" protection has come up outside the context of fact-based works. The Ninth Circuit distinguishes between works entitled to "broad" protection and those with "thin" protection. See *MGA Entm't*, 616 F.3d at 913-14. "If there's a wide range of expression (for example, there are gazillions of ways to make an aliens-attack movie), then copyright protection is 'broad' and a work will infringe if it's 'substantially similar' to the copyrighted work." *Id.* But "[i]f there's only a narrow range of expression (for example, there are only so many ways to paint a red bouncy ball on a blank canvas), then copyright protection is 'thin' and a work must be 'virtually identical' to infringe." *Id.* at 914.

Even assuming the distinction between "broad" and "thin" protection is correct, Mr. Blehm's works would not necessarily fall in the "thin" protection category. There are many ways to depict a cartoon figure catching a disc or golfing, just as there are many ways — from Odie to Snoopy — of drawing a cartoon dog.

In any event, we do not read the district court's reference to "thin" protection as requiring Mr. Blehm to show a heightened degree of similarity between the copyrighted and accused images.

so dissimilar from the protectable elements of the Penmen that no reasonable jury could find for Mr. Blehm on the question of substantial similarity.

To show substantial similarity, Mr. Blehm provided the district court with an exhibit juxtaposing 67 individual Penmen with a corresponding, allegedly infringing Jake image. We have reviewed these images and agree with the district court's grant of summary judgment in favor of Life is Good. We now address two of Mr. Blehm's proposed comparisons, which he highlights in his appellate brief, and explain why the Life is Good images are so dissimilar from the protectable elements of Mr. Blehm's images that no reasonable jury could find in his favor.

a. The Peace Sign Images

The first example in Mr. Blehm's exhibit juxtaposes a Penman and Jake image standing and displaying the peace sign. Because we must separate unprotected ideas from expression, our analysis does not consider that both drawings share the idea of a cartoon figure making a common hand gesture. But we do consider whether the Jake image is substantially similar to Mr. Blehm's expression of this idea.

Mr. Blehm urges us to find certain similarities between the images. He notes that both have round heads. But Mr. Blehm has no copyright protection in general human features. Further, the figures' heads are not similarly round. Jake's head is more oval and somewhat misshapen, whereas the Penman's head is circular and uniform.

Mr. Blehm suggests that the figures have similar proportions, such as the size of the figures' heads, arms, legs, and feet compared with their bodies. A close review of the figures, however, yields the opposite conclusion. Jake's head is very large compared with the body, while the Penman's head is relatively proportional. The Penman's arms and legs are long and disproportionate to its truncated torso. Jake, on the other hand, has more proportional limbs compared with his torso. The figures' feet are distinctly different: the Penman's are thick, long, and roll-shaped, but Jake's are shorter and triangular.

Nevertheless, there are some similarities between the Penman and Jake. Both have black-line bodies, four fingers, and large half-moon smiles, and their feet are pointed outward. But even these similarities have important differences, or are not protectable expression. For example, Jake's fingers appear stubbier. The choice to display the figures' feet outward also naturally flows from the common idea of drawing a two-dimensional stick figure and is thus unprotected.

The figures' smiles thus seem to be the crux of this litigation. The Penman and Jake both face the viewer with disproportionately large half-moon smiles. A smile can be drawn in various ways. Here, they share a crescent shape, but the idea of a crescent-shaped smile is unprotected. Rather, the expression of the smiles must be substantially similar and important to the overall work.

The Penman's smile is all white, as is Jake's. The smiles on both figures take up a large portion of the head. But the Penman's smile is rounded on the tips, whereas the tips of Jake's smile are sharper angled. Jake's smile, by virtue of the size of his head, is much larger compared with his body than is the Penman's. And although both smiles are white, the Penman's is set on an all-black head, making it appear different from Jake's, which is the *outline* of a smile on a white head with black sunglasses.

Indeed, Mr. Blehm's decision to omit eyes and other facial features on the Penman makes the figure susceptible to an interpretation that the Penman is not smiling at all. One

interpretation is that the white space on the head is not a smile, but is the Penman's face with no features. The black above the half-moon shape can be perceived as hair swooping down over the Penman's forehead. Thus, the Penman's lack of facial features make it susceptible to different interpretations. The Jake figure is not susceptible to similar confusion.

Any similarity between smiles also is insubstantial in light of other differences between the figures. Jake's head is attached to the body, and his head is white and has black sunglasses. The Penman's head is detached and is black with no eyes. Jake sports a beret, and his whole figure is displayed on a color background, whereas the Penman has no headwear and is portrayed against a plain white background.

The Jake image's arms are positioned differently from the Penman, with Jake's left arm curved, rather than sharp and angular. Mr. Blehm also chose a unique feature for the Penman's peace-sign expression — white space in the figure's hand — that the Jake image does not share.

We conclude that no reasonable juror could determine that the Jake figure is substantially similar to the *protected, expressive* choices Mr. Blehm used for the Penman figure.

b. The Frisbee Images

In another example, a Penman and Jake attempt to catch Frisbees between their legs. The two figures' poses are similar — suspended in the air with legs outstretched and a hand descending to catch the disc — but we do not consider the pose in our analysis. Such a pose is common to this activity and is not protected expression. Again, the figures have large, half-moon smiles. And unlike the “peace sign” Jake, this Jake image has legs that are disproportionate to a truncated torso. The Penman's legs also are long with respect to the torso, but not as disproportionate as Jake's.

Jake's legs are curved, but the Penman's are straightened. The Jake image's head differs in the same important ways as in the “peace sign” images. Jake's arms appear to extend from his head, but the Penman's arms attach to the top of the torso. Jake's torso is much thinner (and disproportionately shorter) than the Penman's; Jake has three fingers on each hand (not four); and the Jake image, unlike the Penman image, incorporates color on the canvas and disc. Jake's feet are defined — toes and arches are visible — but the Penman's are not.

Although the images share a similar idea of catching a Frisbee between the legs, the protectable expression in the Penman is not substantially similar to the Jake image.

c. Other Images

Mr. Blehm highlights 65 other Penmen as having been copied. Attached to this opinion is the “Penmen-Jake Chart” Mr. Blehm submitted to the district court in an effort to demonstrate substantial similarity.

We have reviewed these images, and an analysis similar to the discussion above applies. We need not describe their similarities and differences in detail here, other than to note that other Penman-Jake comparisons have even more substantial differences than the “peace sign” and “Frisbee catching” images described above. For example, many of the Jake images wear clothes when the Penmen do not. Others are drawn in a more three-dimensional manner than the Penmen. Some Jake and Penmen images do not even share

the half-moon smile directed at the viewer. Many Jake images have substantial use of color.

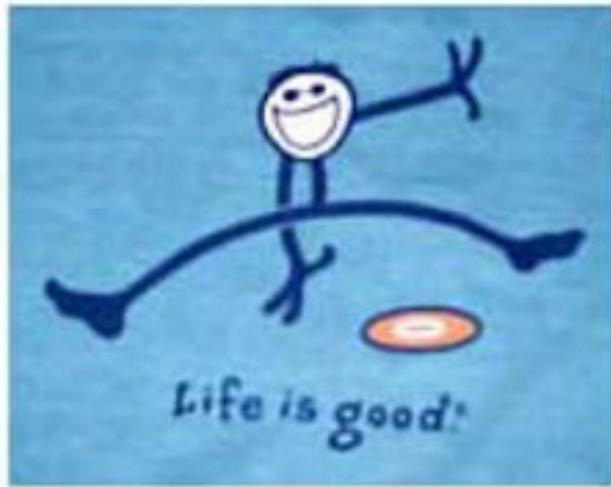
In sum, these images are so dissimilar as to protectable expression that the substantial similarity question need not go to a jury.

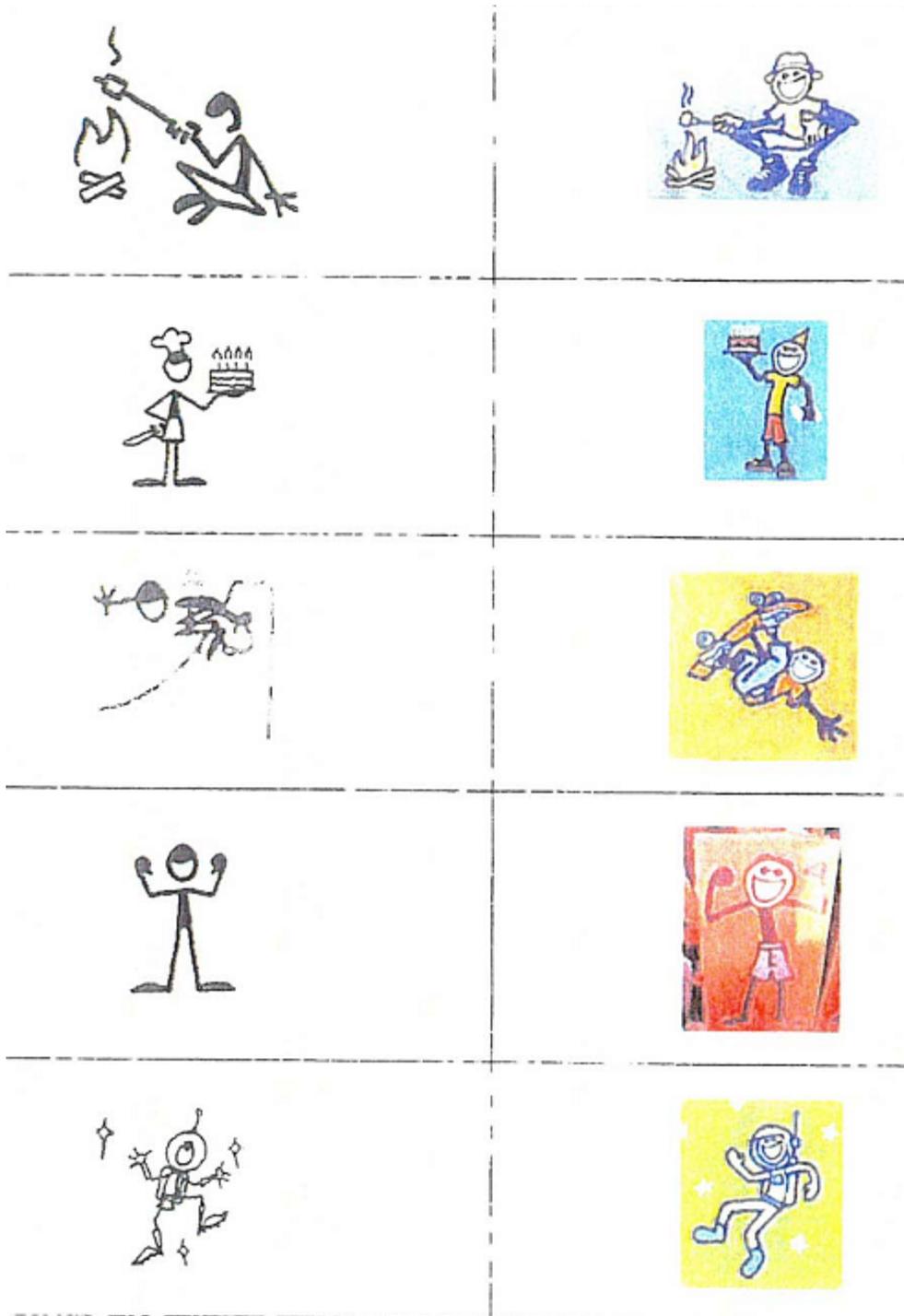
* * *

Mr. Blehm urges that we should focus on the images' similarities, not their differences. He is correct that "[t]he touchstone of the [substantial similarity] analysis is the overall similarities rather than the minute differences between the two works." But this does not mean we merely look at the images, notice they are similar because they are cartoon figures with big smiles engaging in like activities, and end our substantial similarity analysis in Mr. Blehm's favor. Mr. Blehm's copyright protection lies in the *particular way* he chose to express these works. And we must be careful not to grant Mr. Blehm a monopoly over all figures featuring black lines representing the human form. Our analysis cannot be so generous as to sweep in all manner of stick figures as potentially infringing on his works.

As Nimmer explains, the substantial similarity inquiry is a problem of "line drawing." 4 *Nimmer [on Copyright]* § 13.03[A]. Truer words could not have been spoken about this case. We have focused on the unique expression in Mr. Blehm's Penmen. Other than the half-moon smile — a feature among the figures that is similar, but not substantially so — we see insubstantial similarity in expression between the Penmen and Jake.

Copying alone is not infringement. The infringement determination depends on what is copied. Assuming Life is Good copied Penmen images when it produced Jake images, our substantial similarity analysis shows it copied ideas rather than expression, which would make Life is Good a copier but not an infringer under copyright law. ...





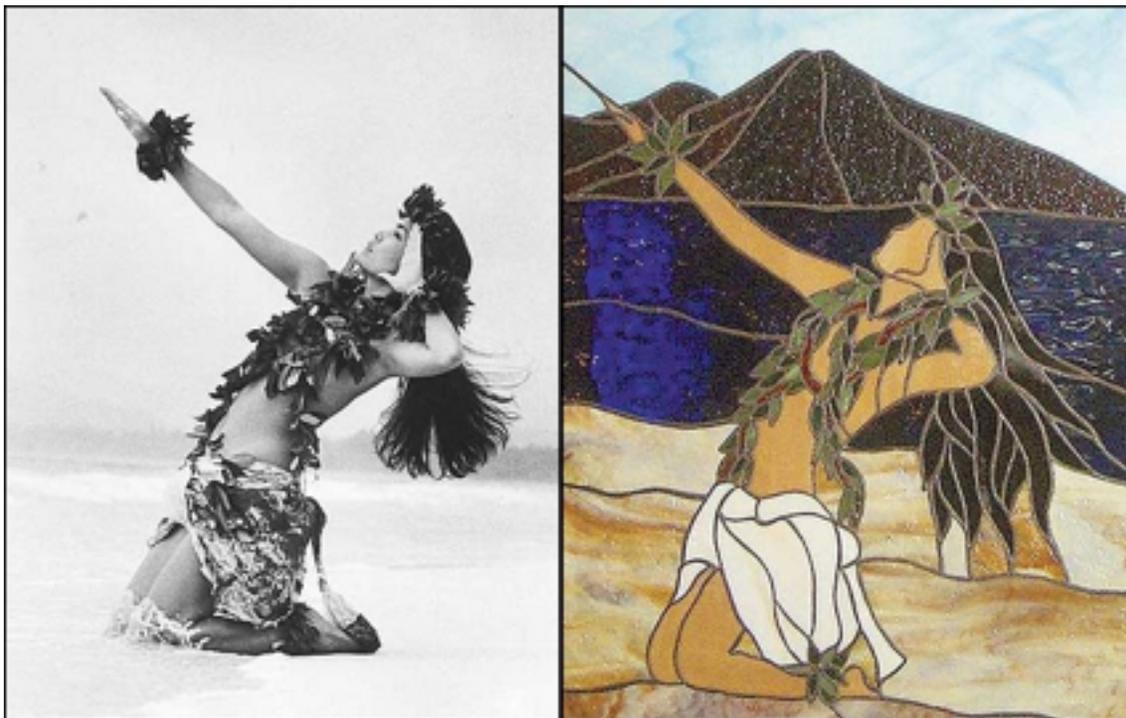
Cooking for Kids Problem

Missy Lapine is the author of [The Sneaky Chef: Simple Strategies for Hiding Healthy Foods in Kids' Favorite Meals](#) (published 2007), which “presents over 75 recipes that ingeniously disguise the most important superfoods inside kids’ favorite meals.” Jes-

sica Seinfeld is the author of [Deceptively Delicious: Simple Secrets to Get Your Kids Eating Good Food](#) (published 2008), which “is filled with traditional recipes that kids love, except they’re stealthily packed with veggies hidden in them so kids don’t even know!” Infringement? Are there further facts it would be helpful to know?

Hula Problem

Consider this photograph and stained glass image of hula dancers. The dancers’ pose (kneeling, with right arm extended, etc.) is traditional. So is their dress (including the lei, etc.). Does the stained glass infringe on the photograph? Are there further facts it would be helpful to know?



Baseball Card Price Report Problem

The Baseball Card Price Report is a comprehensive printed list of collectible baseball cards sold between 1909 and 2011. It lists 32,000 baseball cards and a market price for each of them. The market price is determined by obtaining transaction lists from several dozen large dealers and averaging the sales prices for the card over the past year.

The Report is organized by year: it has a section for 1909, a section for 1910, and so on. Each section is subdivided into a list of manufacturers (Topps, Upper Deck, and so on). Each manufacturer’s list is then divided by teams, and players are listed alphabetically by last name within a team section. For each card, the Report gives prices for mint, excellent, very good, good, and fair condition cards. In addition, about 9,000 of the cards are noted with a star to indicate that they are “premium” cards. These cards are considered especially valuable because the player is in the Hall of Fame, played for a famous team, or some other reason that makes the card especially scarce or especially prized by collectors.

An entrepreneur calling himself Tyrone Tyrannosaurus has started a website called the “Collector’s Cheat Sheet.” The front of the site consists of three drop-down menus: year, team, and player name. Once a user selects all three, he is taken to a page that lists all of the companies that made cards of that player in that year. If a card is considered “premium” by the Report, the Cheat Sheet lists the card in bold.

You represent Mr. Tyrannosaurus, who has received a cease-and-desist letter from the publisher of the Report claiming that the Cheat Sheet is infringing on a copyright in the Report. What is your advice to your client?

B. OWNERSHIP

Readings

- 17 U.S.C. §§ 103, 105, 201(a) and (b)
- Casebook § 4.III.A (*Thomson, CCNV*)

Pickett v. Prince

207 F. 3d 402 (7th Cir. 2000)

Posner, Chief Judge:

The appeal by Ferdinand Pickett, plaintiff in the district court, presents us with an issue concerning copyright in derivative works, while the cross-appeal, by the defendant, presents a procedural issue. The defendant, identified only as “Prince” in the caption of the various pleadings, is a well-known popular singer whose name at birth was Prince Rogers Nelson, but who for many years performed under the name Prince (which is what we’ll call him) and since 1992 has referred to himself by an unpronounceable symbol reproduced as Figure 1 at the end of this opinion. The symbol (which rather strikingly resembles the Egyptian hieroglyph *ankh*, but the parties make nothing of this, so neither shall we) is his trademark but it is also a copyrighted work of visual art that licensees of Prince have embodied in various forms, including jewelry, clothing, and musical instruments. Although Prince did not register a copyright of the symbol until 1997, the plaintiff concedes that Prince obtained a valid copyright in 1992, registration not being a precondition to copyright protection, 17 U.S.C. § 408(a), though it is a precondition to a suit for copyright infringement. § 411(a) Actually the original copyright was not obtained by him, but he is the assignee, and the assignment expressly granted him the right to sue for infringements of copyright that occur before the assignment.

In 1993 the plaintiff made a guitar in the shape of the Prince symbol; he concedes that it is a derivative work within the meaning of 17 U.S.C. § 101 (“a work 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’”). The plaintiff claims (truthfully, we assume for purposes of the appeal) to have shown the guitar to Prince. Shortly afterwards Prince appeared in public playing a guitar quite similar to the plaintiff’s.

The plaintiff brought this suit for copyright infringement in 1994, but it languished for years in the district court. In January 1997 Prince counterclaimed for infringement of the copyright on his symbol. ...

Pickett claims the right to copyright a work derivative from another person's copyright without that person's permission and then to sue that person for infringement by the person's own derivative work. Pickett's guitar was a derivative work of the copyrighted Prince symbol, and so was Prince's guitar. Since Prince had (or so we must assume) access to Pickett's guitar, and since the two guitars, being derivatives of the same underlying work, are, naturally, very similar in appearance, Pickett has—if he is correct that one can copyright a derivative work when the original work is copyrighted by someone else who hasn't authorized the maker of the derivative work to copyright it—a *prima facie* case of infringement. Pickett must, he concedes, show that his derivative work has enough originality to entitle him to a copyright, and also that the copyright is limited to the features that the derivative work adds to the original. But he insists that with these limitations his copyright is valid.

We doubt that he could show the requisite incremental originality, slight as it need be. ...

Although Pickett's guitar isn't identical to the Prince symbol, the difference in appearance may well be due to nothing more than the functional difference between a two-dimensional symbol and a guitar in the shape of that symbol. In that event even Prince could not have copyrighted the guitar version of the symbol. 17 U.S.C. § 101. A guitar won't work without strings, frets, etc. arranged in a pattern dictated by musical considerations, and to the extent that the pattern is what it is because otherwise the guitar won't sound right, it is not copyrightable as a work of visual art. Maybe, though, the juxtaposition of the symbol and the guitar is enough to confer on the ensemble sufficient originality as a work of visual art to entitle the designer to copyright it. Many works of art rely for their effect on the juxtaposition of familiar elements ordinarily held separate (like a mustache painted on a photograph of the Mona Lisa); indeed, all works of art are ultimately combinations of familiar, uncopyrightable items.

We need not pursue the issue of originality of derivative works. The Copyright Act grants the owner of a copyright the *exclusive* right to prepare derivative works based upon the copyrighted work. 17 U.S.C. § 106(2). So Pickett could not make a derivative work based on the Prince symbol without Prince's authorization even if Pickett's guitar had a smidgeon of originality. This is a sensible result. A derivative work is, by definition, bound to be very similar to the original. Concentrating the right to make derivative works in the owner of the original work prevents what might otherwise be an endless series of infringement suits posing insoluble difficulties of proof. Consider two translations into English of a book originally published in French. The two translations are bound to be very similar and it will be difficult to establish whether they are very similar because one is a copy of the other or because both are copies of the same foreign-language original. Whether Prince's guitar is a copy of his copyrighted symbol or a copy of Pickett's guitar is likewise not a question that the methods of litigation can readily answer with confidence. If anyone can make derivative works based on the Prince symbol, we could have hundreds of Picketts, each charging infringement by the others.

Pickett relies for his implausible theory primarily on section 103(a) of the Copyright Act, which provides that while copyright can be obtained in derivative works, “protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.” Pickett reads this as authorizing a person other than the owner of the original work to make a derivative work, merely forbidding him to infringe the original. It is very difficult to see how a derivative work not made by the owner of the original work could fail to infringe it, given the definition of derivative works. (There is no infringement by the owner of the copyright of the original work, since, as note, section 106(2) entitles him to make derivative works based on his copyrighted work.) Pickett doesn’t deny this; having warded off (he thinks) Prince’s counterclaim for copyright infringement, he is unafraid to acknowledge that he is an infringer and to content himself with arguing that his copyright extends only to the original elements of the infringing work. But we do not read section 103(a) as qualifying the exclusive right of the owner of the copyright of the original work to make derivative works based on that work, the right conferred by section 106(2). Section 103(a) means only, at least so far as bears on this case, that the right to make a derivative work does not authorize the maker to incorporate into it material that infringes someone else’s copyright. So if Pickett owned a copyright of, say, a picture of Prince, and Prince used that picture in his own guitar without Pickett’s consent, Pickett would have a claim of infringement. But the only copyright that Pickett claims Prince infringed is a copyright that Pickett had no right to obtain, namely a copyright on a derivative work based on Prince’s copyrighted symbol.

Pickett relied in the district court on a dictum in *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 34 n.6 (2d Cir. 1982), that a stranger can make a derivative work without the permission of the owner of the copyright of the original work if the original work does not “pervade” the derivative work. The suggestion, if taken seriously (which it has not been), would inject enormous uncertainty into the law of copyright and undermine the exclusive right that section 106(2) gives the owner of the copyright on the original work. It also rests on a confusion between the determination of whether a work is derivative and the determination of who has the right to make the derivative work. Defined too broadly, “derivative work” would confer enormous power on the owners of copyrights on preexisting works. The Bernstein-Sondheim musical *West Side Story*, for example, is based loosely on Shakespeare’s *Romeo and Juliet*, which in turn is based loosely on Ovid’s *Pyramus and Thisbe*, so that if “derivative work” were defined broadly enough (and copyright were perpetual) *West Side Story* would infringe *Pyramus and Thisbe* unless authorized by Ovid’s heirs. We can thus imagine the notion of pervasiveness being used to distinguish a work fairly described as derivative from works only loosely connected with some ancestral work claimed to be their original. In that sense Prince’s symbol clearly “pervades” both guitars. If it did not, the guitars might not be derivative works, but they would not be derivative works that anyone was free to make without obtaining Prince’s permission. ...

Monkey Selfie Problem



A monkey in Indonesia picked up a tourist's camera and pushed the button, resulting in this photograph. Is it copyrightable? If so, who owns the copyright?

Photoshoot Problem

You represent Shelbyville Stages, a concert promoter. You have booked the eccentric pop musician Plastica for a twelve-city tour in the Northeast. The marketing staff at Shelbyville have recently discovered an image online that they think would be perfect for using on the concert posters. It features Plastica stepping down the landing ramp of a flying saucer, backlit, carrying a pair of cheerleader's pompoms, with a guitar slung over her back, and wearing her trademark disinterested scowl.

A similar photograph was the cover of this month's *Them*, a celebrity fashion magazine. An unknown party or party unknown, however, extensively Photoshopped it to make it look like a faded, weather-beaten Old West "WANTED" poster. The marketing staff tell you that this was a stroke of genius; the combination of the antique look with the kitschy futuristic technology gives the whole thing what they call a "neo-horsepunk flying-car feel" and the outlaw theme plays off Plastica's expression. Their research has determined that the following people were in some way connected with the image:

- Plastica herself, who has spent years crafting her stage persona, which might be described as "heroin-ravaged all-American girl from outer space."

- Plastica’s hair-stylist, Alicia Abt, who produced the complicated multi-layer updo in which she appears in the photograph, with a single side ponytail and a Statue-of-Liberty-style ring of spikes.
- Plastica’s personal trainer, Ben Boardwell, who has spent years working with her to develop her musculature to combine strength with a suggestion of wasted potential.
- A celebrity photographer, Charles Carmack, who decided on the flying-saucer theme, chose the placement of props, and instructed Plastica on how to pose.
- Carmack’s salaried assistant, Denyse Dozier, who operated the camera and pushed the button that took the photographs.
- A fashion designer, Edgar Eames, whom Carmack paid \$1000 in cash for the day, who designed, sewed, and altered the tartan jumpsuit Plastica wears in the photograph.
- A toy designer, Frederick Fong, who created the 12” flying saucer toy that served as the backdrop for the photograph., and which Carmack purchased at a toy store the day before the shoot.
- A Photoshop expert, Gennifer Graham, on the staff of Them magazine for six years, who made the 12” toy look like it was 25’ tall, instead, and who digitally smoothed out the wrinkles in Plastica’s face, extended her neck by two inches, and made a hundred other similar tweaks.
- Them magazine, where the modified photograph ran.
- Some unknown person with the username SeePeteyPhotoshop, who added the Old West theme and uploaded the modified photo to the photosharing site AwfulThings.com.

Based on these facts, advise Shelbyville Stages on whether it will be possible to obtain sufficient permissions to use the Old West version of the photo for the concert posters, and, if so how to go about it.

C. PROCEDURES

Readings

- 17 U.S.C. §§ 302(a) to (c), 305
- Casebook §§ 4.I.B.1 (fixation), 4.III.B to .D (formalities and term)

Fixation questions

Which of the following are sufficiently fixed to be copyrightable? In each case where your answer is “yes,” identify the material object.

- A song sung on the sidewalk?
- A song written out as sheet music?
- A song on a CD?
- A diagram on a blackboard?
- A PowerPoint slide?
- A sonnet in your mind?

- A photograph?
- *The Fast and the Furious: Tokyo Drift*?
- The lecture I gave on originality?

D. INFRINGEMENT

I. SIMILARITY

Readings

- Casebook § 4.IV.A.1 (*Three Boys*)

Sheldon v. Metro-Goldwyn Pictures Corp.

81 F.2d 49 (2nd Cir. 1936)

[The plaintiffs wrote a play, *Dishonored Lady*, which was based on the true story of Madeline Smith, who was tried in 1857 for poisoning her lover after he threatened to expose love letters she had written him. The defendants' film *Letty Lynton* was also "founded on the story of Madeleine Smith." The plaintiffs alleged that *Letty Lynton* infringed on their copyright in *Dishonored Lady*. The District Court found no infringement, but the Second Circuit reversed. In the course of his opinion, Judge Hand made some frequently-quoted remarks on the nature of infringement in cases where the plaintiff's work draws on preexisting sources and in cases where the defendant's work contains original elements as well as ones taken from the plaintiff.]

Learned Hand, Circuit Judge: ...

Borrowed the work must indeed not be, for a plagiarist is not himself pro tanto an "author"; but 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. ...

[T]he plaintiffs' originality is necessarily limited to the variants they introduced. Nevertheless, it is still true that their whole contribution may not be protected; for the defendants were entitled to use, not only all that had gone before, but even the plaintiffs' contribution itself, if they drew from it only the more general patterns; that is, if they kept clear of its "expression." ...

True, much of the picture owes nothing to the play; some of it is plainly drawn from the novel; but that is entirely immaterial; it is enough that substantial parts were lifted; no plagiarist can excuse the wrong by showing how much of his work he did not pirate.

Arnstein v. Porter

154 F.2d 464 (1946)

[The plaintiff, Ira B. Arnstein, alleged that Cole Porter copied numerous songs from him. Arnstein was a serial and vexatious litigant; among his allegations was that Porter "had stooges right along to follow me, watch me, and live in the same apartment with me." The case is more famous for its articulation of the Second Circuit's approach to infringement analysis.]

Frank, Circuit Judge: ...

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.³² 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.³⁵ ...

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 Shostakovich’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. ...

Boisson v. Banian, Ltd.

273 F.3d 262 (2nd Cir. 2001)

Cardamone, Circuit Judge:

Plaintiffs Judi Boisson and her wholly-owned company, American Country Quilts and Linens, Inc., d/b/a Judi Boisson American Country, brought suit in the United States District Court for the Eastern District of New York (Platt, J.), alleging that defendants Vijay Rao and his wholly-owned company Banian Ltd., illegally copied two quilt designs for which plaintiffs had obtained copyright registrations. Following a bench trial, the trial court, in denying the claims of copyright infringement, ruled that defendants’ quilts were

³² Where plaintiff relies on similarities to prove copying (as distinguished from improper appropriation) paper comparisons and the opinions of experts may aid the court.

³⁵ It would, accordingly, be proper to exclude tone-deaf persons from the jury.

not substantially similar to what it deemed were the protectible elements of plaintiffs' works. Plaintiffs have appealed this ruling. Copying the creative works of others is an old story, one often accomplished by the copyist changing or disfiguring the copied work to pass it off as his own. Stealing the particular expression of another's ideas is rightly condemned in the law because pirating the expression of the author's creative ideas risks diminishing the author's exclusive rights to her work, or as a poet said, taking all that she may be or all that she has been.

In reviewing this decision, we find plaintiffs' copyrights cover more elements than were recognized by the trial court, and that though the trial court articulated the proper test when comparing the contested works, its application of that test was too narrow. It failed not only to account for the protectible elements we identify, but also to consider the overall look and feel brought about by the creator's arrangement of unprotectible elements. Hence, we disagree with part of the district court's ruling and find some instances of copyright infringement. The trial court's disposition of those claims must therefore be reversed and remanded for a determination as to what remedies should be awarded.

BACKGROUND

Judi Boisson has been in the quilt trade for over 20 years, beginning her career by selling antique American quilts — in particular, Amish quilts — she purchased in various states throughout the country. By the late 1980s, having difficulty finding antique quilts, she decided to design and manufacture her own and began selling them in 1991 through her company. Boisson published catalogs in 1993 and 1996 to advertise and sell her quilts. Her works are also sold to linen, gift, antique, and children's stores and high-end catalog companies. Various home furnishing magazines have published articles featuring Boisson and her quilts.

In 1991 plaintiff designed and produced two alphabet quilts entitled "School Days I" and "School Days II." Although we later describe the quilts in greater detail, we note each consists of square blocks containing the capital letters of the alphabet, displayed in order. The blocks are set in horizontal rows and vertical columns, with the last row filled by blocks containing various pictures or icons. The letters and blocks are made up of different colors, set off by a white border and colored edging. ...

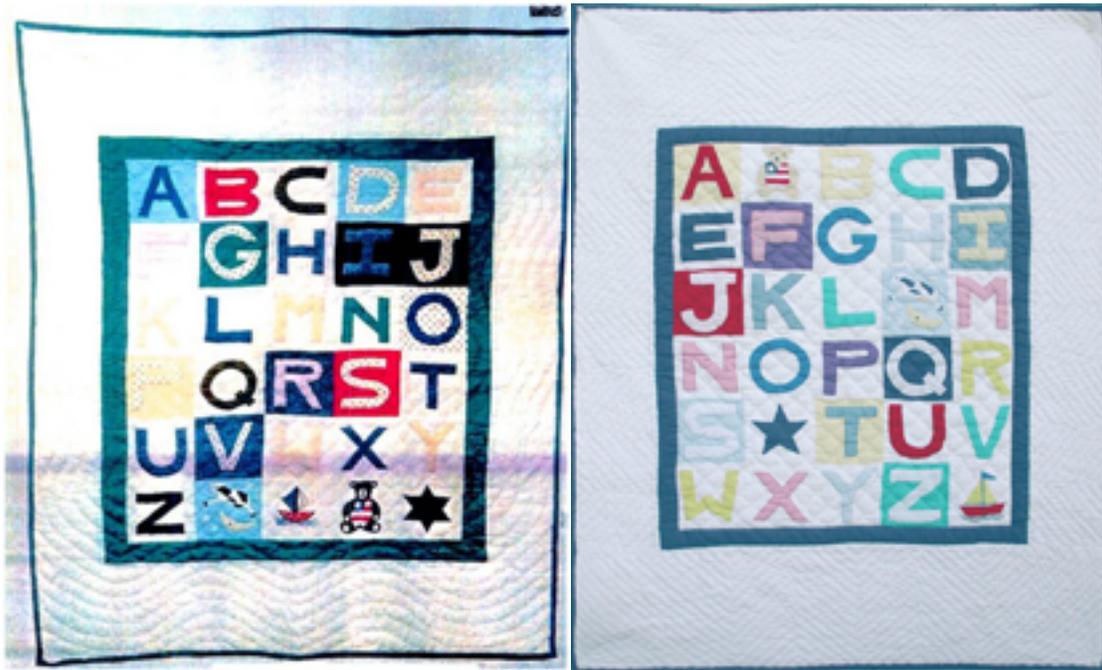
[School Days I]



Defendant Vijay Rao is the president and sole shareholder of defendant Banian Ltd., incorporated in November 1991. Rao is an electrical engineer in the telecommunications industry who became interested in selling quilts in February 1992. To that end, he imported from India each of the three alphabet quilts at issue in this case. He sold them through boutique stores and catalog companies. The first quilt he ordered was “ABC Green Version I,” which he had been shown by a third party. Defendants have not sold this pattern since 1993. “ABC Green Version II” was ordered in September 1994, based upon modifications to “ABC Green Version I” requested by Rao. Defendants reordered this quilt once in April 1995, and then stopped selling it in March 1997. Regarding “ABC Navy,” Rao testified that he designed the quilt himself based upon “ABC Green Version II” and imported finished copies in November 1995. Defendants voluntarily withdrew their “ABC Navy” quilts from the market in November 1998 following the initiation of this litigation.

[ABC Green]

[ABC Navy]



Plaintiffs filed their suit in March 1997 seeking relief from defendants for copyright infringement, false designation of origin and unfair competition. Plaintiffs also alleged causes of action pertaining to a quilt involving a star design, but the parties agreed to dismiss those claims. Defendants counterclaimed against American Country Quilts and Linens for interference with commercial relations.

The district court held a three-day bench trial in October 1999 at which documentary evidence was received and a number of witnesses testified. The witnesses were Boisson; her daughter, who related having seen and photographed one of defendants' alphabet quilts at a trade show; plaintiffs' expert witness, who testified regarding the similarities between plaintiffs' and defendants' quilts; defendant Rao; and defendants' expert witness, who testified as to the history of alphabet quilts. At the conclusion of the trial, the district court dismissed all of plaintiffs' claims, dismissed defendants' counterclaim and denied defendants' motion for attorney's fees in a memorandum and order dated February 14, 2000. Plaintiffs have appealed from the judgment entered February 28, 2000, challenging only that part of the order and judgment that dismissed their copyright infringement claims.

IV SUBSTANTIAL SIMILARITY: ORDINARY OBSERVER V. MORE DISCERNING OBSERVER

Having found that plaintiffs' quilts are entitled to copyright protection and that defendants actually copied at least some elements of plaintiffs' quilts, we turn our analysis to defendants' contention that its quilts were not substantially similar to plaintiffs'. We review *de novo* the district court's determination with respect to substantial similarity because credibility is not at stake and all that is required is a visual comparison of the products — a task we may perform as well as the district court.

Generally, an allegedly infringing work is considered substantially similar to a copyrighted work if “the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same.” *Folio Impressions*, 937 F.2d at 765. Yet in *Folio Impressions*, the evidence at trial showed the plaintiff designer had copied the background for its fabric from a public domain document and “contributed nothing, not even a trivial variation.” 937 F.2d at 764. Thus, part of the plaintiff’s fabric was not original and therefore not protectible. We articulated the need for an ordinary observer to be “more discerning” in such circumstances.

[T]he ordinary observer would compare the finished product that the fabric designs were intended to grace (women’s dresses), and would be inclined to view the entire dress — consisting of protectible and unprotectible elements — as one whole. Here, since only some of the design enjoys copyright protection, the observer’s inspection must be more discerning.

Id. at 765-66. Shortly after *Folio Impressions* was decided, we reiterated that a “more refined analysis” is required where a plaintiff’s work is not “wholly original,” but rather incorporates elements from the public domain. *Key Publ’ns, Inc. v. Chinatown Today Publ’g Enters., Inc.*, 945 F.2d 509, 514 (2d Cir.1991). In these instances, “[w]hat must be shown is substantial similarity between those elements, and only those elements, that provide copyrightability to the allegedly infringed compilation.” In contrast, where the plaintiff’s work contains no material imported from the public domain, the “more discerning” test is unnecessary. In the case at hand, because the alphabet was taken from the public domain, we must apply the “more discerning” ordinary observer test.

In applying this test, a court is not to dissect the works at issue into separate components and compare only the copyrightable elements. To do so would be to take the “more discerning” test to an extreme, which would result in almost nothing being copyrightable because original works broken down into their composite parts would usually be little more than basic unprotectible elements like letters, colors and symbols. This outcome — affording no copyright protection to an original compilation of unprotectible elements — would be contrary to the Supreme Court’s holding in *Feist Publications*.

Although the “more discerning” test has not always been identified by name in our case law, we have nevertheless always recognized that the test is guided by comparing the “total concept and feel” of the contested works. For example, in *Streetwise Maps*, 159 F.3d at 748, we found no infringement — not because the plaintiff’s map consisted of public domain facts such as street locations, landmasses, bodies of water and landmarks, as well as color — but rather “because the total concept and overall feel created by the two works may not be said to be substantially similar.” ...

Likewise, when evaluating claims of infringement involving literary works, we have noted that while liability would result only if the protectible elements were substantially similar, our examination would encompass “the similarities in such aspects as the total concept and feel, theme, characters, plot, sequence, pace, and setting of the [plaintiff’s] books and the [defendants’] works.” *Williams*, 84 F.3d at 588; *see also id.* at 590 (“[A] scattershot approach cannot support a finding of substantial similarity because it fails to address the underlying issue: whether a lay observer would consider the works as a whole substantially similar to one another.”).

In the present case, while use of the alphabet may not provide a basis for infringement, we must compare defendants' quilts and plaintiffs' quilts on the basis of the arrangement and shapes of the letters, the colors chosen to represent the letters and other parts of the quilts, the quilting patterns, the particular icons chosen and their placement. Our analysis of the "total concept and feel" of these works should be instructed by common sense. *Cf. Hamil Am.*, 193 F.3d at 102 (noting that the ordinary observer test involves an examination of "total concept and feel," which in turn can be guided by "good eyes and common sense"). It is at this juncture that we part from the district court, which never considered the arrangement of the whole when comparing plaintiffs' works with defendants'. With this concept in mind, we pass to a comparison of the quilts at issue.

V. COMPARISON

A. "School Days I" v. "ABC Green" Versions

"School Days I" consists of six horizontal rows, each row containing five blocks, with a capital letter or an icon in each block. The groupings of blocks in each row are as follows: A-E; F-J; K-O; P-T; U-Y; and Z with four icons following in the last row. The four icons are a cat, a house, a single-starred American flag and a basket. "ABC Green Version I" displays the capital letters of the alphabet in the same formation. The four icons in the last row are a cow jumping over the moon, a sailboat, a bear and a star. "ABC Green Version II" is identical to "ABC Green Version I," except that the picture of the cow jumping over the moon is somewhat altered, the bear is replaced by a teddy bear sitting up and wearing a vest that looks like a single-starred American flag, and the star in the last block is represented in a different color.

All three quilts use a combination of contrasting solid color fabrics or a combination of solid and polka-dotted fabrics to represent the blocks and letters. The following similarities are observed in plaintiffs' and defendants' designs: "A" is dark blue on a light blue background; "B" is red on a white background; "D" is made of polka-dot fabric on a light blue background; "F" on plaintiffs' "School Days I" is white on a pink background, while the "F" on defendants' "ABC Green" versions is pink on a white background; "G" has a green background; "H" and "L" are each a shade of blue on a white background; "M" in each quilt is a shade of yellow on a white background. "N" is green on a white background; "O" is blue on a polka-dot background; "P" is polka-dot fabric on a yellow background; "Q" is brown on a light background; "R" is pink on a gray/purple background. "S" is white on a red background; "T" is blue on a white background; "U" is gray on a white background; "V" is white on a gray background; "W" is pink on a white background; "X" is purple in all quilts, albeit in different shades, on a light background; "Y" is a shade of yellow on the same light background; and "Z" is navy blue or black, in all the quilts.

Boisson also testified that defendants utilized the same unique shapes as she had given to the letters "J," "M," "N," "P," "R" and "W." With respect to the quilting patterns, "School Days I" and the "ABC Green" versions feature diamond-shaped quilting within the blocks and a "wavy" pattern in the plain white border that surrounds the blocks. The quilts are also edged with a 3/8" green binding.

From this enormous amount of sameness, we think defendants' quilts sufficiently similar to plaintiffs' design as to demonstrate illegal copying. In particular, the overwhelming similarities in color choices lean toward a finding of infringement. *See* 1 Nim-

mer & Nimmer, *supra*, § 2.14, at 2-178.4 (“[S]imilarity of color arrangements may create an inference of copying of other protectible subject matter.”). Although the icons chosen for each quilt are different and defendants added a green rectangular border around their rows of blocks, these differences are not sufficient to cause even the “more discerning” observer to think the quilts are other than substantially similar insofar as the protectible elements of plaintiffs’ quilt are concerned. Moreover, the substitution in “ABC Green Version II” of the teddy bear wearing a flag vest as the third icon causes this version of defendants’ quilt to look even more like plaintiffs’ quilt that uses a single-starred American flag as its third icon. Consequently, both of defendants’ “ABC Green” quilts infringed plaintiffs’ copyright on its “School Days I” quilt.

B. “School Days I” v. “ABC Navy”

We agree with the district court, however, that Rao did not infringe on plaintiffs’ design in “School Days I” when he created “ABC Navy.” While both quilts utilize an arrangement of six horizontal rows of five blocks each, “ABC Navy” does not have its four icons in the last row. Rather, the teddy bear with the flag vest is placed after the “A” in the first row, the cow jumping over the moon is placed after the “L” in the third row, the star is placed after the “S” in the fifth row, and the sailboat is placed after the “Z” in the last row. Further, the colors chosen to represent the letters and the blocks in “ABC Navy” are, for the most part, entirely different from “School Days I.” Defendants dropped the use of polka-dot fabric, and plaintiffs did not even offer a color comparison in their proposed findings of fact to the district court, as they had with each of the “ABC Green” versions. The quilting pattern in the plain white border is changed to a “zig-zag” in “ABC Navy,” as opposed to plaintiffs’ “wavy” design. Finally, although defendants use a binding around the edge of their quilt, in this instance it is blue instead of green.

Looking at these quilts side-by-side, we conclude they are not substantially similar to one another. Just as we rejected defendants’ earlier argument and held that what few differences existed between “School Days I” and the “ABC Green” quilts could not preclude a finding of infringement, plaintiffs’ emphasis on the similarity in style between some of the letters between “School Days I” and “ABC Navy” cannot support a finding of infringement. Because no observer, let alone a “more discerning” observer, would likely find the two works to be substantially similar, no copyright violation could properly be found. ...

CONCLUSION

For the reasons stated above, we affirm the judgment of the district court insofar as it found no infringement on the part of defendants with respect to their “ABC Navy” quilt as compared to plaintiffs’ “School Days I” and “School Days II” quilts and their “ABC Green Version I” and “ABC Green Version II” quilts as compared to plaintiffs’ “School Days II” quilt. We reverse the judgment of the district court with respect to plaintiffs’ remaining claims, and find defendants’ versions I and II of their “ABC Green” quilts infringed on plaintiffs’ “School Days I” quilt. Accordingly, we remand the case to the district court for it to determine the appropriate remedies.

Bee Gees Problem

The following is the court’s statement of facts in *Selle v. Gibb*, 567 F. Supp. 1173 (N.D. Ill 1983):

The plaintiff in this case, Ronald H. Selle, lives in Hazelcrest, Illinois and is an antiques dealer, a part-time musician, a composer of popular songs and religious music. In the fall of 1975, he was a clothing salesman for Carson, Pirie, Scott in Chicago. One morning, as he was shaving, getting ready to go to work, a melody came to his mind; he reduced what had occurred to him to writing. While at work that day, he developed the melody further; and that night, at home, he sat at a piano and completed the song, adding chords to it. By the end of the night, Selle had the song written in notation; thus, its composition was completed within one day. After writing the music, during the following week, he composed the lyrics and reduced the song to its final form. No one assisted him either in composing the music, or in writing the words, or in phrasing the lyrics. He did not copy from any prior musical work or composition. He named his song "Let It End"; and after preparing a lead sheet, he obtained a copyright for it, issued to him by the Copyright Office on November 17, 1975.

At the time Selle composed this song, he had a small band of musicians with whom he played at local engagements. On two or three occasions the band performed "Let It End". Shortly after receiving the copyright, Selle invited his fellow musicians to a studio where the song was tape recorded, with Selle singing the words. Sometime thereafter, within a year or so, Selle caused eleven copies of the tapes and the lead sheet of the music to be sent to eleven music recording and publishing companies. Eight of these returned Selle's materials to him; three did not respond. Selle's song "Let It End" was never reproduced by any music company; it never was recorded by any recording company or artist; the lead sheet to "Let It End" was never published, purchased by or sold to anyone. The only time Selle's song was ever publicly performed was on the two or three occasions his own band played it at a local engagement in the Chicago area.

One day, in May 1978, Selle was working in the yard of his home when he heard a teenager next door playing a stereo cassette rather loudly. Selle thought it was his song "Let It End" that he heard playing, except there "were different words to it and it was a different rendition." When Selle asked the teenager, he was told the song that had attracted his attention was "How Deep Is Your Love", soundtrack music from the well known movie, a box office hit, "Saturday Night Fever." Later, he examined the jacket or container of the cassette and noticed that credit for creating the music he thought was his was claimed by the Bee Gees. A short time afterwards, Selle saw "Saturday Night Fever"; again he heard portions of music he thought was his song "Let It End", but without his lyrics. Paramount Pictures Corporation made and distributed the movie; the other corporate defendant, Phonodisc, Inc., now known as Polygram Distribution, Inc., made and distributed the cassette tape of "How Deep Is Your Love", the accused song.

The Bee Gees are three brothers, Maurice, Robin, and Barry Gibb, who began as a group in 1955 and have become internationally known as musical artists, originators and singers of popular songs. Although they do not read or write music, they have composed more than 160 songs which because of their unique singing and playing style have become popular through public

performances, in the sale and distribution of music sheets, cassette tapes, records, and albums, some of which have sold in excess of 30 million copies. Most of the albums and other musical products of their singing style have been distributed worldwide.

The Bee Gees have performed concerts throughout the United States and in many foreign countries. They have received awards nationally and internationally in recognition of their talent as artists and for the quality of the music they have created and played. Throughout their career of more than 25 years, no one, before this suit was filed, has ever accused them, any one of them, or anyone associated with them, of having appropriated, copied, or plagiarized anyone else's song or composition. And because they do not write music, the Bee Gees employ others who do. When they conceive a song, they use a tape recorder; and after they have put a song on tape, members of their staff prepare from it scores and reduce the composition to a form that can be duplicated for sale, used in obtaining a copyright, and performed publicly by the Bee Gees and others.

In January 1977, the Bee Gees, their wives, and certain members of their staff, together with representatives of music publishing companies, went to a recording studio located in the Chateau d'Herouville near Pontoise, a remote village in France about 25 miles northwest of Paris. They were there "to mix a live album and to write a few songs." Among those with them were Albhy Galuten, Carl Richardson, Derek Blue Weaver, Dennis Brian, Allen Candle, Bee Gees manager Dick Ashby, and Tom Kennedy. The Bee Gees did the album; and they composed six or more new songs. Barry Gibb has described, under oath, the recording session in the French chateau; in most details of his testimony, he has been supported by the testimony of his brothers, Dick Ashby, Albhy Galuten, and Blue Weaver.

Weaver, at the time of the recording session, was employed by the Bee Gees as a musician, a keyboard player, and at times, in production. Late one afternoon in January 1977, just before dinner at the chateau, he was seated at a piano when, he has told the jury, Barry Gibb said to him, "Play me a beautiful chord." Weaver claims, under oath, that he thought "It was our intention to write a ballad." He has sworn that he and Barry Gibb began to throw, back and forth, ideas about a song, with him playing a few chords. He has testified that Barry "would say, 'What was that you just played' and I would play it again. He [Barry Gibb] would say — he would sing a melody note, and I would try and find a corresponding chord to that, until he said, 'Yes, that's a nice one. We will use that.'" In this way, Weaver has said, without anyone in this trial contradicting him, the song "How Deep Is Your Love" was created. Everyone connected with the defendants in this case has sworn, and no contradictory testimony has been offered, that at no time before this musical creation did either Weaver or any of the Bee Gees have access to plaintiff's song "Let It End." The work tape that Weaver and Barry Gibb used to record the initial creation of the accused song has been admitted in evidence. Barry Gibb has testified to the circumstances under which the work tape was made, how his brothers later joined in finishing the accused song; and Weaver has explained

how he found the tape among cassettes he took to London with him early in February 1977 from the recording session at the chateau. By listening to the tape, one can actually hear the voices of Blue Weaver and Barry Gibb; one is admitted into the creative process by which the accused song, according to defendants, was composed.

After completing the accused tape, the Bee Gees, through their staff, caused to be made what in the jargon of their profession is called "a demo tape". This tape, although containing a rendition of "How Deep Is Your Love", has different notes and a melody different from a March 6, 1977 lead sheet of the same song. The demo tape is in the key of E flat, as is the work tape; the lead sheet is in the key of E. A vocal-piano version taken from the demo tape is also in the key of E flat.

On March 7, 1977, a lead sheet of "How Deep Is Your Love" was filed for issuance of a United States copyright. Later in November 1977, a piano-vocal arrangement of the song was filed in the Copyright Office. Other than pointing to the fact that the work tape has an unexplained gap in the beginning, and to differences in the keys of the demo tape, the lead sheet, and the piano-vocal arrangement, plaintiff does not dispute nor contradict any of defendants' evidence concerning their nonaccess to his song or their evidence that in January 1977 in the Chateau d'Herouville in France they independently created "How Deep Is Your Love".

However, to prove his claim that the Bee Gees copied his song, Selle obtained an analytical and comparative study of "Let It End" and defendants' "How Deep Is Your Love" from an expert, Arrand Parsons, a professor of music at Northwestern University and a doctor of philosophy in music theory from that institution. Mr. Parsons has been at Northwestern since 1946; he has held academic positions at that school and others. He is a music theorist; his professional work has been concentrated in classical music. The emphasis of his study has been in harmony, counterpoint, form and analysis, orchestration, and fugue. For some 25 or more years, Mr. Parsons has been a program annotator for the Chicago Symphony Orchestra. He has done the same kind of work at Ravinia, an international musical festival at Highland Park, Illinois. He has also prepared program notes for the New Orleans Symphony Orchestra; he was co-author of a two-volume work on music theory. Mr. Parsons has written articles published in foreign quarterlies whose subjects are contemporary music. He has been an interview commentator for a local fine arts radio station in Chicago concerned with classical music. Prior to his involvement in this case, he has never made a comparative analysis of two popular songs. In this case, he was asked to compare "Let It End" with "How Deep Is Your Love" in order to see what similarities exist between them; his analysis and comparison were based on materials furnished him by plaintiff and his counsel.

Under Mr. Parsons' guidance, graphs and charts were prepared which visually show the notes of the two songs and how they appear when compared with each other. A musical producer in Hollywood, California was employed by the plaintiff, and under Mr. Parsons' directions, the producer and four session musicians made a comparative recording of the two songs. From the materials

furnished by the plaintiff, supplemented by the graphs, charts and the recording, Mr. Parsons gave the jury a detailed explanation of "Let It End" and "How Deep Is Your Love", their similarities in both pitch and rhythm.

According to this expert, the first eight bars of each song (Theme A) have twenty-four notes out of thirty-four and forty notes in plaintiff's and defendants' compositions, respectively, that are identical in pitch and symmetrical positions. Out of thirty-five rhythmic impulses in plaintiff's composition and forty in defendants', thirty are identical. In the last four bars of both songs (Theme B), fourteen notes in each are identical in pitch. Of the fourteen rhythmic impulses in Theme B of both songs, eleven are identical. Finally, both Theme A (the first eight bars) and Theme B (the last four bars) occur in the same position in each composition.

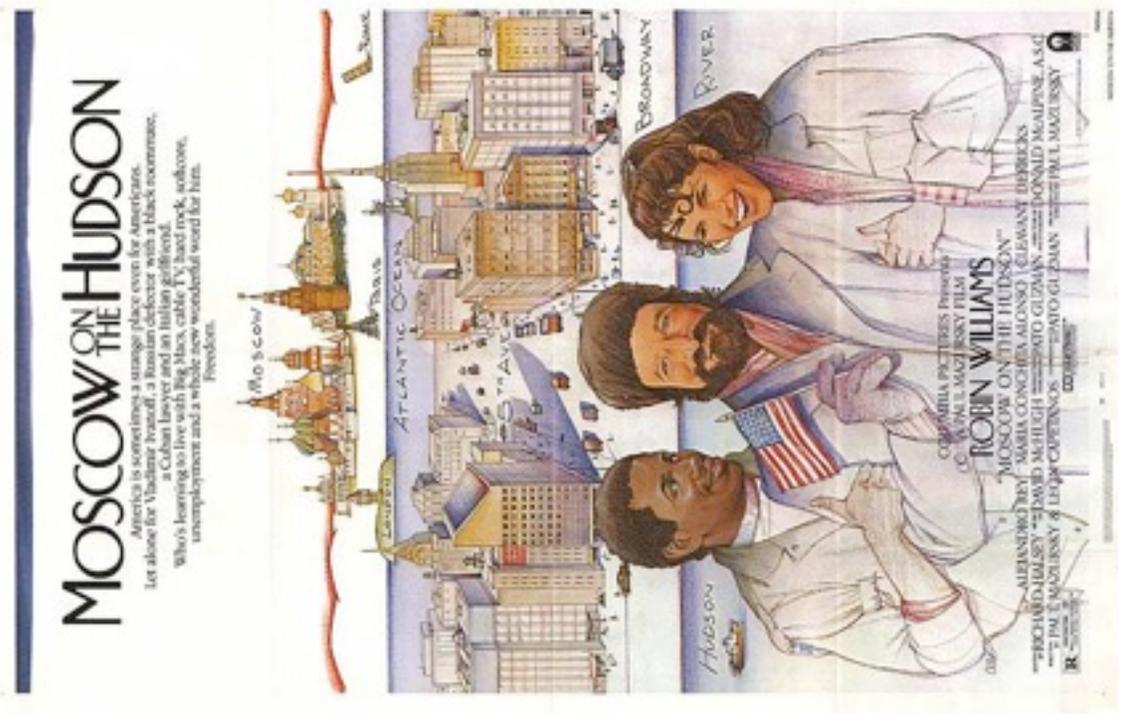
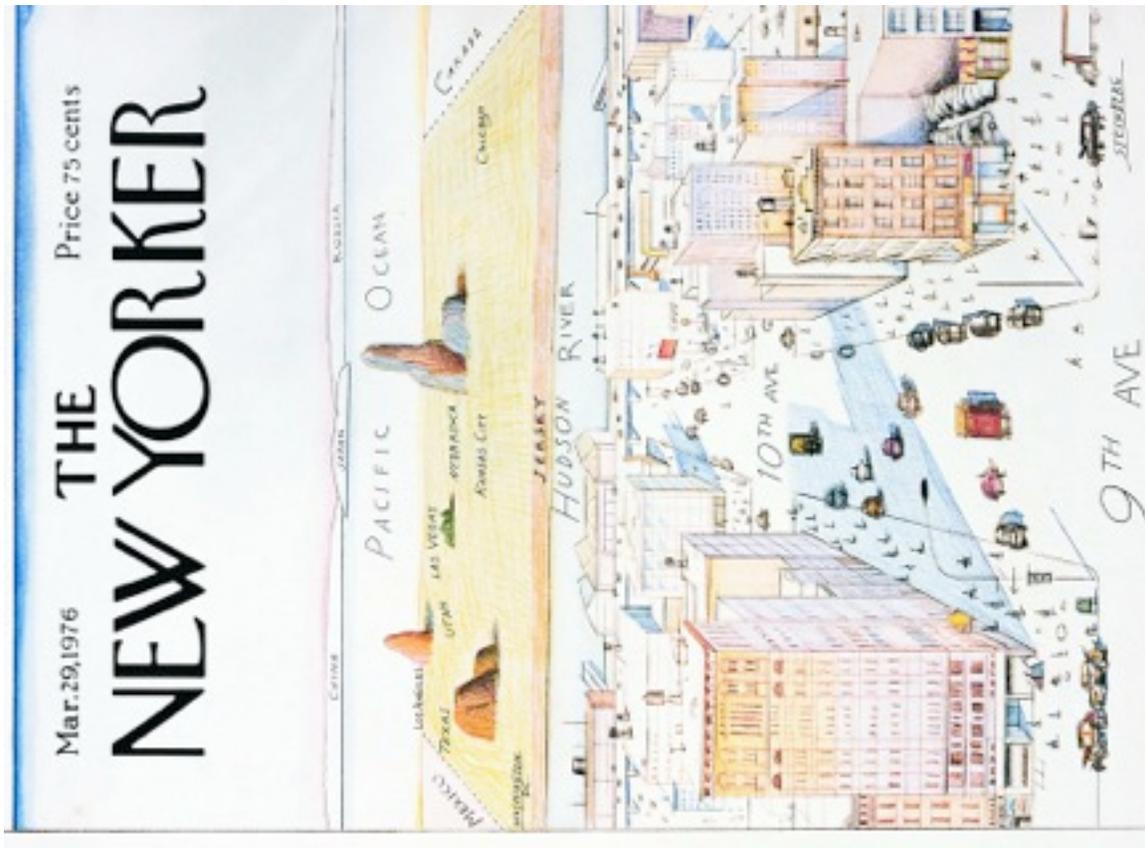
Based on his structural analysis of the two songs, coupled with his detailed analysis of the melodies of Themes A and B in both of them, Mr. Parsons gave his opinion that the two songs could not have been independently created; that they were "strikingly similar." When asked whether he knew of any two musical compositions by two different composers, "that contain as many striking similarities as exist between Ronald Selle's song 'Let It End' and the Bee Gees song, 'How Deep Is Your Love'", Mr. Parsons answered, "I do not." But on several occasions he refused the opportunity to say that the similarities between plaintiff's and the accused song could only have come from copying. No expert testified for defendants.

Maurice Gibb was then called by the plaintiff as an adverse party witness. He was asked whether he had given a deposition in this case during which a tape containing an example of music had been played. Gibb acknowledged that there had been such an occasion. The same tape was then played; Gibb was asked could he "identify that example as being from any piece of music that you are familiar with?" He said he could. When asked, "And what is that?" Gibb answered, "I believe that's 'How Deep Is Your Love.' Yes, I'm sure its 'How Deep Is Your Love.'" Counsel for the plaintiff then read a stipulation of the parties that the music which had been played to Maurice Gibb was "the melody of Theme B, the first two phrases of Ronald Selle's 'Let It End.'" Plaintiff rested his case in chief. Defendants put on their defense. They did not call an expert witness to testify.

The jury returned a general verdict of infringement in favor of the plaintiff, Selle, but the District Court judge entered judgment notwithstanding the verdict for the defendants, and the Court of Appeals affirmed. Who was right: the jury or the judges? You may, if you want, listen to the [plaintiff's](#) and [defendants'](#) songs. (Should you?)

New Yorker Problem

Below you will find a cover from the *New Yorker* and a poster for the movie *Moscow on the Hudson*. The copyright owners of the former have sued the producers of the latter for copyright infringement. You are the judge assigned to the case, which you have conducted as a bench trial by the consent of the parties. The defendants concede access. Write the portion of your opinion finding substantial similarity or the lack thereof. Be as specific as you can.



Children's Book Problem

You are law clerk to a judge hearing a copyright infringement case. that the plaintiff's work is a children's book, and that the allegedly infringing work is a G-rated animated movie. The defendant admits that the plaintiff's book was widely distributed but denies having copied from it, and argues that any resemblance is coincidental or the result including stock plot elements in children's literature, like magical talking animals. The plaintiff has offered an expert witness who has made a chart of 83 alleged similarities; the defendant has offered an expert witness who will testify that the book primarily appeals to "verbally oriented" children aged 9-11, while the movie primarily appeals to "visually oriented" children aged 6-8.

Will you restrict the jury pool to children? To parents? What special instructions, if any, will you give the jury regarding its task of assessing similarity? Will you allow the plaintiff's expert to testify? The defendant's? If you allow either of them to testify, what will you instruct the jury regarding the relevance of the opinions they offer? How will you allow the parties to present the works to the jury during the trial? Will you allow the jury to have copies of the book and a DVD of the movie with them during deliberations?

II. PROHIBITED CONDUCT

Readings

- 17 U.S.C. §§ 106, 101 ("copies," "display," "derivative work," "perform," "publicly," "transmit"), 109(a), 109(c)
- Casebook §§ 4.IV.B and .C (*Cellco*)

UMG Recordings, Inc. v. Augusto

628 F. 3d 1175 (9th Cir. 2011))

Canby, Circuit Judge: ...

The material facts of the case are undisputed. UMG is among the world's largest music companies. One of its core businesses is the creation, manufacture, and sale of recorded music, or phonorecords, the copyrights of which are owned by UMG. These phonorecords generally take the form of compact discs ("CDs").

Like many music companies, UMG ships specially-produced promotional CDs to a large group of individuals ("recipients"), such as music critics and radio programmers, that it has selected. There is no prior agreement or request by the recipients to receive the CDs. UMG does not seek or receive payment for the CDs, the content and design of which often differs from that of their commercial counterparts. UMG ships the promotional CDs by means of the United States Postal Service and United Parcel Service. Relatively few of the recipients refuse delivery of the CDs or return them to UMG, and UMG destroys those that are returned.

Most of the promotional CDs in issue in this case bore a statement (the "promotional statement") similar to the following:

This CD is the property of the record company and is licensed to the intended recipient for personal use only. Acceptance of this CD shall constitute an agreement to comply with the terms of the license. Resale or transfer of possession is not allowed and may be punishable under federal and state laws.

Some of the CDs bore a more succinct statement, such as “Promotional Use Only—Not for Sale.”

Augusto was not among the select group of individuals slated to receive the promotional CDs. He nevertheless managed to acquire numerous such CDs, many of which he sold through online auctions at eBay.com. Augusto regularly advertised the CDs as “rare ... industry editions” and referred to them as “Promo CDs.”

After several unsuccessful attempts at halting the auctions through eBay’s dispute resolution program, UMG filed a complaint against Augusto in the United States District Court for the Central District of California, alleging that Augusto had infringed UMG’s copyrights in eight promotional CDs for which it retained the “exclusive right to distribute.” The district court granted summary judgment in favor of Augusto, and UMG appealed. We have jurisdiction of the appeal pursuant to 28 U.S.C. § 1291. ...

To establish a *prima facie* case of copyright infringement, a plaintiff must show (1) ownership of a valid copyright and (2) violation by the alleged infringer of at least one of the exclusive rights granted to copyright owners by the Copyright Act (the “Act”). Section 106 of the Act grants copyright owners, such as UMG, the exclusive right, among others, “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership.” 17 U.S.C. § 106(3); *see id.* § 501(a) (“Anyone who violates any of the exclusive rights of the copyright owner as provided by section[] 106 ... is an infringer of the copyright....”). The district court held that UMG made out a *prima facie* case of copyright infringement: UMG established that it owned the copyright to the promotional CDs and Augusto sold the CDs without UMG’s permission.

Although UMG, as the owner of the copyright, has exclusive rights in the promotional CDs, “[e]xemptions, compulsory licenses, and defenses found in the Copyright Act narrow [those] rights.” *Wall Data Inc. v. Los Angeles Cnty. Sheriff’s Dept.*, 447 F.3d 769, 777 (9th Cir. 2006). Augusto invokes the “first sale” doctrine embodied in § 109(a) of the Act. 17 U.S.C. § 109(a). He argues that the circumstances attending UMG’s distribution of the discs effected a “sale” (transfer of ownership) of the discs to the original recipients and that, under the “first sale” doctrine, the recipients and subsequent owners of those particular copies were permitted to sell or otherwise dispose of those copies without authorization by the copyright holder.

In the alternative, Augusto argues that the original recipients were entitled to treat the CDs as gifts under the Unordered Merchandise Statute, enacted as part of the Postal Reorganization Act of 1970, and therefore had “the right to retain, use, discard, or dispose of [them] in any manner [they saw] fit,” in this case, by selling those CDs to the thrift shops and second-hand stores where Augusto states he purchased them. *See* 39 U.S.C. § 3009(a), (b) (2006); *see also* Postal Reorganization Act of 1970, Pub.L. No. 91-375, 84 Stat. 719 (codified at 39 U.S.C. § 101).

UMG, on the other hand, contends that the promotional statement effected a license with the recipients and, because the recipients were not owners but licensees of the CDs, neither they nor Augusto were entitled to sell or otherwise transfer the CDs.

The first sale doctrine provides that “the owner of a particular copy or phonorecord lawfully made under [the Act], 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). Notwithstanding its distinctive

name, the doctrine applies not only when a copy is first sold, but when a copy is given away or title is otherwise transferred without the accouterments of a sale. The seminal illustration of the principle is found in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908), where a copyright owner unsuccessfully attempted to restrain the resale of a copyrighted book by including in it the following notice: “The price of this book at retail is \$1 net. No dealer is licensed to sell it at a less price, and a sale at less price will be treated as an infringement of the copyright.” The Court noted that the statutory grant to a copyright owner of the “sole right of vending” the work did not continue after the first sale of a given copy.. “The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it.” The attempt to limit resale below a certain price was therefore held invalid.

The rule of *Bobbs-Merrill* remains in full force, enshrined as it is in § 109(a) of the Act: a copyright owner who transfers title in a particular copy to a purchaser or donee cannot prevent resale of that particular copy. We have recognized, however, that not every transfer of possession of a copy transfers title. Particularly with regard to computer software, we have recognized that copyright owners may create licensing arrangements so that users acquire only a license to use the particular copy of software and do not acquire title that permits further transfer or sale of that copy without the permission of the copyright owner. Our most recent example of that rule is *Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010). Others are [citing cases]. All of these cases dealt with the question whether arrangements with consumers amounted to sales of copies, or succeeded in awarding only licenses. They recognized that the mere labeling of an arrangement as a license rather than a sale, although it was a factor to be considered, was not by itself dispositive of the issue.

The same question is presented here. Did UMG succeed in creating a license in recipients of its promotional CDs, or did it convey title despite the restrictive labeling on the CDs? We conclude that, under all the circumstances of the CDs’ distribution, the recipients were entitled to use or dispose of them in any manner they saw fit, and UMG did not enter a license agreement for the CDs with the recipients. Accordingly, UMG transferred title to the particular copies of its promotional CDs and cannot maintain an infringement action against Augusto for his subsequent sale of those copies.

Our conclusion that the recipients acquired ownership of the CDs is based largely on the nature of UMG’s distribution. First, the promotional CDs are dispatched to the recipients without any prior arrangement as to those particular copies. The CDs are not numbered, and no attempt is made to keep track of where particular copies are or what use is made of them. As explained in greater detail below, although UMG places written restrictions in the labels of the CDs, it has not established that the restrictions on the CDs create a license agreement.

We also hold that, because the CDs were unordered merchandise, the recipients were free to dispose of them as they saw fit under the Unordered Merchandise Statute, 39 U.S.C. § 3009, which provides in pertinent part that,

(a) [e]xcept for ... free samples clearly and conspicuously marked as such,... the mailing of unordered merchandise... constitutes an unfair method of competition and an unfair trade practice....

(b) Any merchandise mailed in violation of subsection (a) of this section ... may be treated as a gift by the recipient, *who shall have the right to retain, use, discard, or dispose of it in any manner he sees fit without any obligation whatsoever to the sender.* ...

Id. § 3009(a), (b) (emphasis added). The statute defines “unordered merchandise” as “merchandise mailed without the prior expressed request or consent of the recipient” but leaves “merchandise” itself undefined. *Id.* § 3009(d). Although the statute applies in terms to “mailed” merchandise, the Federal Trade Commission has applied its prohibitions to other types of shipment, as violations of § 5 of the Federal Trade Commission Act, 15 U.S.C. § 45. *See* 43 Fed.Reg. 4113 (Jan. 31, 1978).

Augusto attempts to invoke this statute directly in his defense, but the statute in terms confers rights only on recipients of unordered merchandise. Augusto does not contend that UMG shipped the promotional CDs to him, nor does he show that any of his sources in fact treated the CDs as gifts. The significance of the Unordered Merchandise Statute is not that it applies to Augusto, but that it confers on the recipients the “right to retain, use, discard, or dispose of [the CDs] in any manner that [they] see[] fit, without obligation to the sender,” UMG. 39 U.S.C. § 3009(b). This provision is utterly inconsistent with the terms of the license that UMG sought to impose on the recipients. Because the statute grants to the recipients the right to treat the CDs as their own, shipping the unordered CDs to the recipients rendered the recipients owners, not licensees, of the CDs for purposes of the first sale defense. This effect of the Unordered Merchandise Statute distinguishes this case from those involving computer software, where the software consumers clearly ordered and paid for the software licensed to them. ...

There are additional reasons for concluding that UMG’s distribution of the CDs did not involve a consensual licensing operation. Some of the statements on the CDs and UMG’s purported method of securing agreement to licenses militate against a conclusion that any licenses were created. The sparsest promotional statement, “Promotional Use Only—Not for Sale,” does not even purport to create a license. But even the more detailed statement is flawed in the manner in which it purports to secure agreement from the recipient. The more detailed statement provides:

This CD is the property of the record company and is licensed to the intended recipient for personal use only. Acceptance of this CD shall constitute an agreement to comply with the terms of the license. Resale or transfer of possession is not allowed and may be punishable under federal and state laws.

It is one thing to say, as the statement does, that “acceptance” of the CD constitutes an agreement to a license and its restrictions, but it is quite another to maintain that “acceptance” may be assumed when the recipient makes no response at all. This record reflects no responses. Even when the evidence is viewed in the light most favorable to UMG, it does not show that any recipients agreed to enter into a license agreement with UMG when they received the CDs.

Because the record here is devoid of any indication that the recipients agreed to a license, there is no evidence to support a conclusion that licenses were established under the terms of the promotional statement. Accordingly, we conclude that UMG’s transfer of possession to the recipients, without meaningful control or even knowledge of the status of the CDs after shipment, accomplished a transfer of title. ...

The district court based its decision in favor of Augusto in part on somewhat different grounds from those we have adopted. The district court first held that the licensing language in the detailed promotional statement did not create a license because it lacked any provision for UMG to regain possession of the CDs. In this ruling, the district court relied upon our decision in *United States v. Wise*. In *Wise*, we dealt with several contracts, each denominated as a license, by which motion picture studios conveyed films to various recipients.

The issue was whether any of these licenses actually constituted a sale for purposes of the first sale doctrine. We held all but one of the conveyances to be licenses, pointing out that they were designated as licenses, reserved title in the studio, and provided for return or destruction of the prints after use. We held one purported license to be a sale, however, because in addition to the payment of a “cost” price (which did not alone establish a sale), there was no provision for return of the print to the studio; permanent possession was granted to the recipient.

Return of possession is not invariably required in a license, however. We have since read *Wise* and our software licensing cases

to prescribe three considerations that we may use to determine whether a software user is a licensee, rather than an owner of a copy. First, we consider whether the copyright owner specifies that a user is granted a license. Second, we consider whether the copyright owner significantly restricts the user’s ability to transfer the software. Finally, we consider whether the copyright owner imposes notable use restrictions.

Vernor, 621 F.3d at 1110-11.

This formulation, however, applies in terms to software users, and software users who order and pay to acquire copies are in a very different position from that held by the recipients of UMG’s promotional CDs. As we have already explained, UMG has virtually no control over the unordered CDs it issues because of its means of distribution, and it has no assurance that any recipient has assented or will assent to the creation of any license or accept its limitations. UMG also does not require the ultimate return of the promotional CDs to its possession. Although the failure to require return of the CDs may not, by itself, conclusively establish a sale under our precedent, it is one more indication that UMG had no control over the promotional CDs once it dispatched them. UMG thus did not retain sufficient incidents of ownership over the promotional copies to be sensibly considered the owner of the copies.

Because we conclude that UMG’s method of distribution transferred the ownership of the copies to the recipients, we have no need to parse the remaining provisions in UMG’s purported licensing statement; UMG dispatched the CDs in a manner that permitted their receipt and retention by the recipients without the recipients accepting the terms of the promotional statements. UMG’s transfer of unlimited possession in the circumstances present here effected a gift or sale within the meaning of the first sale doctrine, as the district court held. . . .

DVR in the Cloud Problem

The Knowledge Channel (NYSE: KNOW) is a cable channel that airs a wide range of award-winning documentaries and reality programming. They have retained your

firm as litigation counsel for a suit against Cableopolis, a cable television operator in eight states in the Midwest.

Approximately eight months ago, Cableopolis announced a new feature. For \$19.99 a month, its cable customers could subscribe to Re:Watch, a new “virtual VCR.” The way it works from the customer’s point of view is that at any point while watching live TV (or by setting a time in advance), the customer can push a “record” button on her remote control. When she does, Cableopolis immediately begins storing the video and audio of the specified channel to a hard drive in one of its regional offices. (Each customer is assigned a personal hard drive, which no one else has access to. If six customers, say, want to record the same program, Cableopolis will record it to all six of the hard drives assigned to them.)

Later, the customer can use the Re:Watch menus to select a previously recorded program. When she does, Cableopolis immediately begins streaming the video from the hard drive assigned to her, to the cable box on top of her TV set, which plays the program she previously asked to record. The set-top box stores ten seconds of the video at a time in a “buffer”; as the video is played for the customer, that portion of the buffer is emptied and made available for more video to be added to the buffer. (The buffer ensures that playback will continue to be smooth even if the connection is temporarily interrupted.)

When it heard about Re:Watch, The Knowledge Channel took the position that it would lead to copyright infringement of its original programming. While The Knowledge Channel was open to negotiating permission, for an additional fee to be agreed upon, Cableopolis flatly refused. Negotiations have broken down, and The Knowledge Channel intends to file suit against Cableopolis.

You have been asked to draft the complaint. Which theories of infringement will you include? For each theory of infringement, identify the exclusive right in question and the acts giving rise to liability. Are there any affirmative defenses you expect Cableopolis to raise in response to particular theories? (Hint: work slowly and carefully. The problem touches on almost every doctrine in the readings for this section.)

III. SECONDARY LIABILITY

Readings

- 17 U.S.C. § 512(c)
- 17 U.S.C. § 1201(a)(1)(A)
- Casebook § 4.VII (*Fonovisa, Sony, Grokster*) (secondary liability)

DVR in the Cloud Problem, Revisited

Consider again the DVR in the Cloud problem, this time with an eye on secondary liability. Are Cableopolis’s users direct infringers? If so, of which of the exclusive rights? And, most importantly, if the users infringe, is Cableopolis secondarily liable? Be sure to consider vicarious, contributory, and inducement liability.

E. DEFENSES

Readings

Casebook § 4.V (*Campbell, Harper and Row*)

Casebook § 4.VI (*Sony* only)

Fair Use Checklist

The four fair use factors are a checklist of questions to ask about the facts in a given case, not a majority vote. As you see from the readings, they interrelate, and they are not all of equal importance. I find it helpful to break the factors down into a slightly more detailed checklist:

Factor one ("purpose and character of the [defendant's] use"):

- Is the use for criticism, comment, or another use specifically mentioned in the flush text at the start of section 107?
- Is the use commercial or noncommercial?
- Is the use transformative?

Factor two ("nature of the [plaintiff's] copyrighted work"):

- Is the work primarily informational or primarily expressive?
- Is the work published or unpublished?

Factor three ("amount and substantiality of the portion used"):

- How much did the defendant copy quantitatively from the plaintiff's work?
- How qualitatively important were the copied portions to the plaintiff's work?*
- How extensive was the defendant's copying in light of any proffered justifications?

Factor four ("effect of the use upon the potential market"):

- What is the relevant market, and is it one the plaintiff can legitimately claim a right to?
- Did the plaintiff suffer losses because the defendant's work substituted for her own, or from some other reason?

Miscellaneous:

- Did the defendant give appropriate attribution to the plaintiff's work as a source?
- Did either party engage in any dishonest or illegal conduct that bears directly on the copying?
- Is there anything else significant in the facts not already accounted for?†

Chicago HOPE Problem

Compare Shepard Fairey's famous Obama "HOPE" poster with the photograph he used as a starting point. Assume that the photograph's copyright is owned by the Associated Press, which used it to illustrate a news story about a campaign event and then of-

* Why the plaintiff's work and not the defendant's?

† This should be rare; if something seems relevant, ask again where else it might fit in.

ferred it for licensing through a stock photography bureau. Assume further that Fairey created the poster to support Obama, that he then licensed it for free to the Obama campaign, that the campaign has given out tens of thousands of prints to supporters and it has been distributed widely for free online. And finally, note that Fairey became significantly more famous as a result of the poster and the publicity it received, and that he initially lied under oath in trying to conceal the fact that he had used the photograph as a source. Fair use?



Literally Unbelievable Problem

Watch the [Literal Video Version](#) of Total Eclipse of the Heart. Compare it with the [official version](#). Fair use?

4. TRADEMARK

A. SUBJECT MATTER

I. DISTINCTIVENESS: IN GENERAL

Readings

- Casebook §§ 5.I.A and 5.I.B (*Zatarain's*)

Drug Stamps Problem

Drug dealers in many cities sell heroin in single-dose bags for about \$10. Frequently, the bags are labeled with a “stamp”: a phrase, image, or both. Stamps include EXORCIST, FLATLINE, and GET HIGH OR DIE TRYING (this last one is laced with fentanyl). Fans of *The Wire* may remember PANDEMIC, WMD, and RED TOPS, among others. Why would drug dealers mark their bags in this way? What functions do the stamps serve? Does it matter whether these are legally enforceable trademarks?

II. DISTINCTIVENESS: SPECIAL CASES

Readings

- Lanham Act § 2. These are limitations on *federal* trademark protection. Some of them (e.g. generic marks) have parallels in state law; others (e.g. scandalous marks) do not.

David B. Findlay, Inc. v. Findlay

18 N.Y.2d 12 (1966)

Keating, Judge:

When should a man's right to use his own name in his business be limited? This is the question before us.

The individual plaintiff David B. Findlay (“David”) and the individual defendant Walstein C. Findlay (“Wally”) are brothers. The Findlay art business was founded in 1870 by their grandfather in Kansas City. Their father continued and expanded the business with a Chicago branch managed by Wally and a New York branch established and managed by David on East 57th Street. In 1936 the Kansas City gallery was closed and in 1938, after a dispute, the brothers separated. By agreement David, as president of Findlay Galleries, Inc., and owner of nearly all of the stock of the original Missouri corporation, sold to Wally individually the Chicago gallery and allowed Wally to use the name “Findlay Galleries, Inc.” in the conduct of his business in Chicago. Wally organized an Illinois corporation under the name “Findlay Galleries, Inc.” in 1938 and has since operated his Chicago gallery. He also opened, in 1961, a Palm Beach, Florida, gallery.

David, since the separation, has operated his gallery on East 57th Street in Manhattan. For many years he has conducted his business on the second floor of 11-13 East 57th Street.

In October, 1963, Wally purchased the premises at 17 East 57th Street and informed David of his plans to open an art gallery. David objected to Wally's use of the name "Findlay" on 57th Street and by letter announced he would "resist any appropriation by you in New York of the name Findlay in connection with a gallery * * * any funds spent by you to establish a gallery at 17 East 57th Street under the name Findlay Galleries, Inc. (or any variation thereof using the name Findlay) are spent at your peril." David also, in self-defense and in an effort to survive, rented additional space at 15 East 57th Street so as to have a street level entrance.

David's objections and pleas seemed to have some effect on Wally. As renovation on the building was carried on from October, 1963 to September, 1964, a large sign proclaimed the coming opening of "W. C. F. Galleries, Inc." There was also a display and listing in the New York Telephone directory under the same name and similar advertisements in other publications. However, in September, 1964 the sign was suddenly changed to announce the imminent opening of "Wally Findlay Galleries" affiliated with "Findlay Galleries, Inc." David immediately sought an injunction. Wally went ahead with his opening and erected a sidewalk canopy from the curb to the building displaying the name "Wally Findlay Galleries."

The trial court made very detailed findings and, based on them, enjoined defendant from using the names "Wally Findlay Galleries", "Findlay Galleries" and any other designation including the name "Findlay" in the conduct of an art gallery on East 57th Street. The Appellate Division has affirmed on the trial court's findings and we find evidence to sustain them.

The trial court concluded that if injunctive relief were not granted, plaintiff would continue to be damaged by confusion and diversion and would suffer great and irreparable loss in his business and in his name and reputation. In his quarter of a century on East 57th Street David has established a valuable good will and reputation as an art dealer. Through hard work, business ability and expenditure of large sums of money, David has reached the level where a significant portion of his business comes from people who have been referred to him by others and told to go to "Findlay's on 57th St."

The effect of Wally's new gallery, with its long canopy, can only be that those looking for "Findlay's on 57th St." will be easily confused and find their way into Wally's rather than David's gallery. Though Wally perhaps did not deliberately set out to exploit David's good will and reputation, the trial court found, and we agree, that such a result would follow if Wally were permitted to operate a gallery under the name "Wally Findlay Galleries" next door to David.

There were numerous instances of people telephoning or asking at David's for personnel of Wally's or for art work exhibited at Wally's. Many regular customers congratulated David on the opening of "his" new gallery next door. Moreover, advertisements frequently appeared on the same pages of the local press for "Findlay Galleries", "Findlay's", or "Wally Findlay Galleries" thus making it very difficult to tell whose advertisement it was. Even the art editors and reporters referred to Wally as "Findlay Galleries" — the name used for many years by David — or as "the new Findlay Gallery."

It is apparent that confusion has and must result from Wally's opening next to David. This is compounded by the fact that both brothers have for years specialized in French impressionist and post-impressionist painters. Therefore, quite naturally, both

brothers have in the past dealt in the works of such famous deceased painters as Modigliani, Degas, Renoir, Gauguin, Bonnard, Braque, Monet and many others.

Although someone seeking a Renoir from David is unlikely to purchase a Degas from Wally, it *is* likely that with respect to some of the lesser-known impressionists such diversion might happen. More important, someone wishing to own a nude by Modigliani, a dancer by Degas or a portrait of a girl by Renoir would not necessarily have a particular painting in mind and would likely purchase any of these species, whether it be in Wally's or David's. The items sold by the two brothers are not unique, nonsubstitutional works.

Moreover, art, particularly modern art, is sold only to those who see it. Works of art are sold to those who cross the threshold of the art gallery and the more people you get into your gallery, the more art you will sell. To this end David has worked hard to develop the name "Findlay's on 57th St." and bring in customers. Many people who have the finances to purchase art do not necessarily have the knowledge to distinguish between the works of all the various painters represented by galleries such as Wally's or David's. For this reason they rely on the reputation of the gallery. David has spent over 25 years in developing satisfied customers who will tell others to go to "Findlay's on 57th St." This good will brings in customers who look for a work of art that suits their fancy and, if Wally were to continue to use the name Findlay, it is inevitable that some would walk into Wally's by mistake and would have their tastes satisfied there, to David's great harm.

The so-called "sacred right" theory that every man may employ his own name in his business is not unlimited. Moreover, fraud or deliberate intention to deceive or mislead the public are not necessary ingredients to a cause of action.

The present trend of the law is to enjoin the use even of a family name when such use tends or threatens to produce confusion in the public mind. Whether this confusion should be satisfied by misplaced phone calls or confusing advertisements alone we do not decide because there has been a finding that diversion, as well as confusion, will exist if Wally is not enjoined. Thus it is clear that the "confusion" with which we are dealing includes impairment of good will of a business.

In *Meneely v. Meneely* (62 N.Y. 427) this court noted that one can use his own name provided he does not resort to any artifice or contrivance for the purpose of producing the impression that the establishments are identical, or do anything calculated to mislead the public.

Thirty-five years later, we noted that, as a general principle of law, one's name is his property and he is entitled to its use. However, it was equally a principle of law that no man can sell his goods as those of another. "He may not through unfairness, artifice, misrepresentation or fraud injure the business of another or induce the public to believe his product is the product of that other." (*World's Dispensary Med. Assn. v. Pierce*, 203 N.Y. 419, 424.)

Ryan & Son v. Lancaster Homes (15 N Y 2d 812, affg. 22 A D 2d 186) is distinguishable from the present case because there was lacking in *Ryan* the crucial finding that in the absence of relief plaintiff would be damaged by confusion and diversion. There was no real competition between the two businesses. Again, unlike the instant case where "Findlay's on 57th St." is synonymous in New York City with quality art galleries, "Homes by Ryan" had not become a trade name with a secondary meaning. The court reviewed the law and cited the rule in *Meneely*. "This rule has been qualified, as we have said, only to

the extent that use of a family name will be restricted where such use tends or threatens to induce confusion in the public mind”.

In the present case Wally knew that David had conducted his business and built a reputation under the names “Findlay Galleries” and “Findlay’s on 57th St.” and that many years of effort and expenses had gone into promoting the name of “Findlay” in the art business on 57th Street. He also knew that people would come into his gallery looking for “Findlay Galleries” and even instructed his employees on this matter before he opened. Nonetheless he opened his gallery next door to David dealing in substantially similar works and using the name Findlay. The *bona fides* of Wally’s intentions do not change the applicable principles. The objective facts of this unfair competition and injury to plaintiff’s business are determinative, not the defendant’s subjective state of mind. Wally’s conduct constituted unfair competition and an unfair trade practice, and it is most inequitable to permit Wally to profit from his brother’s many years of effort in promoting the name of “Findlay” on 57th Street. Wally should use any name other than “Findlay” in the operation of his business next door to his brother.

In framing its injunction the trial court went no farther than was necessary to avoid the harm threatened. It prevented the use of the name Findlay but limited this to the particular area in which its use would cause confusion and diversion — East 57th Street. It resolved the conflict with as little injury as possible to Wally. The proof showed and the trial court found that many, if not most of the leading art galleries, are now located on Madison Avenue and in the area of the 60’s, 70’s and 80’s in New York City. Wally could probably have found an appropriate place for his New York gallery other than at 17 East 57th Street and can now either find such another location or remain where he is under some name such as “W. C. F. Galleries”.

The decision in this case is in accord with the directions of our court: “The defendant has the right to use his name. The plaintiff has the right to have the defendant use it in such a way as will not injure his business or mislead the public. Where there is such a conflict of rights, it is the duty of the court so to regulate the use of his name by the defendant that, due protection to the plaintiff being afforded, there will be as little injury to him as possible.” (*World’s Dispensary Med. Assn. v. Pierce, supra*, p. 425.)

The order of the Appellate Division should be affirmed, with costs.

Burke, Judge, dissenting:

This court decided in *Meneely v. Meneely* (62 N.Y. 427, 431-432) more than 90 years ago — and the rule, well settled then, has been consistently followed ever since — that “every man has the absolute right to use his own name in his own business, even though he may thereby interfere with or injure the business of another person bearing the same name, provided he does not resort to any artifice or contrivance for the purpose of producing the impression that the establishments are identical, or do anything calculated to mislead. Where the only confusion created is that which results from the similarity of the names the courts will not interfere. A person cannot make a trade mark of his own name, and thus obtain a monopoly of it which will debar all other persons of the same name from using their own names in their own business.”

In the case before us, there is not the slightest support for any claim of dishonesty or deceit, not the slightest suggestion of a design on the part of the defendant to defraud

or mislead the public or to palm off his business as that of his brother.* And this was the view of the Trial Judge below who granted the injunction solely on the strength of the possible confusion which would result from the defendant's use of his own name. Thus, declaring that he did "not believe that Wally set out to deliberately exploit this good will and business reputation of the plaintiffs" (47 Misc 2d 649, 652), the Judge specifically ruled that it was immaterial "whether defendant *intended* to confuse and mislead, if in fact, his conduct tends or threatens to produce confusion." (47 Misc 2d, p. 656; italics supplied.)

As the decisions cited above establish, proof of confusion — understandably inevitable when there is a similarity of name — is irrelevant since confusion resulting from the honest use of one's own name is not actionable. This is especially appropriate in a case such as this, where the patrons or customers of the plaintiff and the defendant are discriminating and knowledgeable people usually intent on acquiring a particular work of art, people ordinarily fully aware that a desired painting or other work of art can be purchased only at a particular gallery and not apt to be misled into buying by a similarity of dealers' names. Too, the evidence of confusion which, as stated, is the predicate for the injunction in this case — telephone calls to the wrong gallery, misdeliveries, visitors seeking paintings in one gallery exhibited at the other — is not unlike that presented in *Wholesale Serv. Supply Corp. v. Wholesale Bldg. Materials Corp.* and there held to be insufficient to justify the issuance of an injunction.

Moreover, there is no proof in this case of any actual damage suffered by plaintiff and in this respect it is similar to the *Ryan* case in which this court decided that there must be shown, if not deception or palming off, at least real and substantial confusion *plus* damage resulting therefrom.

No such damage appears here although plaintiff seems mostly to fear that its reputation may in the end be somewhat diminished. The *Ryan* rationale is thus directly in point. Plaintiff seems to fear not present damage but damage in the future. It has proved no financial loss at all, shown no injury whatsoever; it has produced no customer or anyone else to testify that he was confused between the two galleries.

Despite the finding of no deceit and in the face of a claim of confusion far weaker than that proven in the cases to which we have referred, the court now refuses to apply the rule of law observed for over a century. The exception rests apparently on the singular circumstance that this competition is between siblings. We are unable to see why that should prompt the court to grant one brother the exclusive right to use the family name in connection with what was originally the family art business. We, therefore, perceive no valid basis for prohibiting the defendant from using his own name in the conduct of his business at 17 East 57th Street in New York City.

We would reverse the order appealed from and dismiss the complaint.

* In fact, the defendant has been in the art business, and exceptionally well known, for some 30 years and he has used the name "Findlay" or "Findlay Galleries" in the conduct of his business throughout that entire period.

Guantanamera Cigar Co. v. Corporacion Habanos

729 F. Supp. 2d 246 (D.D.C 2010)

Lamberth, District Judge:

This case comes before the Court on cross motions for summary judgment filed by plaintiff Guantanamera Cigar Company's ("GCC") and defendant Corporacion Habanos, S.A. ("Habanos"). Upon reviewing the motions, the Court concludes that the Trademark Trial and Appeal Board ("TTAB") erred as a matter of law in applying the three-part test for primarily geographically deceptively misdescriptive marks, which are barred from registration by the Lanham Act, 15 U.S.C. § 1052(e)(3) (2006). Therefore, the Court grants the plaintiff's motion for summary judgment.

I. FACTUAL BACKGROUND**A. General Background**

GCC is a small company based in Coral Gables, Florida. GCC manufactures cigars in Honduras from non-Cuban seeds, then sells and distributes them mainly in the Miami area, as well as other parts of the United States. GCC filed a trademark application for the mark GUANTANAMERA for use in connection with cigars on May, 14, 2001. When translated, "guantanamera" means "(i) the female adjectival form of GUANTANAMO, meaning having to do with or belonging to the city or province of Guantanamo, Cuba; and/or (ii) a woman from the city or province of Guantanamo, Cuba." Many people are also familiar with the Cuban folk song, Guantanamera, which was originally recorded in 1966.

Habanos, jointly owned by the Cuban government and a Spanish entity, manufactures cigars. The Cuban embargo prohibits Habanos from exporting cigars into the U.S. Habanos, however, owns trademarks on many cigar brands outside the U.S., including registrations or applications for GUANTANAMERA in more than 100 countries in the world. On December 29, 1998, Habanos applied for the mark in Cuba, and registered the mark on March 13, 2001. Habanos applied for a U.S. Trademark on April 15, 2002, but its application remains suspended because of GCC's prior application.

Shortly after the TTAB published GCC's application, Habanos filed an opposition, which asserted that GUANTANAMERA was primarily geographically deceptively misdescriptive, and therefore barred from registration. The TTAB agreed and found that GUANTANAMERA was primarily geographically deceptively misdescriptive and that Habanos had standing to oppose registration. GCC filed this appeal for a de novo review of the TTAB's Opinion dated February 29, 2008. The parties cross-filed for summary judgment. ...

II. DISCUSSION ...

A party is entitled to summary judgment if the pleadings, depositions, and affidavits demonstrate that there is no genuine issue of material fact in dispute. ...

The Court reviews the TTAB's findings of fact under the Administrative Procedure Act's ("APA") "substantial evidence" standard, which requires the Court to defer to the factual findings made by the TTAB unless new evidence carries thorough conviction. The "substantial evidence" standard is considered less deferential than the "arbitrary, capricious" approach. "Substantial evidence" is more than a mere scintilla.

The TTAB's refusal to register a mark because it is primarily geographically deceptively misdescriptive is a finding of fact. Therefore, the Court reviews the TTAB's factual findings with the deferential "substantial evidence" standard and the TTAB's legal standards de novo. ...

D. The TTAB improperly denied registration of GUANTANAMERA

The TTAB improperly denied registration of GUANTANAMERA for cigars because it used an incorrect legal standard. The TTAB must deny registration of marks "which when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them." 15 U.S.C. § 1052(e)(3). A mark is "primarily geographically deceptively misdescriptive" when:

- (1) the primary significance of the mark is a generally known geographic location,
- (2) the consuming public is likely to believe the place identified by the mark indicates the origin of the goods bearing the mark, when in fact the goods do not come from that place, and
- (3) the misrepresentation was a material factor in the consumer's decision.

In re California Innovations, Inc., 329 F.3d 1334, 1341 (Fed. Cir. 2003). The TTAB cited the proper legal standard, but erred in its application of the third part. The Court reviews the three parts of the test—geographic location, goods-place association, and materiality—as applied by the TTAB.

a. *Geographic Location*

There is significant evidence in the record to find that Cuba or Guantanamo, Cuba is the primary significance of GUANTANAMERA. The primary significance of a mark is a finding of fact. Guantanamera literally means "girl from Guantanamo." The Plaintiff argues that the primary meaning of GUANTANAMERA is the famous Cuban song by Joseito Fernandez. The TTAB recognized that the folk song's history reinforces the geographic connection to Guantanamo and Cuba. Based on the deferential standard of review, the Court finds that the Plaintiff produced insufficient evidence to disturb the TTAB's factual finding that GUANTANAMERA's primary significance is a geographic location.

b. *Goods-Place Association*

There is sufficient evidence to find that the consuming public is likely to believe that the Plaintiff's cigars originate from Cuba. If consumers are likely to believe that the place identified on the mark is the origin of the goods, when in fact the goods do not come from that place, the element is satisfied. *California Innovations*, 329 F.3d at 1341; *see also In re Spirits International N.V.*, 563 F.3d 1347, 1350-51 (Fed. Cir. 2009) (leaving the TTAB's analysis of the goods-place association unaltered when the TTAB found that Moscow was well known for vodka). The Federal Circuit characterized this element as a "relatively easy burden of showing a naked goods-place association." *California Innovations*, 329 F.3d at 1340.

The plaintiff argues that GUANTANAMERA fails the goods-place association test because Guantanamo is not known for the cigars. In support of this argument, the Plaintiff cited a quotation from *Spirits* that neither opposing counsel nor this Court could locate. The record contains ample evidence that cigar tobacco is produced in the Guan-

tanamo province. There is also ample evidence to support the finding that Cuba is well-known for cigars.

Beyond the evidence that Guantanamo produces cigars, the plaintiff insists the goods-place association element is not satisfied because the place named in the mark is not known for producing the product. The Court finds this argument unpersuasive because there is sufficient evidence in the record to support a finding that Guantanamo is known for producing cigar tobacco. The TTAB did not err in finding that the goods-place association was met.

c. Materiality

The TTAB erred as a matter of law in its analysis of materiality. To establish a *prima facie* case, the TTAB or the opposition must show that "a significant portion of the relevant consumers would be materially influenced in the decision to purchase the product or service by the geographic meaning of the mark." *Spirits*, 563 F.3d at 1357. Accordingly, the Court holds that Habanos never established a *prima facie* case for the third part of the test before the TTAB.

In *Spirits*, the TTAB refused to register the mark MOSKOVSKAYA for vodka because it was primarily geographically deceptively misdescriptive. MOSKOVSKAYA literally means "of or from Moscow," but the registrant admitted that the vodka is not manufactured, produced, or sold in Moscow and has no connection to Moscow. The TTAB found that the primary significance of the mark was a generally known geographic location and recognized that Moscow is renowned for vodka. Thus, the first two elements of the test were satisfied. *Id.* The Court took issue with the TTAB's application of the third element, the materiality requirement.

The TTAB reasoned that because 706,000 people in the United States speak Russian, and because 706,000 is "an appreciable number," the materiality requirement was satisfied. The Court remanded the case without ruling on the merits because the TTAB failed to consider whether Russia speakers were a "substantial portion" of the intended audience. The Court noted that only 0.25% of the U.S. population speaks Russian. To satisfy the materiality requirement, a substantial portion of relevant consumers must be likely to be deceived, not an absolute number or particular segment (such as foreign language speakers).

Here, the TTAB erred as a matter of law in applying the materiality requirement. The TTAB decided this case before the Federal Circuit decided *Spirits*. The portion of the TTAB's opinion that addressed the materiality factor was only four sentences and did not make any findings regarding a "substantial proportion" of materially deceived consumers. The TTAB stated two reasons why the misrepresentation is material in the minds of consumers: (1) Cuba's "renown and reputation for high quality cigars" and (2) the plaintiff's subjective intent to deceive customers evidenced by previously placing "Guantanamera, Cuba" and "Genuine Cuban Tobacco" on the packaging.

Spirits plainly demands more than a finding of Cuba's reputation for high quality cigars. In *Spirits*, Moscow's renown reputation for vodka was not enough to affirm the TTAB's legal conclusion; likewise, Cuba's renown reputation for cigars is not enough in this case.

The Court finds the plaintiff's false claims on the packaging equally inadequate to satisfy *Spirits*. First, the registrant's subjective intent provides little, if any, insight into the

minds of consumers. Consumers could have numerous reasons as to why they purchase Guantanamera cigars, but without any objective findings, it is difficult to make an accurate conclusion as to whether the geographic misdescription will materially affect a "substantial portion" of consumers. Second, the Court does not consider extraneous and out-dated marketing material particularly relevant in determining a mark's ability to satisfy the § 1052(e)(3) registration bar. The Lanham Act bars registration of *marks* that are primarily geographically deceptively misdescriptive, not marks that are accompanied by deceptive packaging material. *See* 15 U.S.C. § 1052.

Habanos attempts to distinguish *Spirits* by asserting that this case meets the "substantial proportion" requirement. It argues that there are millions of Spanish speakers in the U.S., that the English speaking public recognizes "guantanamera" to mean Guantanamo, Cuba, and that GCC targeted Spanish speaking consumers. Nevertheless, this evidence fails to determine that a substantial proportion of the target audience would be deceived into purchasing the cigars *because of* the false goods-place association. Habanos never introduced evidence that suggested material deception of a substantial proportion of the relevant consuming public. ...

III. CONCLUSION

Therefore, this case is remanded to the TTAB so it may apply the proper legal standard to the third part of the test for primarily geographically deceptively misdescriptive terms. A signed order shall issue this date.

Melting Bad Problem

You are the general counsel of Blancorp, a medium-sized scientific and industrial chemical supply firm named for its founder and CEO, Walter Blanco. He has been hoping for years to break in to the snow-and-ice melter market with his own line of salts for homeowners, businesses, and cities to spread on streets and sidewalks after snowstorms. Blancorp's research chemists have been studying a type of naturally occurring rock salt from the area around Chamonix in France. Known locally as le loup bleu (French for "the blue wolf"), this particular variety is notable for its cobalt blue color and its remarkable resistance to clumping. (Some other melters are either naturally or dyed blue, but they all have lighter shades, Blanco assures you.)

Blanco has informed you that his chemists have succeeded in replicating le loup bleu in the lab, with high purity, the same blue color, and the same resistance to clumping. He has asked them to start full-scale production immediately, and has come to you to discuss potential trademarks. Give Blanco your advice on which of the following would be good choices from a legal and business perspectives:

- LOUP BLEU
- CHAMONIX
- CLUMPLESS
- ALL-NATURAL BLUE
- COBALT WOLF
- WALTER BLANCO
- BLANCO'S BLUE
- QUIZMARUNK

- MICHIGAN MELTER
- Sell the salt in a cobalt-blue bag
- Sell the salt in a bag with a line drawing of a wolf

Do you have any other ideas or advice?

B. OWNERSHIP AND PROCEDURES

Readings

- Lanham Act § 1(a)(1). This section explains who is entitled to register a federal trademark.
- Lanham Act § 7(c). This is the language that puts the teeth in federal registration by giving a registrant nationwide priority.
- Lanham Act §§ 1(b)(1) and (d). This is the federal intent-to-use trademark registration provision. The language is dense, so come back to it after you've been through the rest of the readings.
- Lanham Act § 45 ("Abandonment of mark")
- Casebook § 5.I.D (federal registration)

United Drug Co. v. Theodore Rectanus Co.

248 U.S. 90 (1918)

Mr. Justice Pitney delivered the opinion of the court. ...

The essential facts are as follows: About the year 1877 Ellen M. Regis, a resident of Haverhill, Massachusetts, began to compound and distribute in a small way a preparation for medicinal use in cases of dyspepsia and some other ailments, to which she applied as a distinguishing name the word "Rex" — derived from her surname. The word was put upon the boxes and packages in which the medicine was placed upon the market, after the usual manner of a trade-mark. At first alone, and afterwards in partnership with her son under the firm name of "E.M. Regis & Company," she continued the business on a modest scale; in 1898 she recorded the word "Rex" as a trade-mark under the laws of Massachusetts; in 1900 the firm procured its registration in the United States Patent Office; in 1904 the Supreme Court of Massachusetts sustained their trade-mark right under the state law as against a concern that was selling medicinal preparations of the present petitioner under the designation of "Rexall remedies"; afterwards the firm established priority in the mark as against petitioner in a contested proceeding in the Patent Office; and subsequently, in the year 1911, petitioner purchased the business with the trade-mark right, and has carried it on in connection with its other business, which consists in the manufacture of medicinal preparations, and their distribution and sale through retail drug stores, known as "Rexall stores," situate in the different States of the Union, four of them being in Louisville, Kentucky.

Meanwhile, about the year 1883, Theodore Rectanus, a druggist in Louisville, familiarly known as "Rex," employed this word as a trade-mark for a medicinal preparation known as a "blood purifier." He continued this use to a considerable extent in Louisville and vicinity, spending money in advertising and building up a trade, so that — except for whatever effect might flow from Mrs. Regis' prior adoption of the word in Massachusetts,

of which he was entirely ignorant — he was entitled to use the word as his trade-mark. In the year 1906 he sold his business, including the right to the use of the word, to respondent; and the use of the mark by him and afterwards by respondent was continuous from about the year 1883 until the filing of the bill in the year 1912.

Petitioner's first use of the word "Rex" in connection with the sale of drugs in Louisville or vicinity was in April, 1912, when two shipments of "Rex Dyspepsia Tablets," aggregating 150 boxes and valued at \$22.50, were sent to one of the "Rexall" stores in that city. Shortly after this the remedy was mentioned by name in local newspaper advertisements published by those stores. In the previous September, petitioner shipped a trifling amount — five boxes — to a drug store in Franklin, Kentucky, approximately 120 miles distant from Louisville. There is nothing to show that before this any customer in or near Kentucky had heard of the Regis remedy, with or without the description "Rex," or that this word ever possessed any meaning to the purchasing public in that State except as pointing to Rectanus and the Rectanus Company and their "blood purifier." That it did and does convey the latter meaning in Louisville and vicinity is proved without dispute. ...

The entire argument for the petitioner is summed up in the contention that whenever the first user of a trade-mark has been reasonably diligent in extending the territory of his trade, and as a result of such extension has in good faith come into competition with a later user of the same mark who in equal good faith has extended his trade locally before invasion of his field by the first user, so that finally it comes to pass that the rival traders are offering competitive merchandise in a common market under the same trade-mark, the later user should be enjoined at the suit of the prior adopter, even though the latter be the last to enter the competitive field and the former have already established a trade there. Its application to the case is based upon the hypothesis that the record shows that Mrs. Regis and her firm, during the entire period of limited and local trade in her medicine under the Rex mark, were making efforts to extend their trade so far as they were able to do with the means at their disposal. There is little in the record to support this hypothesis; but, waiving this, we will pass upon the principal contention.

The asserted doctrine is based upon the fundamental error of supposing that a trade-mark right is a right in gross or at large, like a statutory copyright or a patent for an invention, to either of which, in truth, it has little or no analogy. There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business.

The owner of a trade-mark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly.

In truth, a trade-mark confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's good-will in trade by placing a distinguishing mark or symbol — a commercial signature — upon the merchandise or the package in which it is sold.

It results that the adoption of a trade-mark does not, at least in the absence of some valid legislation enacted for the purpose, project the right of protection in advance

of the extension of the trade, or operate as a claim of territorial rights over areas into which it thereafter may be deemed desirable to extend the trade. And the expression, sometimes met with, that a trade-mark right is not limited in its enjoyment by territorial bounds, is true only in the sense that wherever the trade goes, attended by the use of the mark, the right of the trader to be protected against the sale by others of their wares in the place of his wares will be sustained. ...

Conceding everything that is claimed in behalf of the petitioner, the entire business conducted by Mrs. Regis and her firm prior to April, 1911, when petitioner acquired it, was confined to the New England States with inconsiderable sales in New York, New Jersey, Canada, and Nova Scotia. There was nothing in all of this to give her any rights in Kentucky, where the principles of the common law obtain. We are referred to no decision by the courts of that State, and have found none, that lays down any peculiar doctrine upon the subject of trade-mark law. There is some meager legislation, but none that affects this case. There was nothing to prevent the State of Kentucky (saving, of course, what Congress might do within the range of its authority) from conferring affirmative rights upon Rectanus, exclusive in that Commonwealth as against others whose use of the trade-mark there began at a later time than his; but whether he had such rights, or respondent now has them, is a question not presented by the record; there being no prayer for an injunction to restrain petitioner from using the mark in the competitive field. ...

Undoubtedly, the general rule is that, as between conflicting claimants to the right to use the same mark, priority of appropriation determines the question. But the reason is that purchasers have come to understand the mark as indicating the origin of the wares, so that its use by a second producer amounts to an attempt to sell his goods as those of his competitor. The reason for the rule does not extend to a case where the same trade-mark happens to be employed simultaneously by two manufacturers in different markets separate and remote from each other, so that the mark means one thing in one market, an entirely different thing in another. It would be a perversion of the rule of priority to give it such an application in our broadly extended country that an innocent party who had in good faith employed a trade-mark in one State, and by the use of it had built up a trade there, being the first appropriator in that jurisdiction, might afterwards be prevented from using it, with consequent injury to his trade and good-will, at the instance of one who theretofore had employed the same mark but only in other and remote jurisdictions, upon the ground that its first employment happened to antedate that of the first-mentioned trader. ...

The same point was involved in *Hanover Milling Co. v. Metcalf*, 240 U.S. 403 (1916) where we said: "In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question. But where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like."

In this case, as already remarked, there is no suggestion of a sinister purpose on the part of Rectanus or the Rectanus Company; hence the passage quoted correctly defines the status of the parties prior to the time when they came into competition in the

Kentucky market. And it results, as a necessary inference from what we have said, that petitioner, being the newcomer in that market, must enter it subject to whatever rights had previously been acquired there in good faith by the Rectanus Company and its predecessor. To hold otherwise — to require Rectanus to retire from the field upon the entry of Mrs. Regis' successor — would be to establish the right of the latter as a right in gross, and to extend it to territory wholly remote from the furthest reach of the trade to which it was annexed, with the effect not merely of depriving Rectanus of the benefit of the goodwill resulting from his long-continued use of the mark in Louisville and vicinity, and his substantial expenditures in building up his trade, but of enabling petitioner to reap substantial benefit from the publicity that Rectanus has thus given to the mark in that locality, and of confusing if not misleading the public as to the origin of goods thereafter sold in Louisville under the Rex mark, for, in that market, until petitioner entered it, "Rex" meant the Rectanus product, not that of Regis. ...

Galt House Inc. v. Home Supply Company

483 S.W.2d 107 (Ky. 1972)

Reed, Judge:

The plaintiff, Galt House, Inc., instituted this action to enjoin the defendants, Home Supply Company, and its principal officer and stockholder, Al J. Schneider, from operating a new hotel in Louisville, Kentucky, under the assumed trade name "Galt House." The trial judge refused to enjoin the use of the name at the plaintiff's behest. We affirm that decision for the reasons later discussed. No other issue involved in the pending litigation in the trial court is decided. We confine our consideration to the sole issue presented by this appeal.

In February 1964, the plaintiff, Galt House, Inc., incorporated under the laws of this state. In its articles of incorporation it adopted as its corporate name the term "Galt House." The articles required and specified that the minimum capital with which plaintiff would commence business would be the sum of \$1,000. This amount has never been paid in. The plaintiff has no assets and no liabilities; neither does it have corporate books or records. Plaintiff's president and sole shareholder is Arch Stallard, Sr., a real estate broker in Louisville, Kentucky, who specializes in hotel and motel real estate. Mr. Stallard has on occasions since the date of the filing of plaintiff's articles of incorporation made a few sporadic inquiries concerning possible locations for a hotel and considered engaging in an enterprise by which a franchise operation would be effected. These few efforts came to naught and Mr. Stallard testified that because of illness and death in his family he had been "laying dormant."

The defendant, Home Supply Company, is a Kentucky corporation organized sometime prior to 1950. The defendant, Al J. Schneider, is its president and controlling shareholder. Home Supply Company is active in the business of constructing and operating hotels in this state. It presently operates a hotel on the Kentucky State Fair Board property under the assumed name "Executive Inn." It is presently engaged in the construction and completion of a high-rise hotel on riverfront-development property belonging to an agency of the City of Louisville.

In April 1969, Home Supply Company, through its president Schneider, submitted to the city agency plans of a hotel bearing the name Galt House. This name had been rec-

commended to Schneider by the then mayor of the City of Louisville, Kenneth Schmied, and the chairman of the Riverfront Development Commission, Archibald Cochran. The trial judge found from the evidence that throughout discussions leading up to the bidding, the new hotel was referred to as the Galt House and has been so referred to since. Home Supply Company was the successful bidder, was awarded the contract, and construction commenced in May 1970. A new hotel, 26 stories in height with 714 rooms, is now nearly completed and has affixed a sign bearing the name "The Galt House." The hotel already has scheduled future conventions and room reservations, although it will not open until after May 1972. In April 1971, Home Supply Company applied for and received from the Secretary of State of Kentucky a registration and service mark of the name "The Galt House."

Plaintiff filed suit in August 1971, seeking to enjoin the defendants from any use of the name Galt House. Evidence was taken in the form of depositions and written interrogatories. In February 1972, the trial judge entered a judgment that was [109] made final for purposes of appeal (CR 54.02); the judgment was based on findings of fact and conclusions of law set forth in two written opinions. The trial judge concluded in substance that the plaintiff did not by mere incorporation acquire property rights in the name "Galt House" and that the plaintiff had not performed sufficient acts since incorporation to acquire property rights in and to that name. Accordingly, the trial judge reasoned that the plaintiff was not entitled to injunctive relief against the defendants' use of the contested name. Plaintiff then appealed to this court and asserts several grounds on which it bases its contention that the trial court was in error in not granting it an injunction against the defendant. We shall deal with these contentions subsequently herein, but first a bit of history of the particular name that is the subject of controversy will be briefly related.

During the Nineteenth Century the Galt House Hotel was a famous hostelry in Louisville with an excellent and widely recognized reputation. In 1838 the bar-room at the Galt House was the scene of a killing as a result of which an attorney and judge and his two companions were indicted for murder. They were tried and acquitted. The trial was held at Harrodsburg, Kentucky, to which venue had been transferred because of the intense public sentiment in Louisville against the defendants who were prominent citizens of Mississippi. The victims of the affray were Louisville residents. The trial itself is famous in the annals of Kentucky history.

In 1842 Charles Dickens toured America. In his account in "*American Notes*," he was characteristically uncomplimentary in his description of Louisville; he was impressed, however, with the Galt House. He wrote: "We slept at the Galt House; a splendid hotel; and were as handsomely lodged as though we had been in Paris, rather than hundreds of miles beyond the Alleghanies (sic)." In 1858 Charles Mackay, an English writer, passed through Louisville. In his account in "*Life and Liberty in America*" he remarked: ". . . we crossed in the steamer to Louisville, and once more found ourselves in a land of plenty and comfort, in a flourishing city, in an excellent hotel — the Galt House, one of the best conducted establishments in America; . . ."

The Galt House, located on Main Street at Second Street, occupied separate buildings during its existence as a hotel. The second Galt House was destroyed by fire in January 1865 at a reported loss of \$1,000,000. The third Galt House, a magnificent structure in its day, was abandoned as a hotel and ceased operations in 1920. Belknap Hardware Company thereafter occupied the site of the last Galt House.

Thus, it would appear that since 1920 there has been no use of the name Galt House in connection with or to describe a hotel. The name doubtless strikes interest when used in the presence of history buffs and among those familiar with the folklore of Louisville. Among such cognoscenti the name encourages remembrance of things past.

As found by the circuit judge, the corporation which operated the last Galt House was formed in 1911 and its formal corporate existence expired in 1961. From 1920 to 1961, however, it did not engage in the hotel business. Therefore, the name Galt House had not been used in connection with a going business for 49 years when defendants undertook to use it as the name of their new hotel in 1969.

The primary argument asserted by the plaintiff actually rests upon a premise that by mere incorporation under a corporate name it retains the right to exclude others from the use of that name so long as the corporation legally exists. ...

In *Duff v. Kansas City Star Company*, 299 F.2d 320 (8th Cir. 1962), the court held that there is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade with which the mark is employed. This principle was applied to the trade name of a newspaper which had not been published for eight years. The court decided that since there was no established business (good will) to which the contested name attached, the plaintiff had no right to prevent another from using the name in an active, going business. The court pointed out that the contested name was not in and of itself a valid, copyrightable name. It was no more than the common name of a once-published newspaper.

In *American Photographic Pub. Co. v. Ziff-Davis Pub. Co.*, 127 F.2d 308 (C.C.P.A. 1942), it was held that where the plaintiff for over twenty years had failed to make use of the trade name "Popular Photography" for a separate magazine but had merely used the term on the masthead of another magazine called "American Photography," no good will could have attached and the plaintiff had no standing to prevent a subsequent user from calling its magazine "Popular Photography."

We are also unable to find that plaintiff has any standing to enjoin under the theory that it was placed on the same footing with the former Galt House Corporation whose existence expired by operation of law in 1961. There was no transfer of the name from the expiring Galt House Corporation to plaintiff. The former Galt House Corporation at the end of its corporate term of existence as fixed by its articles terminated its right to do business in 1961. It had not engaged in the hotel business under its corporate name since 1920. The former Corporation was incapable of possessing a business with a good will or a corporate trade name. The name did not survive, for there was nothing to which it could be attached. ...

Fletcher Cyc. Corp. (1968 Perm.Ed.), Sec. 2425, page 54 states: "Mere incorporation under a particular name does not create the right to have such name protected against use by another, . . ." The elements of unfair competition are absent because there can be no public confusion between existing businesses nor is there any infringement upon the good will and reputation of a going business. ...

We must only determine whether the plaintiff has the right to prohibit the defendants from using the name. We agree with the trial judge that the plaintiff has no standing to enjoin the use of the name by the defendants under the facts of this case. ...

Boogie Kings v. Guillory

188 So.2d 445 (La. Ct. App. 1966)

Hood, Judge:

In this action, plaintiff seeks to enjoin the defendant, Clinton Guillory, who is also known and sometimes referred to herein as "Clint West," from using the trade name "The Boogie Kings." The suit was instituted by "The Boogie Kings," an unincorporated association doing business under that trade name, represented herein by three of the officers or representatives of that association. The defendant filed an answer and a reconventional demand, in which he alleges that he has the exclusive right to use that trade name, and he prays for judgment enjoining plaintiff from using it. On the merits, judgment was rendered by the trial court in favor of plaintiff, enjoining the defendant from using the name, "The Boogie Kings."

The evidence shows that in 1955 Douglas Ardoin and Harris Miller formed a dance band or orchestra, and they mutually agreed to call themselves "The Boogie Kings." Other musicians joined the band thereafter, and in 1964 it was composed of ten members. The band was never incorporated and no formal partnership agreement, oral or written, was ever entered into. The band functioned as an organization with a definite membership, however, and as an organized band it acquired movable property and entered into contracts for playing engagements and other matters. The evidence shows that since the initial creation of the orchestra, the members from time to time have elected one of their number to serve as "leader." Although there is some conflict in the testimony, we think the evidence establishes that all major decisions affecting the organization, the assets and the operations of the band have been made by a majority vote of the members.

Ardoin was elected and served as the first leader of the band, and he was succeeded by Miller. Later, Ardoin was reelected to be the leader, and he served as such until he withdrew completely from the band in 1963. Thereafter, he discontinued his career as a musician. Miller succeeded Ardoin as leader in 1963, and he served as such until May, 1964, when a dispute arose between Miller and most of the other members relative to a playing engagement. As the result of that dispute, Miller withdrew as a member of the band.

Defendant, Guillory, joined the band as a drummer and vocalist in 1963. Immediately after Miller withdrew in May, 1964, Guillory was elected by the other members as leader. As the featured vocalist in the band, he was known professionally as "Clint West." In order to capitalize on his popularity as a singer, the name of the band was changed to "Clint West and the Boogie Kings," this change of name being made after defendant became the leader and with the approval of a majority of the members.

Shortly after Miller left the band, he endeavored to form another dance orchestra, which he planned to call "The Boogie Kings." He promptly notified this band, therefore, that they could no longer use that trade name. Without raising an issue as to its right to the name, the orchestra, by majority vote, simply changed the name to "Clint West and The Kings." Two or three months later, Miller informed Guillory, and others, that he had abandoned his efforts to organize another orchestra, and that this band could resume using the trade name, "The Boogie Kings." Thereafter, for the next few months, the band was called "Clint West and The Boogie Kings."

During the latter part of the year 1964, or the first part of 1965, this band was playing regularly at the Bamboo Club in Lake Charles and occasionally at other places. Guillory acquired an interest in the Moulin Rouge Club at that time, however, and he prevailed upon the other members to discontinue playing at the Bamboo Club and to begin playing regularly at the Moulin Rouge instead. A relatively short time after making this change, all of the members except Guillory became dissatisfied with the arrangement, and nine of the ten members voted to go back to playing at the Bamboo Club. Guillory was the only member who refused to join them in this decision, and he thereupon separated or disassociated himself from the other members.

Immediately after this split in the band occurred, the nine original members elected a new leader, a new member came into the band to take Guillory's place, and the orchestra resumed playing regularly at the Bamboo Club, and other places, under the name of "The Boogie Kings." Also, immediately after the split, Guillory joined with nine other musicians to form a new orchestra, and this new group resumed playing at the Moulin Rouge Club, and other places, and they called themselves "Clint West and The Boogie Kings."

The nine original members of the band, who separated from Guillory, compose the plaintiff association. This suit was instituted by them or in their behalf. This plaintiff group contends that the band, as an unincorporated association, had acquired a proprietary interest in the trade name, "The Boogie Kings," that the name belonged to the association as a whole and not to any one individual, that Guillory ceased to have any right to or interest in that trade name when he withdrew as a member of the association, and that his use of the name after his withdrawal is an attempt to capitalize on the reputation of the plaintiff association and cause it injury.

Defendant contends that the band, as an organization or association, never acquired a proprietary interest in this trade name, that the right to use that name was vested originally in Ardoin and Miller, that Miller acquired the exclusive right to use it when Ardoin abandoned any claim to it, and that shortly prior to the "split" Miller specifically gave to defendant Guillory the exclusive right to use the name, "The Boogie Kings."

The trial judge concluded that the band was an "unincorporated association," that it was governed by a majority vote of its members, that defendant Guillory "was never more than a featured vocalist with this band," and that he "never acquired the trade name as such."

It is settled in our law that trade names will be protected against unfair use, imitation, or simulation. The law's protection against unfair competition by the use of another's trade name rests upon the deceit or fraud which the newcomer in the business practices, not only upon the one already established in the business but also upon the public. A trade name, though not the subject of a technical trademark, will be as fully protected as if it had been so registered, on the ground of unfair trade. Priority of appropriation of the trade name determines the question as to which one of the conflicting claimants is entitled to use it.

In the instant suit, the evidence shows that during the period from 1955 to 1964 the band known by the trade name of "The Boogie Kings" acquired a considerable amount of popularity. Because of its reputation as a musical organization or dance band, its trade name has acquired some significance and value. The person or organization first

appropriating the name or having the legal right to use it, therefore, has a proprietary interest in that name and is entitled to judgment enjoining another from appropriating it.

In our opinion, this band, when first organized in 1955, became an unincorporated association, and it has continued to be such an organization since that time. The evidence convinces us, as it apparently did the trial judge, that the original trade name, "The Boogie Kings," was adopted by mutual agreement of the members of the band, that a proprietary interest in that name became vested in the band, as an unincorporated association, and that it did not become vested in any individual member of that band. Miller, therefore, had no right or authority to "give" or to transfer to defendant Guillory the exclusive right to use that name.

We think the law is correctly stated in 7 C.J.S. Associations § 13, Name and Seal, p. 37, as follows:

An unincorporated association has the right to adopt a name by which it shall be known. The name of an unincorporated association is a necessary element of its existence and the right to its exclusive use will be protected upon the same principle that persons are protected in the use of trade marks; thus, in a proper case, a court of equity will protect an association in the use of its name by the issuance of an injunction, although complainant association may not be carrying on a trade, or an industrial or financial business which could be injuriously affected, and the right to injunction in such cases has been determined to be dependent neither upon an actual showing of specific injury nor the misleading of any particular person, the demands of the law in this respect being met when it is made to appear that there is a natural and probable tendency to mislead and confuse the public to the injury of the association having the prior right to the distinctive names and emblems. However, equity will not grant injunctive relief in such cases unless plaintiff association's exclusive right to the use of such name is clearly established, nor will relief be granted where laches have barred enforcement of complainant's right.

Dissatisfied members of an association cannot deprive it of the right to use its own name by incorporating themselves thereunder, and enjoining it from using the same.

In *Most Worshipful Sons of Light Grand Lodge v. Sons of Light*, 257 P.2d 464 (Cal. 1953), where members of the plaintiff lodge separated from it and formed a new lodge using substantially the same name, the California District Court of Appeal said:

"* * * The lodge name is an asset of the particular lodge and like other assets belongs to the old and not the new lodge. Nor is any defendant lodge entitled to use any name so similar to that of any plaintiff lodge as to be likely to confuse the public. * * *"

In *Kline v. Knights of the Golden Eagle*, 167 A. 758 (N.J. 1933), the principal defendant, Allen, was one of the organizers of the plaintiff lodge and for a time was its dominating spirit. He resigned and then organized another lodge with substantially the same name. In enjoining him from continuing to use the name, the court said:

"The adoption of the title 'Knights of the Golden Eagle' by Allen was intentional and vengeful; he admits it. That is quite sufficient to move equity to restrain him from the mischief he contemplated doing. * * *"

Our conclusion in the instant suit is that the trade name, “The Boogie Kings,” was initially appropriated by an unincorporated association composed of Ardoin and Miller. Although other members were taken in later, the association itself retained a proprietary interest in the name and is entitled to be protected in its use of that name. When Miller left the band in 1964, he lost any right which he may have had to use the trade name of that association. He thus had no authority to give such a right to defendant Guillory.

We conclude that Guillory acquired no right to use the trade name of the band, either from Miller or from the circumstance that he had been elected as leader of the band. The trial judge, therefore, correctly enjoined defendant from continuing to use that name. ...

Bilgewater Bill’s Problem

1. Consider the following sequence of events. Who has priority in Baltimore? In Seattle? In Chicago?

- A uses BILGEWATER BILL’S in Baltimore.
- B uses BILGEWATER BILL’S in Seattle.

2. Consider the following sequence of events. Who has priority in Baltimore? In Seattle? In Chicago?

- A uses BILGEWATER BILL’S in Baltimore.
- B uses BILGEWATER BILL’S in Seattle.
- A files for federal trademark registration under § 1(a).

3. Consider the following sequence of events. Who has priority in Baltimore? In Seattle? In Chicago?

- A uses BILGEWATER BILL’S in Baltimore.
- B uses BILGEWATER BILL’S in Seattle.
- B files for federal trademark registration under § 1(a).

4. Consider the following sequence of events. Who has priority in Baltimore? In Seattle? In Chicago?

- A uses BILGEWATER BILL’S in Baltimore.
- B uses BILGEWATER BILL’S in Seattle.
- A files for federal trademark registration under § 1(a).
- B files for federal trademark registration under § 1(a).

5. Consider the following sequence of events. Who has priority in Baltimore? Who has priority in Seattle? Who has priority in Chicago?

- B files a § 1(b) intent-to-use application for BILGEWATER BILL’S.
- A uses BILGEWATER BILL’S in Baltimore
- B uses BILGEWATER BILL’S in Seattle.
- B files a § 1(d) statement of use.

Duff Problem

Duff beer is, or was, a fictional beer on *The Simpsons*. Varieties mentioned on the show include Duff, Duff Dry, Duff Light, Duff Adequate, Raspberry Duff, Lady Duff, and

Tartar Control Duff. Recently, the Fudd Corporation has started selling beer under the DUFF name. Fudd is unaffiliated with Twentieth Century Fox (which produces *The Simpsons*) and has not obtained permission to sell DUFF beer. Trademark infringement? What if Fox sold a line of *Simpsons*-themed beers including Duff? What if Fox gave away “Duff beer” (actually ginger ale) to fans at conventions?

Trademark Throwback Problem

In 1984, to great local anger, the Baltimore Colts of the National Football League moved to Indianapolis. In 1993, a team in the Canadian Football League proposed to play in Baltimore and to call itself the “Baltimore CFL Colts.” The NFL Colts sued, and won an injunction against the CFL Colts’ use of the name. Properly decided? Does it matter whether the NFL Colts were selling merchandise with the old team name and insignia? If the defendants proposed instead to open up a bar in Baltimore under the name The Baltimore Colt?



C. INFRINGEMENT

1. LIKELIHOOD OF CONFUSION

Readings

- Lanham Act § 32(1)
- Casebook § 5.I.C (*Top Tobacco*)
- Casebook § 5.III.A pp. 595–602 (*Kellogg*)

Virgin Enterprises Ltd. v. Nawab

335 F.3d 141 (2d Cir. 2003)

Leval, Circuit Judge:

Plaintiff Virgin Enterprises Limited (“VEL” or “plaintiff”) appeals from the denial of its motion for a preliminary injunction. This suit, brought under § 32 of the Lanham Act, 15 U.S.C. § 1114(1), alleges that defendants infringed plaintiff’s rights in the registered mark VIRGIN by operating retail stores selling wireless telephones and related accessories and services under the trade name VIRGIN WIRELESS. The United States District Court for the Eastern District of New York (Sifton, J.) denied plaintiff’s motion for a preliminary injunction, based upon its finding that plaintiff’s registration did not cover the retail sale of wireless telephones and related products, and that plaintiff failed to show a likelihood of consumer confusion.

We find that the plaintiff is likely to succeed on the merits and was entitled to a preliminary injunction. We therefore reverse³ and remand with instructions to enter a preliminary injunction.

BACKGROUND

Plaintiff VEL, a corporation with its principal place of business in London, owns U.S. Registration No. 1,851,817 ("the 817 Registration"), filed on May 5, 1991, and registered on August 30, 1994, for the VIRGIN mark as applied to "*retail store services* in the fields of ... computers and *electronic apparatus*" (emphasis added). Plaintiff filed an affidavit of continuing use, pursuant to 15 U.S.C. § 1058(a), on April 27, 2000, which averred that plaintiff had used the mark in connection with retail store services selling computers and electronic apparatus. Plaintiff also owns U.S. Registration No. 1,852,776 ("the 776 Registration"), filed on May 9, 1991, and registered on September 6, 1994, for a stylized version of the VIRGIN mark for use in connection with "retail store services in the fields of ... computers and electronic apparatus," and U.S. Registration No. 1,863,353 ("the 353 Registration"), filed on May 19, 1992, and registered on November 15, 1994, for the VIRGIN MEGASTORE mark. It is undisputed that these three registrations have become incontestable pursuant to 15 U.S.C. § 1065.

VEL, either directly or through corporate affiliates, operates various businesses worldwide under the trade name VIRGIN, including an airline, large-scale record stores called Virgin Megastores, and an internet information service. Plaintiff or its affiliates also market a variety of goods branded with the VIRGIN name, including music recordings, computer games, books, and luggage. Three of plaintiff's megastores are located in the New York area. According to an affidavit submitted to the district court in support of plaintiff's application for preliminary injunction, Virgin Megastores sell a variety of electronic apparatus, including video game systems, portable CD players, disposable cameras, and DVD players. These stores advertise in a variety of media, including radio.

Defendants Simon Blitz and Daniel Gazal are the sole shareholders of defendants Cel-Net Communications, Inc. ("Cel-Net"); The Cellular Network Communications, Inc., doing business as CNCG ("CNCG"); and SD Telecommunications, Inc. ("SD Telecom"). Blitz and Gazal formed Cel-Net in 1993 to sell retail wireless telephones and services in the New York area. Later, they formed CNCG to sell wireless phones and services on the wholesale level. CNCG now sells wireless phones and services to more than 400 independent wireless retailers. In 1998, Cel-Net received permission from New York State regulators to resell telephone services within the state.

Around 1999, Andrew Kastein, a vice-president of CNCG, began to develop a Cel-Net brand of wireless telecommunications products. In early 1999, Cel-Net entered into negotiations with the Sprint PCS network to provide telecommunications services for resale by Cel-Net. In August 1999, Cel-Net retained the law firm Pennie & Edmonds to determine the availability of possible service marks for Cel-Net. Pennie & Edmonds associate Elizabeth Langston researched for Kastein a list of possible service marks; among the marks Cel-Net asked to have researched was VIRGIN. Defendants claim that Langston told Cel-Net officer Simon Corney that VIRGIN was available for use in the telecommunications field. Plaintiff disputed this, offering an affidavit from Langston that she informed defendants that she would not search the VIRGIN mark because her firm represented plaintiff.

According to defendants, in December 1999, Cel-Net retained Corporate Solutions, LLC and its principals Nathan Erlich and Tahir Nawab as joint venture partners to help raise capital to launch Cel-Net's wireless telephone service. On December 2, 1999, Erlich and Nawab filed four intent-to-use applications with the U.S. Patent and Trademark Office ("PTO") to register the marks VIRGIN WIRELESS, VIRGIN MOBILE, VIRGIN COMMUNICATIONS, and VIRGIN NET in the field of telecommunications services, class 38. On December 24, 1999, Corporate Solutions incorporated defendant Virgin Wireless, Inc. ("VWI") and licensed to VWI the right to use the marks VIRGIN WIRELESS and VIRGIN MOBILE. Meanwhile, one of plaintiff's affiliates had begun to offer wireless telecommunication services bearing the VIRGIN mark in the United Kingdom. A press release dated November 19, 1999, found on plaintiff's website, stated that its Virgin Mobile wireless services were operable in the United States.

On June 23, 2000, defendant Blitz signed a lease under the name Virgin Wireless for a kiosk location in South Shore Mall in Long Island from which to re-sell AT & T wireless services, telephones, and accessories under the retail name Virgin Wireless. Defendants Cel-Net and VWI later expanded their telecommunications re-sale operations to include two retail stores and four additional retail kiosks in malls in the New York area and in Pennsylvania. All of these stores have been run by VWI under the trade name VIRGIN WIRELESS. VWI also has leases and bank accounts in its name, and has shown evidence of actual retail transactions and newspaper advertisements.

In August 2000, plaintiff licensed Virgin Mobile USA, LLC, to use the VIRGIN mark for wireless telecommunications services in the United States. On August 10, 2000, plaintiff filed an intent-to-use application with the PTO for use of the VIRGIN mark in the United States on telecommunications services and mobile telephones. On October 11, 2001, the PTO suspended this mark's registration in international class 9, which covers wireless telephones, and class 38, which covers telecommunications services, because the VIRGIN mark was already reserved by a prior filing, presumably defendants'. On August 16, 2001, plaintiff filed another intent-to-use application for the mark VIRGIN MOBILE to brand telecommunications services. The PTO issued a non-final action letter for both of plaintiff's pending new registrations on October 31, 2001, which stated that defendant Corporation Solutions' pending applications for similar marks in the same class could give rise to "a likelihood of confusion." The PTO suspended action on plaintiff's application pending the processing of Corporation Solutions' applications.

In October 2001, plaintiff issued a press release announcing that it was offering wireless telecommunications services and mobile telephones in the United States.

Plaintiff became aware of Corporation Solutions' application for registration of the VIRGIN WIRELESS and VIRGIN MOBILE marks by May 2000. In October 2001 and December 2001, defendant VWI filed suits against plaintiff in the federal district courts in Arizona and Delaware, alleging that plaintiff was using VWI's mark. Plaintiff maintains (and the district court found) that it learned in January 2002 that VWI and Cel-Net were operating kiosks under the VIRGIN WIRELESS name and two days later filed the present suit seeking to enjoin defendants from selling mobile phones in VIRGIN-branded retail stores.

On May 2, 2002, the district court considered plaintiff's application for a preliminary injunction. It found that no essential facts were in dispute, and therefore no eviden-

tiary hearing was required. It was uncontested (and the district court accordingly found) that plaintiff sold "electronic apparatus" in its stores, including "various video game systems, portable cassette tape, compact disc, mp3, and mini disc players, portable radios, and disposable cameras," but not including telephones or telephone service, and that the only products the defendants sold in their stores were wireless telephones, telephone accessories, and wireless telephone services.

Noting that a party seeking a preliminary injunction must show the probability of irreparable harm in the absence of relief, and either (1) likelihood of success on the merits or (2) serious questions going to the merits and a balance of hardships tipping decidedly in its favor, the court found that plaintiff had failed to satisfy either standard. Arguing against plaintiff's likelihood of success, the court noted that plaintiff's registrations did not claim use of the VIRGIN mark "in telecommunications services or in the associated retail sale of wireless telephones and accessories." While plaintiff's 817 and 776 Registrations covered the retail sale of "computers and electronic apparatus," they did not extend to telecommunications services and wireless phones.

The court noted that the defendants were the first to use the VIRGIN mark in telecommunications, and the first to attempt to register VIRGIN for telecommunications and retail telephone sales. The court also observed that the dissimilarity in appearance of plaintiff's and defendants' logos and the differences between plaintiff's huge Virgin Megastores and defendants' small retail outlets in malls diminished likelihood of consumer confusion. Finally, because the defendants had expended substantial resources in pursuing their trademark applications and in establishing their retail presence, the court found that plaintiff could not demonstrate that the balance of hardships tipped in its favor.

The court denied the application for preliminary injunction. The crux of the court's decision lay in the facts that plaintiff's prior use and registration of the VIRGIN mark in connection with the sale of consumer electronic equipment did not include the sale of telephones or telephone services, and that defendants were the first to register and use VIRGIN for telephones and wireless telephone service. This appeal followed.

DISCUSSION

I.

As the court below correctly noted, in order to obtain a preliminary injunction, a party must demonstrate probability of irreparable harm in the absence of injunctive relief, and either a likelihood that it will succeed on the merits of its claim, or a serious question going to the merits and a balance of hardships tipping decidedly in its favor. We review the court's denial of a preliminary injunction for abuse of discretion.

In an action for trademark infringement, where a mark merits protection, a showing that a significant number of consumers are likely to be confused about the source of the goods identified by the allegedly infringing mark is generally sufficient to demonstrate both irreparable harm and a likelihood of success on the merits. Thus, our inquiry must be whether the district court correctly determined that the plaintiff was not entitled to protection from use of its mark by others in the sale of wireless telephones and related services, and that there was no likelihood that, in the absence of a preliminary injunction, a significant number of consumers would be confused about the sponsorship of defendants' retail stores. For the reasons discussed below, we find that the mark is entitled to protection, and there is a significant likelihood of confusion. We reverse and remand.

II. ...

We believe the district court accorded plaintiff too narrow a scope of protection for its famous, arbitrary, and distinctive mark. There could be no dispute that plaintiff prevailed as to the first prong of the test — prior use and ownership. For years, plaintiff had used the VIRGIN mark on huge, famous stores selling, in addition to music recordings, a variety of consumer electronic equipment. At the time the defendants began using VIRGIN, plaintiff owned rights in the mark. The focus of inquiry thus turns to the second prong of the test — whether defendants' use of VIRGIN as a mark for stores selling wireless telephone services and phones was likely to cause confusion. There can be little doubt that such confusion was likely.

The landmark case of *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.1961) (Friendly, J.), outlined a series of nonexclusive factors likely to be pertinent in addressing the issue of likelihood of confusion, which are routinely followed in such cases.

Six of the *Polaroid* factors relate directly to the likelihood of consumer confusion. These are the strength of the plaintiff's mark; the similarity of defendants' mark to plaintiff's; the proximity of the products sold under defendants' mark to those sold under plaintiff's; where the products are different, the likelihood that plaintiff will bridge the gap by selling the products being sold by defendants; the existence of actual confusion among consumers; and the sophistication of consumers. Of these six, all but the last (which was found by the district court to be neutral) strongly favor the plaintiff. The remaining two *Polaroid* factors, defendants' good or bad faith and the quality of defendants' products, are more pertinent to issues other than likelihood of confusion, such as harm to plaintiff's reputation and choice of remedy. We conclude that the *Polaroid* factors powerfully support plaintiff's position.

Strength of the mark. The strength of a trademark encompasses two different concepts, both of which relate significantly to likelihood of consumer confusion. The first and most important is inherent strength, also called "inherent distinctiveness." This inquiry distinguishes between, on the one hand, inherently distinctive marks — marks that are arbitrary or fanciful in relation to the products (or services) on which they are used — and, on the other hand, marks that are generic, descriptive or suggestive as to those goods. The former are the strong marks. The second sense of the concept of strength of a mark is "acquired distinctiveness," *i.e.*, fame, or the extent to which prominent use of the mark in commerce has resulted in a high degree of consumer recognition.

Considering first *inherent distinctiveness*, the law accords broad, muscular protection to marks that are arbitrary or fanciful in relation to the products on which they are used, and lesser protection, or no protection at all, to marks consisting of words that identify or describe the goods or their attributes. The reasons for the distinction arise from two aspects of market efficiency. The paramount objective of the trademark law is to avoid confusion in the marketplace. The purpose for which the trademark law accords merchants the exclusive right to the use of a name or symbol in their area or commerce is *identification*, so that the merchants can establish goodwill for their goods based on past satisfactory performance, and the consuming public can rely on a mark as a guarantee that the goods or services so marked come from the merchant who has been found to be satisfactory in the past. At the same time, efficiency and the public interest require that every merchant trading in a class of goods be permitted to refer to the goods by their name, and

to make claims about their quality. Thus, a merchant who sells pencils under the trademark *Pencil* or *Clear Mark*, for example, and seeks to exclude other sellers of pencils from using those words in their trade, is seeking an advantage the trademark law does not intend to offer. To grant such exclusivity would deprive the consuming public of the useful market information it receives where every seller of pencils is free to call them pencils. The trademark right does not protect the exclusive right to an advertising message — only the exclusive right to an identifier, to protect against confusion in the marketplace. Thus, as a matter of policy, the trademark law accords broader protection to marks that serve exclusively as identifiers and lesser protection where a grant of exclusiveness would tend to diminish the access of others to the full range of discourse relating to their goods.

The second aspect of efficiency that justifies according broader protection to marks that are inherently distinctive relates directly to the likelihood of confusion. If a mark is arbitrary or fanciful, and makes no reference to the nature of the goods it designates, consumers who see the mark on different objects offered in the marketplace will be likely to assume, because of the arbitrariness of the choice of mark, that they all come from the same source. For example, if consumers become familiar with a toothpaste sold under an unusual, arbitrary brand name, such as *ZzaaqQ*, and later see that same inherently distinctive brand name appearing on a different product, they are likely to assume, notwithstanding the product difference, that the second product comes from the same producer as the first. The more unusual, arbitrary, and fanciful a trade name, the more unlikely it is that two independent entities would have chosen it. In contrast, every seller of foods has an interest in calling its product "delicious." Consumers who see the word *delicious* used on two or more different food products are less likely to draw the inference that they must all come from the same producer. In short, the more distinctive the mark, the greater the likelihood that the public, seeing it used a second time, will assume that the second use comes from the same source as the first. The goal of avoiding consumer confusion thus dictates that the inherently distinctive, arbitrary, or fanciful marks, i.e., strong marks, receive broader protection than weak marks, those that are descriptive or suggestive of the products on which they are used.

The second sense of trademark strength, fame, or "acquired distinctiveness," also bears on consumer confusion. If a mark has been long, prominently and notoriously used in commerce, there is a high likelihood that consumers will recognize it from its prior use. Widespread consumer recognition of a mark previously used in commerce increases the likelihood that consumers will assume it identifies the previously familiar user, and therefore increases the likelihood of consumer confusion if the new user is in fact not related to the first. A mark's fame also gives unscrupulous traders an incentive to seek to create consumer confusion by associating themselves in consumers' minds with a famous mark. The added likelihood of consumer confusion resulting from a second user's use of a famous mark gives reason for according such a famous mark a broader scope of protection, at least when it is also inherently distinctive.

Plaintiff's VIRGIN mark undoubtedly scored high on both concepts of strength. In relation to the sale of consumer electronic equipment, the VIRGIN mark is inherently distinctive, in that it is arbitrary and fanciful; the word "virgin" has no intrinsic relationship whatsoever to selling such equipment. Because there is no intrinsic reason for a merchant to use the word "virgin" in the sale of consumer electronic equipment, a consumer seeing

VIRGIN used in two different stores selling such equipment will likely assume that the stores are related.

Plaintiff's VIRGIN mark was also famous. The mark had been employed with world-wide recognition as the mark of an airline and as the mark for megastores selling music recordings and consumer electronic equipment. The fame of the mark increased the likelihood that consumers seeing defendants' shops selling telephones under the mark VIRGIN would assume incorrectly that defendants' shops were a part of plaintiff's organization.

There can be no doubt that plaintiff's VIRGIN mark, as used on consumer electronic equipment, is a strong mark, as the district court found. It is entitled as such to a broad scope of protection, precisely because the use of the mark by others in connection with stores selling reasonably closely related merchandise would inevitably have a high likelihood of causing consumer confusion.

Similarity of marks. When the secondary user's mark is not identical but merely similar to the plaintiff's mark, it is important to assess the degree of similarity between them in assessing the likelihood that consumers will be confused. Plaintiff's and defendants' marks were not merely similar; they were identical to the extent that both consisted of the same word, "virgin."

The district court believed this factor did not favor plaintiff because it found some differences in appearance. Defendants' logo used a different typeface and different colors from plaintiff's. While those are indeed differences, they are quite minor in relation to the fact that the name being used as a trademark was the same in each case.

Advertisement and consumer experience of a mark do not necessarily transmit all of the mark's features. Plaintiff, for example, advertised its Virgin Megastores on the radio. A consumer who heard those advertisements and then saw the defendants' installation using the name VIRGIN would have no way of knowing that the two trademarks looked different. A consumer who had visited one of plaintiff's Virgin Megastores and remembered the name would not necessarily remember the typeface and color of plaintiff's mark. The reputation of a mark also spreads by word of mouth among consumers. One consumer who hears from others about their experience with Virgin stores and then encounters defendants' Virgin store will have no way knowing of the differences in typeface.

In view of the fact that defendants used the same name as plaintiff, we conclude the defendants' mark was sufficiently similar to plaintiff's to increase the likelihood of confusion. This factor favored the plaintiff as a matter of law. We conclude that the district court erred in concluding otherwise on the basis of comparatively trivial and often irrelevant differences.

Proximity of the products and likelihood of bridging the gap. The next factor is the proximity of the products being sold by plaintiff and defendant under identical (or similar) marks. This factor has an obvious bearing on the likelihood of confusion. When the two users of a mark are operating in completely different areas of commerce, consumers are less likely to assume that their similarly branded products come from the same source. In contrast, the closer the secondary user's goods are to those the consumer has seen marketed under the prior user's brand, the more likely that the consumer will mistakenly assume a common source.

While plaintiff had not sold telephones or telephone service prior to defendant's registration evincing intent to sell those items, plaintiff had sold quite similar items of consumer electronic equipment. These included computer video game systems, portable cassette-tape players, compact disc players, MP3 players, mini-disc players, and disposable cameras. Like telephones, many of these are small consumer electronic gadgets making use of computerized audio communication. They are sold in the same channels of commerce. Consumers would have a high expectation of finding telephones, portable CD players, and computerized video game systems in the same stores. We think the proximity in commerce of telephones to CD players substantially advanced the risk that consumer confusion would occur when both were sold by different merchants under the same trade name, VIRGIN.

Our classic *Polaroid* test further protects a trademark owner by examining the likelihood that, even if the plaintiff's products were not so close to the defendants' when the defendant began to market them, there was already a likelihood that plaintiff would in the reasonably near future begin selling those products. VEL's claim of proximity was further strengthened in this regard because, as the district court expressly found, "plans had been formulated [for VEL] to enter [the market for telecommunications products and services] shortly in the future." VEL had already begun marketing telephone service in England which would operate in the United States, and, as the district court found, had made plans to sell telephones and wireless telephone service under the VIRGIN name from its retail stores.

The district court, nonetheless, found in favor of the defendants with respect to the proximity of products and services. We would ordinarily give considerable deference to a factual finding on this issue. Here, however, we cannot do so because it appears the district court applied the wrong test. The court did not assess the *proximity* of defendants' VIRGIN-branded retail stores selling telephone products to plaintiff's VIRGIN-branded retail stores selling other consumer electronic products. It simply concluded that, because defendants were selling exclusively telephone products and services, and plaintiff's electronic products did not include telephones or related services, the defendants must prevail as to the proximity factor.

This represents a considerable misunderstanding of the *Polaroid* test. The famous list of factors of likely pertinence in assessing likelihood of confusion in *Polaroid* was specially designed for a case like this one, in which the secondary user is not in direct competition with the prior user, but is selling a somewhat different product or service. In *Polaroid*, the plaintiff sold optical and camera equipment, while the defendant sold electronic apparatus. The test the court discussed was expressly addressed to the problem "how far a valid trademark shall be protected with respect to goods *other than those to which its owner has applied it.*" 287 F.2d at 495 (emphasis added). The very fact that the test includes the "proximity" between the defendant's products and the plaintiff's and the likelihood that the plaintiff will "bridge the gap" makes clear that the trademark owner does not lose, as the district court concluded, merely because it has not previously sold the precise good or service sold by the secondary user.

In our view, had the district court employed the proper test of proximity, it could not have failed to find a high degree of proximity as between plaintiff VEL's prior sales of consumer electronic audio equipment and defendants' subsequent sales of telephones and telephone services, which proximity would certainly contribute to likelihood of consumer

confusion. And plaintiff was all the more entitled to a finding in its favor in respect of these matters by virtue of the fact, which the district court *did* find, that at the time defendants began using the VIRGIN mark in the retail sale of telephones and telephone services, plaintiff already had plans to bridge the gap by expanding its sales of consumer electronic equipment to include sales of those very goods and services in the near future. Consumer confusion was more than likely; it was virtually inevitable.

Actual confusion. It is self-evident that the existence of actual consumer confusion indicates a likelihood of consumer confusion. We have therefore deemed evidence of actual confusion "particularly relevant" to the inquiry.

Plaintiff submitted to the district court an affidavit of a former employee of defendant Cel-Net, who worked at a mall kiosk branded as Virgin Wireless, which stated that individuals used to ask him if the kiosk was affiliated with plaintiff's VIRGIN stores. The district court correctly concluded that this evidence weighed in plaintiff's favor.

Sophistication of consumers. The degree of sophistication of consumers can have an important bearing on likelihood of confusion. Where the purchasers of a products are highly trained professionals, they know the market and are less likely than untrained consumers to be misled or confused by the similarity of different marks. The district court recognized that "[r]etail customers, such as the ones catered to by both the defendants and [plaintiff], are not expected to exercise the same degree of care as professional buyers, who are expected to have greater powers of discrimination." On the other hand, it observed that purchasers of cellular telephones and the service plans were likely to give greater care than self-service customers in a supermarket. Noting that neither side had submitted evidence on the sophistication of consumers, the court made no finding favoring either side. We agree that the sophistication factor is neutral in this case.

Bad faith and the quality of the defendants' services or products. Two factors remain of the conventional *Polaroid* test: the existence of bad faith on the part of the secondary user and the quality of the secondary user's products or services. Neither factor is of high relevance to the issue of likelihood of confusion. A finding that a party acted in bad faith can affect the court's choice of remedy or can tip the balance where questions are close. It does not bear directly on whether consumers are likely to be confused. The district court noted some evidence of bad faith on the defendants' part, but because the evidence on the issue was scant and equivocal, the court concluded that such a finding "at this stage [would be] speculative." The court therefore found that this factor favored neither party.

The issue of the quality of the secondary user's product goes more to the harm that confusion can cause the plaintiff's mark and reputation than to the likelihood of confusion. In any event, the district court found this factor to be "neutral" with respect to likelihood of confusion.

* * * * *

In summary we conclude that of the six *Polaroid* factors that pertain directly to the likelihood of consumer confusion, all but one favor the plaintiff, and that one — sophistication of consumers — is neutral. The plaintiff is strongly favored by the strength of its mark, both inherent and acquired; the similarity of the marks; the proximity of the products and services; the likelihood that plaintiff would bridge the gap; and the existence of actual confusion. None of the factors favors the defendant. The remaining factors were

found to be neutral. Although we do not suggest that likelihood of confusion may be properly determined simply by the number of factors in one party's favor, the overall assessment in this case in our view admits only of a finding in plaintiff's favor that defendants' sale of telephones and telephone-related services under the VIRGIN mark was likely to cause substantial consumer confusion.

One issue remains. Defendants argue that plaintiff should be barred by laches from seeking injunctive relief. They contend that because of plaintiff's delay after learning of the defendants' applications to register the VIRGIN marks, they expended considerable sums and developed goodwill in their use of the VIRGIN marks before plaintiff brought suit. Because the district court ruled in the defendants' favor it made no express finding on the issue of laches. But the district court explicitly found that plaintiff first learned of defendants' use of the name VIRGIN in commerce only two days before plaintiff instituted this suit. Given that finding, plaintiff could not be chargeable with laches.

We conclude that, as a matter of law, plaintiff demonstrated irreparable harm and likelihood of success on the merits and was entitled to a preliminary injunction.

Cheat Sheet Problem

Barton Beebe, [*An Empirical Study of the Multifactor Tests for Trademark Infringement*](#), 94 CAL. L. REV. 1581 (2006) reports on an empirical study of 331 litigated trademark cases and concludes that the factors do not have equal importance. According to the article, the following flowchart correctly decides every case in the sample set:

- Are the marks similar? If NO, then the defendant wins.
- Did the defendant act in bad faith? If YES, then the plaintiff wins.
- Was there actual confusion? If YES, then the plaintiff wins.
- Were the goods proximate? If NO, then the defendant wins.
- Is the plaintiff's mark strong? If YES, then the plaintiff wins; if NO, then the defendant wins.

How should Professor Beebe's findings influence our thinking about trademark infringement? Should it change how lawyers argue cases, how judges decide them, or how we study them in class?

Boats Problem

Following are the facts as stated in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979). Assuming a jury verdict in favor of the plaintiff on a claim of trademark infringement at trial, how should the court rule on the defendant's motion for judgment notwithstanding the verdict?

AMF and appellee Nescher both manufacture recreational boats. AMF uses the mark Slickcraft, and Nescher uses Sleekcraft. ...

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 boat-building 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. ...



Confusion Problem

Consider the following types of conduct involving trademarks. In each case, what kinds of confusion, if any, might consumers experience? What kinds of harms, if any, might the plaintiff suffer? In which cases should plaintiffs have a cause of action?

- *Post-Sale Confusion*: Purchasers of the defendant's goods know that they did not come from the plaintiff, so there is no confusion at the point of sale. But once the goods are in the wild, *other people* may see the goods and falsely believe they came from the plaintiff. For example, the defendant sells bluejeans whose back pocket is stitched in the same pattern as the plaintiff's higher-priced jeans, or handbags that are visually identical to the plaintiff's handbags, or in one memorable case, "Fauxrarris":

One enterprise is the manufacture of fiberglass kits that replicate the exterior features of Ferrari's Daytona Spyder and Testarossa automobiles. Roberts' copies are called the Miami Spyder and the Miami Coupe, respectively. The kit is a one-piece body shell molded from reinforced fiberglass. It is usually bolted onto the undercarriage of another automobile such as a Chevrolet Corvette or a Pontiac Fiero, called the donor car.

- *Initial Interest Confusion*: The defendant's products or marketing draw the attention of consumers who are looking for the plaintiff's (perhaps deliberately, perhaps unintentionally). On closer inspection, consumers quickly realize these aren't the droids they're looking for. For example, the defendant purchases advertisements on Google that appear when users do a search on plaintiff's trademark, or the defendant sells guitars that from a distance in a music store look like plaintiff's.
- *Reverse Confusion*: Consumers buy the plaintiff's goods in the mistaken belief that they are the defendant's. For example, the plaintiff runs an automotive parts store named Treadwell's; the defendant, a major tire manufacturer, launches a new line of tires named TREADWELLS with a national advertising campaign.
- *Merchandising*: The defendant sells products with the plaintiff's marks on them; consumers buy the products because they like the way the marks look or they want to show loyalty to and solidarity with the plaintiff. For example, the defendant sells Orioles caps without the permission of Major League Baseball, or University of Maryland coffee mugs without the permission of the University.
- *Ambush Marketing*: The defendant sells products in close proximity to the plaintiff's, or to an event that the plaintiff has an exclusive relationship with. For example, Samsung employees walk up to people waiting in line at the Apple Store for a new iPhone launch, demonstrating the new Samsung Galaxy and offering it at a discounted price to anyone willing to leave the line. Or Quaker State gives out free samples of its motor oil in the parking lot for a NASCAR event, knowing that Mobil 1 is the "Official Motor Oil of NASCAR."

II. DILUTION

Readings

- Lanham Act § 43(c)

- Casebook § 5.IV (*Wolfe's Borough Coffee I and II, Apple v. Amazon, U. of Texas*)

Dilution Lightning Round

In each case, what kind of dilution (blurring or tarnishment) is at issue, and should a court find dilution?







D. DEFENSES

Readings

- Casebook § 5.V.A (*Chanel*)
- Casebook § 5.V.D (*Haute Diggety Dog*)

Zatarain's, Inc. v. Oak Grove Smokehouse, Inc.

698 F.2d 786 (5th Cir. 1983)

[You have seen this case already; its facts are set out in the casebook.]

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 Sec. 33(b)(4), 15 U.S.C. Sec. 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. 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. 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. ...

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 Sec. 33(b), 15 U.S.C. Sec. 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.

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.

New Kids on the Block v. New America Pub., Inc.

971 F. 2d 302 (9th Cir. 1992)

Kozinski, Circuit Judge:

The individual plaintiffs perform professionally as The New Kids on the Block, reputedly one of today's hottest musical acts. This case requires us to weigh their rights in that name against the rights of others to use it in identifying the New Kids as the subjects of public opinion polls.

BACKGROUND

No longer are entertainers limited to their craft in marketing themselves to the public. This is the age of the multi-media publicity blitzkrieg: Trading on their popularity,

many entertainers hawk posters, T-shirts, badges, coffee mugs and the like — handsomely supplementing their incomes while boosting their public images. The New Kids are no exception; the record in this case indicates there are more than 500 products or services bearing the New Kids trademark. Among these are services taking advantage of a recent development in telecommunications: 900 area code numbers, where the caller is charged a fee, a portion of which is paid to the call recipient. Fans can call various New Kids 900 numbers to listen to the New Kids talk about themselves, to listen to other fans talk about the New Kids, or to leave messages for the New Kids and other fans.

The defendants, two newspapers of national circulation, conducted separate polls of their readers seeking an answer to a pressing question: Which one of the New Kids is the most popular? *USA Today's* announcement contained a picture of the New Kids and asked, "Who's the best on the block?" The announcement listed a 900 number for voting, noted that "any USA Today profits from this phone line will go to charity," and closed with the following:

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 costs 50 cents. Results in Friday's Life section.

The Star's announcement, under a picture of the New Kids, went to the heart of the matter: "Now which kid is the sexiest?" The announcement, which appeared in the middle of a page containing a story on a New Kids concert, also stated:

Which of the New Kids on the Block would you most like to move next door? STAR wants to know which cool New Kid is the hottest with our readers.

Readers were directed to a 900 number to register their votes; each call cost 95 cents per minute.¹

Fearing that the two newspapers were undermining their hegemony over their fans, the New Kids filed a shotgun complaint in federal court raising no fewer than ten claims: (1) common law trademark infringement; (2) Lanham Act false advertising; (3) Lanham Act false designation of origin; (4) Lanham Act unfair competition; (5) state trade name infringement; (6) state false advertising; (7) state unfair competition; (8) commercial misappropriation; (9) common-law misappropriation; and (10) intentional interference with prospective economic advantage. The two papers raised the First Amendment as a defense, on the theory that the polls were part and parcel of their "news-gathering activities." The district court granted summary judgment for defendants.

DISCUSSION

While the district court granted summary judgment on First Amendment grounds, we are free to affirm on any ground fairly presented by the record. Indeed, where we are able to resolve the case on nonconstitutional grounds, we ordinarily must avoid reaching the constitutional issue. Therefore, we consider first whether the New Kids have stated viable claims on their various causes of action.

¹ The USA Today poll generated less than \$300 in revenues, all of which the newspaper donated to the Berkeley College of Music. The Star's poll generated about \$1600.

I

A.

Since at least the middle ages, trademarks have served primarily to identify the source of goods and services, "to facilitate the tracing of 'false' or defective wares and the punishment of the offending craftsman." F. Schechter, *The Historical Foundations of the Law Relating to Trademarks* 47 (1925). The law has protected trademarks since the early seventeenth century, and the primary focus of trademark law has been misappropriation — the problem of one producer's placing his rival's mark on his own goods. The law of trademark infringement was imported from England into our legal system with its primary goal the prevention of unfair competition through misappropriated marks. See, e.g., *Taylor v. Carpenter*, 23 F. Cas. 742 (C.C.D. Mass. 1844) (Story, J.). Although an initial attempt at federal regulation was declared unconstitutional, trademarks have been covered by a comprehensive federal statutory scheme since the passage of the Lanham Act in 1946.

Throughout the development of trademark law, the purpose of trademarks remained constant and limited: Identification of the manufacturer or sponsor of a good or the provider of a service. And the wrong protected against was traditionally equally limited: Preventing producers from free-riding on their rivals' marks. Justice Story outlined the classic scenario a century and a half ago when he described a case of "unmitigated and designed infringement of the rights of the plaintiffs, for the purpose of defrauding the public and taking from the plaintiffs the fair earnings of their skill, labor and enterprise." *Taylor*, 23 F.Cas. at 744. The core protection of the Lanham Act remains faithful to this conception. See 15 U.S.C. § 1114 (prohibiting unauthorized use in commerce of registered marks). Indeed, this area of the law is generally referred to as "unfair competition" — unfair because, by using a rival's mark, the infringer capitalizes on the investment of time, money and resources of his competitor; unfair also because, by doing so, he obtains the consumer's hard-earned dollar through something akin to fraud.

A trademark is a limited property right in a particular word, phrase or symbol. And although English is a language rich in imagery, we need not belabor the point that some words, phrases or symbols better convey their intended meanings than others. See *San Francisco Arts & Athletics, Inc. v. U.S.O.C.*, 483 U.S. 522, 569 (1987) (Brennan, J., dissenting) ("[A] jacket reading 'I Strongly Resent the Draft' would not have conveyed Cohen's message."). Indeed, the primary cost of recognizing property rights in trademarks is the removal of words from (or perhaps non-entrance into) our language. Thus, the holder of a trademark will be denied protection if it is (or becomes) generic, i.e., if it does not relate exclusively to the trademark owner's product. See, e.g., *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938) ("shredded wheat"); *Eastern Air Lines, Inc. v. New York Air Lines, Inc.*, 559 F. Supp. 1270 (S.D.N.Y. 1983) ("air-shuttle" to describe hourly plane service). This requirement allays fears that producers will deplete the stock of useful words by asserting exclusive rights in them. When a trademark comes to describe a class of goods rather than an individual product, the courts will hold as a matter of law that use of that mark does not imply sponsorship or endorsement of the product by the original holder.

A related problem arises when a trademark also describes a person, a place or an attribute of a product. If the trademark holder were allowed exclusive rights in such use, the language would be depleted in such the same way as if generic words were protectable. Thus trademark law recognizes a defense where the mark is used only "to describe the

goods or services of [a] party, or their geographic origin." 15 U.S.C. § 1115(b)(4). The "fair-use" defense, in essence, forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods. Once again, the courts will hold as a matter of law that the original producer does not sponsor or endorse another product that uses his mark in a descriptive manner. See, e.g., *Schmid Laboratories v. Youngs Drug Products Corp.*, 482 F. Supp. 14 (D.N.J. 1979) ("ribbed" condoms).

With many well-known trademarks, such as Jell-O, Scotch tape and Kleenex, there are equally informative non-trademark words describing the products (gelatin, cellophane tape and facial tissue). But sometimes there is no descriptive substitute, and a problem closely related to genericity and descriptiveness is presented when many goods and services are effectively identifiable only by their trademarks. For example, one might refer to "the two-time world champions" or "the professional basketball team from Chicago," but it's far simpler (and more likely to be understood) to refer to the Chicago Bulls. In such cases, use of the trademark does not imply sponsorship or endorsement of the product because the mark is used only to describe the thing, rather than to identify its source.

Indeed, it is often virtually impossible to refer to a particular product for purposes of comparison, criticism, point of reference or any other such purpose without using the mark. For example, reference to a large automobile manufacturer based in Michigan would not differentiate among the Big Three; reference to a large Japanese manufacturer of home electronics would narrow the field to a dozen or more companies. Much useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark.

A good example of this is *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969), where we held that Volkswagen could not prevent an automobile repair shop from using its mark. We recognized that in "advertising [the repair of Volkswagens, it] would be difficult, if not impossible, for [Church] to avoid altogether the use of the word 'Volkswagen' or its abbreviation 'VW,' which are the normal terms which, to the public at large, signify appellant's cars." Church did not suggest to customers that he was part of the Volkswagen organization or that his repair shop was sponsored or authorized by VW; he merely used the words "Volkswagen" and "VW" to convey information about the types of cars he repaired. Therefore, his use of the Volkswagen trademark was not an infringing use.

The First Circuit confronted a similar problem when the holder of the trademark "Boston Marathon" tried to stop a television station from using the name:

[T]he words "Boston Marathon" ... do more than call attention to Channel 5's program; they also *describe* the event that Channel 5 will broadcast. Common sense suggests (consistent with the record here) that a viewer who sees those words flash upon the screen will believe simply that Channel 5 will show, or is showing, or has shown, the marathon, not that Channel 5 has some special approval from the [trademark holder] to do so. In technical trademark jargon, the use of words for descriptive purposes is called a "fair use," and the law usually permits it even if the words themselves also constitute a trademark.

WCVB-TV v. Boston Athletic Ass'n, 926 F.2d 42, 46 (1st Cir. 1991). Similarly, competitors may use a rival's trademark in advertising and other channels of communication if the use is not false or misleading. See, e.g., *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968) (maker of imitation perfume may use original's trademark in promoting product).

Cases like these are best understood as involving a non-trademark use of a mark — a use to which the infringement laws simply do not apply, just as videotaping television shows for private home use does not implicate the copyright holder's exclusive right to reproduction. Indeed, we 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;⁷ and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

B.

The New Kids do not claim there was anything false or misleading about the newspapers' use of their mark. Rather, the first seven causes of action, while purporting to state different claims, all hinge on one key factual allegation: that the newspapers' use of the New Kids name in conducting the unauthorized polls somehow implied that the New Kids were sponsoring the polls. It is no more reasonably possible, however, to refer to the New Kids as an entity than it is to refer to the Chicago Bulls, Volkswagens or the Boston Marathon without using the trademark. Indeed, how could someone not conversant with the proper names of the individual New Kids talk about the group at all? While plaintiffs' trademark certainly deserves protection against copycats and those who falsely claim that the New Kids have endorsed or sponsored them, such protection does not extend to rendering newspaper articles, conversations, polls and comparative advertising impossible. The first nominative use requirement is therefore met.

⁷ Thus, a soft drink competitor would be entitled to compare its product to Coca-Cola or Coke, but would not be entitled to use Coca-Cola's distinctive lettering.

Also met are the second and third requirements. Both *The Star* and *USA Today* reference the New Kids only to the extent necessary to identify them as the subject of the polls; they do not use the New Kids' distinctive logo or anything else that isn't needed to make the announcements intelligible to readers. Finally, nothing in the announcements suggests joint sponsorship or endorsement by the New Kids. The *USA Today* announcement implies quite the contrary by asking whether the New Kids might be "a turn off." *The Star's* poll is more effusive but says nothing that expressly or by fair implication connotes endorsement or joint sponsorship on the part of the New Kids.

The New Kids argue that, even if the newspapers are entitled to a nominative fair use defense for the announcements, they are not entitled to it for the polls themselves, which were money-making enterprises separate and apart from the newspapers' reporting businesses. According to plaintiffs, defendants could have minimized the intrusion into their rights by using an 800 number or asking readers to call in on normal telephone lines which would not have resulted in a profit to the newspapers based on the conduct of the polls themselves.

The New Kids see this as a crucial difference, distinguishing this case from *Volkswagenwerk*, *WCBV-TV* and other nominative use cases. The New Kids' argument in support of this distinction is not entirely implausible: They point out that their fans, like everyone else, have limited resources. Thus a dollar spent calling the newspapers' 900 lines to express loyalty to the New Kids may well be a dollar not spent on New Kids products and services, including the New Kids' own 900 numbers. In short, plaintiffs argue that a nominative fair use defense is inapplicable where the use in question competes directly with that of the trademark holder.

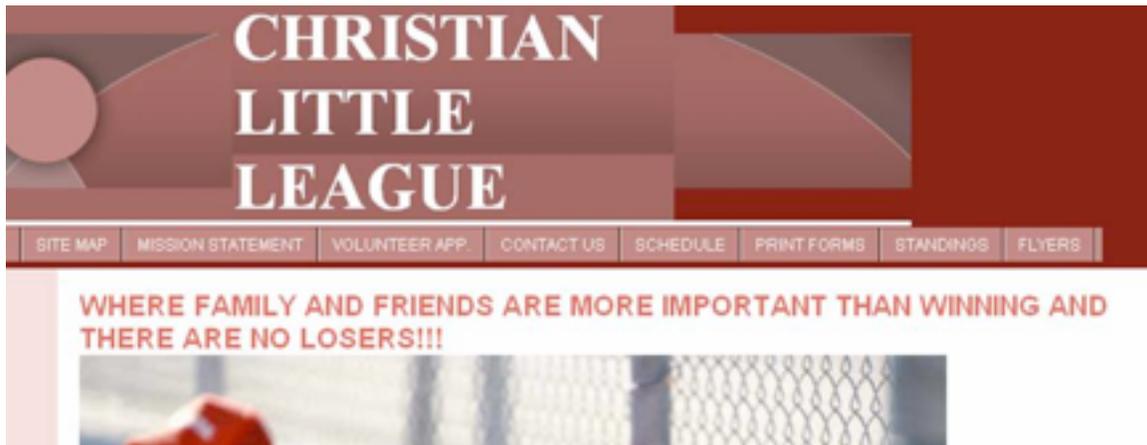
We reject this argument. While the New Kids have a limited property right in their name, that right does not entitle them to control their fans' use of their own money. Where, as here, the use does not imply sponsorship or endorsement, the fact that it is carried on for profit and in competition with the trademark holder's business is beside the point. See, e.g., *Universal City Studios, Inc. v. Ideal Publishing Corp.*, 195 U.S.P.Q. 761 (S.D.N.Y. 1977) (magazine's use of TV program's trademark "Hardy Boys" in connection with photographs of show's stars not infringing). Voting for their favorite New Kid may be, as plaintiffs point out, a way for fans to articulate their loyalty to the group, and this may diminish the resources available for products and services they sponsor. But the trademark laws do not give the New Kids the right to channel their fans' enthusiasm (and dollars) only into items licensed or authorized by them. See *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1990) (no infringement where unauthorized jewelry maker produced rings and pins bearing fraternal organization's trademark). The New Kids could not use the trademark laws to prevent the publication of an unauthorized group biography or to censor all parodies or satires which use their name.⁹ We fail to see a material difference between these examples and the use here.

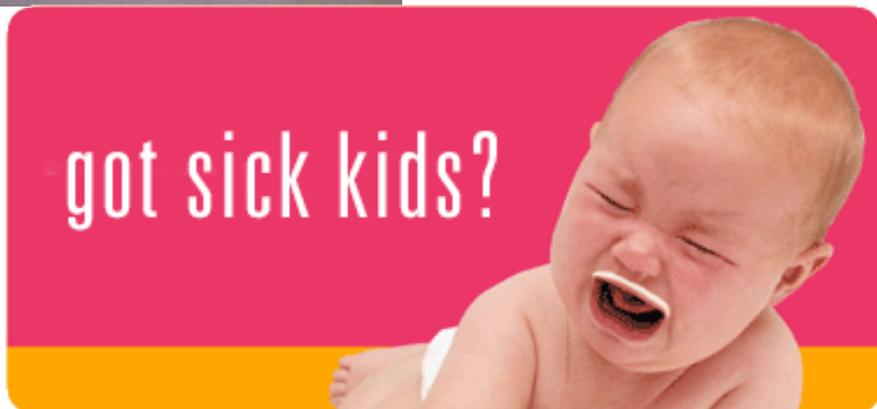
⁹ Consider, for example, a cartoon which appeared in a recent edition of a humor magazine: The top panel depicts a man in medieval garb hanging a poster announcing a performance of "The New Kids on the Block" to an excited group of onlookers. The lower panel shows the five New Kids, drawn in caricature, hands tied behind their backs, kneeling before "The Chopping Block" awaiting execution. *Cracked* # 17 (inside back cover) (Aug.1992). Cruel? No doubt — but easily within the realm of satire and parody.

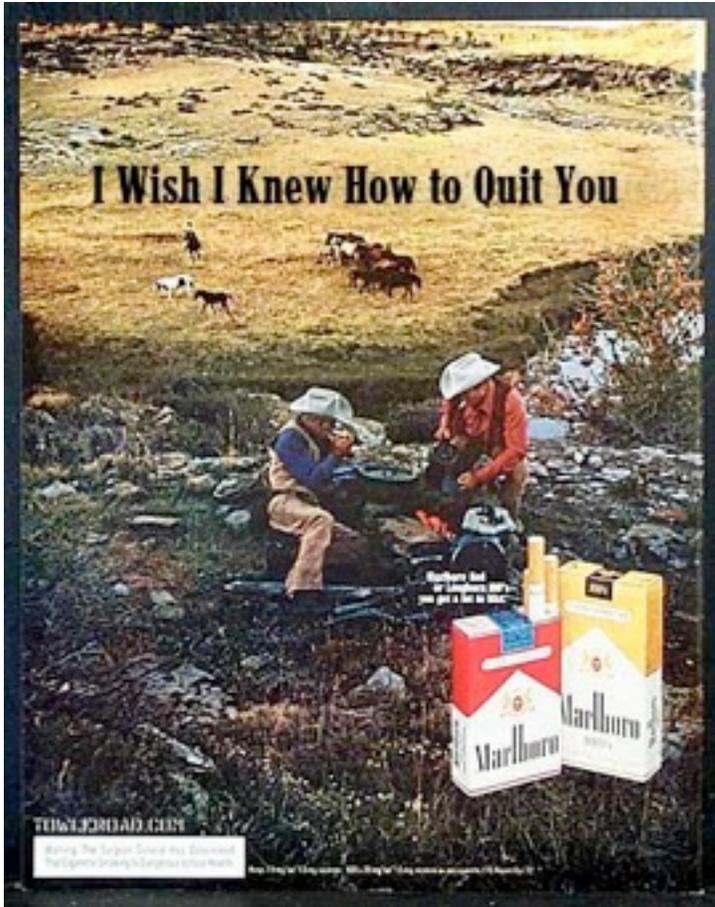
Summary judgment was proper as to the first seven causes of action because they all hinge on a theory of implied endorsement; there was none here as the uses in question were purely nominative. ...

Trademark Defenses Lightning Round

Do the following uses qualify for any trademark defenses? (For your reference, the relevant marks are LITTLE LEAGUE; TOYOTA, LEXUS, and SCION; 7-11; FEDEX; and MARLBORO. In examining the last one, it may help to note that “I wish I knew how to quit you” is a line of dialogue from *Brokeback Mountain*.)







5. FALSE ADVERTISING

Readings

- Lanham Act § 43(a)(1)(B)
- Casebook §§ 5.III.B to 5.III.D (*King of the Mountain, Dastar*)

Jack Daniel's Problem

The image on the left is the world-famous label from JACK DANIEL'S whiskey. The image on the right is the front cover of a novel by Patrick Wensink. Infringement?



McNeil-PPC, Inc. v. Pfizer Inc.
351 F. Supp. 2d 226 (S.D.N.Y. 2005)

Chin, District Judge:

In June 2004, defendant Pfizer Inc. (“Pfizer”) launched a consumer advertising campaign for its mouthwash, Listerine Antiseptic Mouthrinse. Print ads and hang tags featured an image of a Listerine bottle balanced on a scale against a white container of dental floss, ...

The campaign also featured a television commercial called the “Big Bang.” In its third version, which is still running, the commercial announces that “Listerine’s as effective as floss at fighting plaque and gingivitis. Clinical studies prove it.” Although the commercial cautions that “[t]here’s no replacement for flossing,” the commercial repeats two more times the message that Listerine is “as effective as flossing against plaque and gingivitis.” The commercial also shows a narrow stream of blue liquid flowing out of a Cool Mint Listerine bottle, then tracking a piece of dental floss being pulled from a white floss container, and then swirling around and between teeth — bringing to mind an image of liquid floss.

In this case, plaintiff McNeil-PPC, Inc. (“PPC”), the market leader in sales of string dental floss and other interdental cleaning products, alleges that Pfizer has engaged in false advertising in violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and unfair competition in violation of state law. PPC contends that Pfizer’s advertisements are false and misleading in two respects. First, PPC contends that Pfizer’s literal (or explicit) claim that “[c]linical studies prove” that Listerine is “as effective as floss against plaque and gingivitis” is false. Second, PPC contends that Pfizer’s advertisements also implicitly are claiming that Listerine is a replacement for floss — that all the benefits of flossing may be obtained by rinsing with Listerine — and that this implied message is false and misleading as well.

Before the Court is PPC’s motion for a preliminary injunction enjoining Pfizer from continuing to make these claims in its advertisements. For the reasons set forth below, I conclude that Pfizer’s advertisements are false and misleading. PPC’s motion is granted and a preliminary injunction will be issued. My findings of fact and conclusions of law follow.

STATEMENT OF THE CASE

A. The Facts ...

2. Oral Hygiene and Oral Diseases

Plaque is a biofilm comprised of a thin layer of bacteria that forms on teeth and other surfaces of the mouth. Food debris caught between teeth provides a source of nutrition for this bacteria and will help the bacteria multiply, grow, and persist. Plaque build-up may cause gingivitis, an inflammation of the superficial gum tissues surrounding the tooth. Gingivitis is common, affecting some two-thirds of the U.S. population. Its symptoms include red, inflamed, swollen, puffy, or bleeding gums. Periodontitis is inflammation that develops in deeper tissues, and involves the bone and connection to the tooth (the periodontal ligament). Periodontitis is less common, affecting some 10-15% (more or less) of the population, although it becomes more prevalent with age. It is a major cause of tooth loss.

Gingivitis is generally considered an early form of or precursor to periodontitis. The ADA refers to mild or moderate gingivitis as “early gum disease” and periodontitis as “advanced gum disease.” Gingivitis does not always progress to periodontitis, but “it is rare for periodontitis not to be preceded by gingivitis.”

The removal of plaque and the prevention of plaque build-up are critical to addressing both gingivitis and periodontitis. In addition, although it is less clear, controlling plaque also helps prevent or reduce “caries” — cavities or dental decay. The ADA recognizes that “[p]laque is responsible for both tooth decay and gum disease.”

The most common method of mechanically removing plaque is brushing, and today the use of toothbrushes and fluoridated toothpastes is “almost universal.” Brushing, however, does not adequately remove plaque. In part, this is because many people do not brush properly or they brush less than the recommended two minutes twice a day. In part, it is also because for most people “toothbrushing alone cannot effectively control interproximal plaque,” *i.e.*, the plaque in the hard-to-reach places between the teeth. As a consequence, removal of plaque from the interproximal areas by additional methods is particularly important, for it is in these areas between the teeth that plaque deposits appear early and become more prevalent. The direct interproximal area is the area where there is “the most stagnation” and where “periodontal disease usually starts.”

Traditionally, the “most widely recommended” mechanical device for removing interproximal plaque is dental floss. The ADA recommends “brushing twice a day and cleaning between the teeth with floss or interdental cleaners once each day to remove plaque from all tooth surfaces.” Flossing provides a number of benefits. It removes food debris and plaque interdentally and it also removes plaque subgingivally. As part of a regular oral hygiene program, flossing helps reduce and prevent not only gingivitis but also periodontitis and caries.

Some 87% of consumers, however, floss either infrequently or not at all. Although dentists and dental hygienists regularly tell their patients to floss, many consumers do not floss or rarely floss because it is a difficult and time-consuming process.

As a consequence, a large consumer market exists to be tapped. If the 87% of consumers who never or rarely floss can be persuaded to floss more regularly, sales of floss would increase dramatically. PPC has endeavored, with products such as the RADF and the Power Flosser, to reach these consumers by trying to make flossing easier.

At the same time, Pfizer has recognized that there is enormous potential here for greater sales of Listerine as well. Pfizer has come to realize that if it could convince consumers who were reluctant flossers that they could obtain the benefits of flossing by rinsing with Listerine, it would be in a position to see its sales of Listerine increase dramatically.

In the context of this case, therefore, Pfizer and PPC are competitors.

3. *The Listerine Studies*

Pfizer sponsored two clinical studies involving Listerine and floss: the “Sharma Study” and the “Bauroth Study.” These studies purported to compare the efficacy of Listerine against dental floss in controlling plaque and gingivitis in subjects with mild to moderate gingivitis. ...

DISCUSSION ...

Section 43(a) of the Lanham Act prohibits false advertising, providing that:

Any person who ... uses in commerce any ... false or misleading description of fact, or false or misleading representation of fact, which ... 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.

15 U.S.C § 1125(a). Under the plain language of § 43(a), any person who believes that he or she is or is likely to be damaged by the false or misleading representations may bring suit under the Lanham Act.

To prevail on a Lanham Act false advertising claim, a plaintiff must demonstrate the falsity of the challenged advertisement, by proving that it is either (1) literally false, as a factual matter; or (2) implicitly false, *i.e.*, although literally true, still likely to mislead or confuse consumers.

The false or misleading statement must be material. In considering the issue of falsity, the court should consider the advertisement in its entirety and not engage in disputatious dissection. The entire mosaic should be viewed rather than each tile separately. Text must yield to context. Finally, the visual images in a commercial must also be considered in assessing falsity.

When the challenged statement is literally or explicitly false, the court may grant relief without reference to the advertisement's impact on the buying public. When a plaintiff relies upon the "impliedly false" theory, however, extrinsic evidence must confirm that the advertising is likely to mislead or confuse.

In proving an advertising claim literally false, a plaintiff bears a different burden depending on whether the advertisement purports to be based on test results. Hence, where a defendant's advertisement contends that "clinical tests" prove the superiority of its product (an "establishment claim"), the plaintiff need only prove that "the tests referred to ... were not sufficiently reliable to permit one to conclude with reasonable certainty that they established the proposition for which they were cited." *Castrol*, 977 F.2d at 62-63. On the other hand, where a superiority claim does not purport to rest on test results, the plaintiff may prove falsity "only upon adducing evidence that affirmatively show[s] [defendant's] claim ... to be false." *Castrol*, 977 F.2d at 62-63.

Where a plaintiff proceeds on a claim of implied falsehood, the plaintiff "must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse consumers." *Johnson & Johnson*Merck*, 960 F.2d at 298. As the Second Circuit has explained, the inquiry is: "what does the public perceive the message to be?" *Johnson & Johnson*Merck*, 960 F.2d at 299. The trial judge may not determine whether an advertisement is deceptive "based solely upon his or her own intuitive reaction." *Id.* at 297. The trial judge must first determine "what message was actually conveyed to the viewing audience," and then it must determine the truth or falsity of the message. *Id.* at 298.

Typically, an implied claim is proven through the use of a consumer survey that shows a substantial percentage of consumers are taking away the message that the plaintiff contends the advertising is conveying. *Johnson & Johnson*Merck*, 960 F.2d at 298 ("the success of a plaintiff's implied falsity claim usually turns on the persuasiveness of a consumer survey"). Cases have held that 20% would constitute a substantial percentage of consumers. *See Johnson & Johnson-Merck Consumer Pharms. Co. v. Rhone-Poulenc Rorer Pharms., Inc.*, 19 F.3d 125, 134 n. 14 (3rd Cir. 1994) (citing cases finding "deception rates" of 20% or more to be sufficient). Survey results are useful and have "evidentiary value" if the surveys are properly designed and objectively and fairly conducted — for example, they employ "filters" to screen out individuals whose responses may distort the results; the questions are directed to "the real issues"; and the questions are not leading or sug-

gestive. *Johnson & Johnson * Merck Consumer Pharms. Co. v. SmithKline Beecham Corp.*, 960 F.2d at 300.

After a plaintiff has established that a substantial number of consumers have taken away the purported message, the district court must then evaluate whether the message is false or likely to mislead or confuse, and may consider factors such as the commercial context, the defendant's prior advertising history, and the sophistication of the advertising audience. Of course, the court must also consider the text and images used in the advertisement and the evidence offered to prove or disprove the truth of the asserted claim.

The plaintiff need not rely on consumer survey evidence to prove an implied falsity claim if the plaintiff adequately demonstrates that a defendant has intentionally set out to deceive the public, and the defendant's deliberate conduct in this regard is of an egregious nature. In these circumstances, a presumption arises that consumers are, in fact, being deceived.

B. Application ...

I conclude that PPC has demonstrated a likelihood of success on both its literal falsity claim and on its implied falsity claim. I address each claim in turn.

a. Literal Falsity

Pfizer's advertisements make the explicit claim that "clinical studies prove that Listerine is as effective as floss against plaque and gingivitis." As Pfizer purports to rely on "clinical studies," this is an "establishment claim" and PPC need only prove that "the [studies] referred to ... were not sufficiently reliable to permit one to conclude with reasonable certainty that they established the proposition for which they were cited." *Castrol*, 977 F.2d at 62-63. Two questions are presented: first, whether the Sharma and Bauroth Studies stand for the proposition that "Listerine is as effective as floss against plaque and gingivitis"; and second, assuming they do, whether the studies are sufficiently reliable to permit one to draw that conclusion with "reasonable certainty."

First, even putting aside the issue of their reliability, the two studies do not stand for the proposition that "Listerine is as effective as floss against plaque and gingivitis." The two studies included in their samples only individuals with mild to moderate gingivitis. They excluded individuals with severe gingivitis or with any degree of periodontitis, and they did not purport to draw any conclusions with respect to these individuals. Hence, the literal claim in Pfizer's advertisements is overly broad, for the studies did not purport to prove that Listerine is as effective as floss "against plaque and gingivitis," but only against plaque and gingivitis in individuals with mild to moderate gingivitis. The advertisements do not specify that the "as effective as floss" claim is limited to individuals with mild to moderate gingivitis. Consequently, consumers who suffer from severe gingivitis or periodontitis (including mild periodontitis) may be misled by the ads into believing that Listerine is just as effective as floss in helping them fight plaque and gingivitis, when the studies simply do not stand for that proposition.

Second, the two studies were not sufficiently reliable to permit one to conclude with reasonable certainty that Listerine is as effective as floss in fighting plaque and gingivitis, even in individuals with mild to moderate gingivitis. What the two studies showed was that Listerine is as effective as floss when flossing is not done properly. The authors of both studies recognized that the plaque reductions in the flossing groups were lower than would be expected and hypothesized that "behavioral or technical causes" were the rea-

son. (PX 56 at 364; *see also* PX 57 at 354). Significantly, in some of the plaque reduction scores for the flossing groups there was greater improvement at three months than at six months, suggesting a deterioration in flossing technique with the passage of time. (PX 57 at 354).

Hence, the studies did not “prove” that Listerine is “as effective as floss.” Rather, they proved only that Listerine is “as effective as improperly-used floss.” The studies showed only that Listerine is as effective as floss when the flossing is not performed properly. As one of the ADA consultants observed in objecting to the advertising when it was proposed, “for a substitute product to be ‘as good as’ or ‘better’ than flossing it must be compared against the data of ... subject[s] who demonstrate they can and are flossing effectively.”

Pfizer and its experts argue that the two studies are reliable, notwithstanding the indications that the participants in the flossing group did not floss properly, because these conditions reflect “real-world settings.” But the ads do not say that “in the real world,” where most people floss rarely or not at all and even those who do floss have difficulty flossing properly, Listerine is “as effective as floss.” Rather, the ads make the blanket assertion that Listerine works just as well as floss, an assertion the two studies simply do not prove. Although it is important to determine how a product works in the real world, it is probably more important to first determine how a product will work when it is used properly. ...

Accordingly, I hold that PPC is likely to succeed on its claim of literal false advertisement.

b. *Implied Falsity*

In considering the claim of implied falsity, in accordance with Second Circuit law, I determine first the message that consumers take away from the advertisements and second whether that message is false.

(i) The Implicit Message

Pfizer argues that its advertisements do not implicitly send the message that Listerine is a replacement for floss. I disagree. Rather, I find that Pfizer’s advertisements do send the message, implicitly, that Listerine is a replacement for floss — that the benefits of flossing may be obtained by rinsing with Listerine, and that, in particular, those consumers who do not have the time or desire to floss can switch to Listerine instead.

First, the words and images used in the advertisements confirm that this is the message being sent. The words (“as effective as floss”) and images (a stream of blue liquid tracking floss as it is removed from a floss container and then swirling between and around teeth; a bottle of Listerine balanced equally on a scale against a container of floss) convey the impression that Listerine is the equal to floss.

Second, the Ridgway survey is convincing and was conducted in a generally objective and fair manner. I accept its findings as well as the testimony of Mr. Ridgway. Pfizer’s objections to his conclusions are rejected. The Ridgway surveys show that 31% and 26% of the consumers who saw Big Bang and the shoulder label, respectively, took away the message that “you can replace floss with Listerine.” Hence, a substantial percentage of the consumers who saw the advertisements took away a replacement message.

Third, even Pfizer's survey expert, Dr. Lieberman, made findings corroborating Mr. Ridgway's conclusions. Dr. Lieberman found that 49% of those who saw Big Bang believed "Listerine provides *all* of the benefits of flossing." Even Dr. Lieberman's results, then, show that a substantial percentage of consumers took away a replacement message.

Fourth, Pfizer's own documents, including the Ipsos study, the Sabena report, internal reports of feedback from the dental community (including the overwhelming reactions at the two dental conventions), and internal documents showing that Pfizer anticipated and prepared responses to deal with complaints that it was sending a message that consumers could rinse instead of floss, further confirm that consumers were and are taking away a replacement message

Pfizer argues that the ads contained cautionary language and disclaimers telling consumers to "floss daily," urging them to consult their dentists, and noting that "[t]here's no replacement for flossing." Hence, Pfizer argues, its ads are not conveying a replacement message. The argument is rejected. Notwithstanding the disclaimer language, Pfizer's ads are clearly suggesting to consumers, through its overall words and images, that if they do not have the time or desire to floss, they can rinse with Listerine instead, for Listerine is just "as effective as floss." The few words of disclaimer are lost when the ads are considered as a whole. After all, the point of an implied falsity claim is that even though an advertisement is literally true it is nevertheless likely to mislead or confuse consumers. ...

Accordingly, I conclude that the Pfizer ads send an implicit message that Listerine is a replacement for floss.

(ii) Falsity

The final inquiry, then, is whether the implicit message sent by the Pfizer ads is false. Pfizer argues that even assuming the advertisements do send a replacement message, the message is true: Listerine provides all the benefits of flossing.

Pfizer's position is based on two premises. First, Pfizer contends, the Sharma and Bauroth Studies prove that Listerine is as effective as floss in fighting plaque and gingivitis. Second, Pfizer contends, no clinical proof exists to show that flossing provides any benefit other than fighting plaque and gingivitis — there is no clinical proof that flossing reduces tooth decay or periodontitis. Indeed, Pfizer asserts, this notion is a "myth," and goes so far as to argue that there is no proof that reducing plaque will reduce caries or periodontitis. Hence, Pfizer continues, because Listerine does everything that floss can do, Listerine therefore provides all the benefits of floss — and consumers can "toss the floss" and replace it with Listerine.

These arguments are rejected. I conclude that the implicit message sent by Pfizer's advertisements is false, for Listerine is not a replacement for floss.

First, as discussed above, Pfizer's initial premise is wrong. The Sharma and Bauroth Studies do *not* prove that Listerine is just as effective as floss in fighting plaque and gingivitis. They prove only that Listerine is just as effective in fighting plaque and gingivitis as improperly-used floss. One simply cannot conclude from the two studies that Listerine is just as effective as flossing when the flossing is performed properly.

Second, Pfizer's second premise is wrong as well: there is substantial, convincing clinical, medical, and other proof to show that flossing does fight tooth decay and periodontitis and that Listerine is not a replacement for flossing.

Flossing provides certain benefits that Listerine does not. Floss penetrates subgingivally to remove plaque and biofilm below the gumline. Flossing, as part of a regular oral prevention program, also can reduce periodontitis. Flossing also reduces tooth decay and has an anti-caries effect. Finally, flossing removes food debris interdentally, including pieces of food trapped between the teeth that rinsing cannot dislodge.

Numerous articles confirm that tooth decay and periodontitis can be reduced or prevented through interdental plaque control methods, including flossing. One study in particular — the Dorchester study — is instructive in this respect. (G.Z. Wright *et al.*, "The Dorchester Dental Flossing Study: Final Report," 1 *Clinical Preventive Dentistry* 23 (1979)). This was a 20-month clinical trial conducted with children to determine whether flossing — done regularly and properly — had any effect on the incidence of new caries. This was a "split-mouth" study: each child had one side of his or her mouth flossed each school day by a dental assistant; the other half of the mouth was not flossed. Hence, the design provided for both test and control surfaces in the same mouth and there was no issue about compliance. In the end, there was a striking difference — there was more than a 50% reduction in the number of new caries on the flossed side relative to the unflossed side.

As Pfizer's experts pointed out, there were some limitations to the Dorchester study. The sample size was small (only 88 children); the study was conducted many years ago (in the mid-1970's); the study was conducted only with children (no adults were included); the study was conducted in a "fluoride-deficient town" in Ontario, Canada; and the study does not reflect real-world conditions, as the flossing was performed by dental assistants on almost a daily basis. Nonetheless, the study demonstrates the benefits of flossing when flossing is performed properly, and those benefits include reducing the incidence of caries. Moreover, the Dorchester study is corroborated by other studies. Again, although real-world usage is important, it is also important to study the efficacy of a product when it is used correctly.

Other substantial evidence also demonstrates, overwhelmingly, that flossing is important in reducing tooth decay and periodontitis and that it cannot be replaced by rinsing with a mouthwash. The ADA continues to say on its website that "[p]laque is responsible for both tooth decay and gum disease." Even in discussing the two Pfizer Listerine studies, the ADA continued to proclaim to consumers: "FLOSSING RECOMMENDED FOR GOOD ORAL HEALTH CARE." In the very articles upon which Pfizer based its advertising campaign, the authors emphasized that dental professionals should continue to recommend daily flossing and cautioned that they were not suggesting that mouthrinse be used instead of floss. Pfizer itself continues to recognize on its own website that "flossing is essential in preventing gum disease." It also repeatedly acknowledged to the ADA that Listerine was "not interchangeable with flossing" and it repeatedly reassured both the ADA and the professional dental community that it was not intending to send a replacement message. Yet, after telling the ADA and dental professionals for two years that it was not suggesting that floss can be replaced by Listerine, it takes that position in this lawsuit. Pfizer's complete turn-around is highly troubling.

Finally, of course, dentists and hygienists have been telling their patients for decades to floss daily. They have been doing so for good reason. The benefits of flossing are real — they are not a “myth.” Pfizer’s implicit message that Listerine can replace floss is false and misleading.

CONCLUSION

In sum, I find that PPC has demonstrated that it will suffer irreparable harm if a preliminary injunction is not issued, and I find further that PPC has demonstrated a likelihood of success on both its literal falsity claim and on its implied falsity claim. In addition, although I do not reach the “serious issues” prong of the test for a preliminary injunction and therefore am not required to weigh the equities, I find that the equities tip decidedly in favor of PPC. In addition, I find that Pfizer’s false and misleading advertising also poses a public health risk, as the advertisements present a danger of undermining the efforts of dental professionals — and the ADA — to convince consumers to floss on a daily basis.

PPC’s motion for a preliminary injunction is granted to the extent that I will issue an order enjoining Pfizer, during the pendency of this lawsuit, from communicating, in its advertising or promotional materials or activities, the claims that: (1) clinical studies prove that Listerine is as effective as floss (in any respects), provides the same benefits as floss, or can replace floss; (2) Listerine is as effective as, or can be used instead of, floss; (3) flossing provides no health benefits beyond reducing plaque and gingivitis; and (4) the Sharma and Bauroth Studies prove anything concerning the comparative oral health benefits of Listerine versus flossing. Pfizer is not enjoined from using the Sharma and Bauroth Studies to support the claim that Listerine fights plaque and gingivitis, as long as it does not invoke a comparison to floss.

Satellite TV Problem

This advertisement for DirecTV ran on the Internet; it was shown to customers in markets served by Time Warner Cable. Some of Time Warner’s channels are analog; others are digital HD. DirecTV offers only digital HD channels. The parties agree that the HD channels are equivalent in quality. They also agree that the pixelated portions of the ads are not accurate depictions of cable TV signals, either digital or analog. Is the advertisement actionable?



6. RIGHT OF PUBLICITY

A. SUBJECT MATTER

Readings

- Casebook § 8.III pp. 921–31 (*Carson, Midler*) (in separate right of publicity chapter)

Video Bonanza Problem

I have posted two videos to Blackboard. In each case, has there been a right of publicity violation?

- Ad for Oldsmobile '88. The plaintiff is Kareem Abdul-Jabbar, born Ferdinand Lewis ("Lew") Alcindor, Jr.,
- Ad for E*Trade. The plaintiff is Lindsay Lohan.

B. INFRINGEMENT

Readings

- Casebook § 8.II pp. 909–21 (*Haelan, MLK Jr. Center for Social Change*) (in separate right of publicity chapter)

C. DEFENSES

Readings

- Casebook § 8.IV pp. 942–67 (*Zacchini, Cardtoons, Comedy III*)

CBC Distribution and Marketing, Inc. v. Major League Baseball Advanced Media 505 F.3d 818 (8th Cir. 2007)

Arnold, Circuit Judge: ...

C.B.C. Distribution and Marketing, Inc., brought this action for a declaratory judgment against Major League Baseball Advanced Media, L.P., to establish its right to use, without license, the names of and information about major league baseball players in connection with its fantasy baseball products. Advanced Media counter-claimed, maintaining that CBC's fantasy baseball products violated rights of publicity belonging to major league baseball players and that the players, through their association, had licensed those rights to Advanced Media, the interactive media and Internet company of major league baseball. The Major League Baseball Players Association intervened in the suit, joining in Advanced Media's claims and further asserting a breach of contract claim against CBC. The district court granted summary judgment to CBC, and Advanced Media and the Players Association appealed. We affirm.

I.

CBC sells fantasy sports products via its Internet website, e-mail, mail, and the telephone. Its fantasy baseball products incorporate the names along with performance

and biographical data of actual major league baseball players. Before the commencement of the major league baseball season each spring, participants form their fantasy baseball teams by “drafting” players from various major league baseball teams. Participants compete against other fantasy baseball “owners” who have also drafted their own teams. A participant’s success, and his or her team’s success, depends on the actual performance of the [821] fantasy team’s players on their respective actual teams during the course of the major league baseball season. Participants in CBC’s fantasy baseball games pay fees to play and additional fees to trade players during the course of the season.

From 1995 through the end of 2004, CBC licensed its use of the names of and information about major league players from the Players Association pursuant to license agreements that it entered into with the association in 1995 and 2002. The 2002 agreement, which superseded in its entirety the 1995 agreement, licensed to CBC “the names, nicknames, likenesses, signatures, pictures, playing records, and/or biographical data of each player” (the “Rights”) to be used in association with CBC’s fantasy baseball products.

In 2005, after the 2002 agreement expired, the Players Association licensed to Advanced Media, with some exceptions, the exclusive right to use baseball players’ names and performance information “for exploitation via all interactive media.” Advanced Media began providing fantasy baseball games on its website, MLB.com, the official website of major league baseball. It offered CBC, in exchange for a commission, a license to promote the MLB.com fantasy baseball games on CBC’s website but did not offer CBC a license to continue to offer its own fantasy baseball products. This conduct by Advanced Media prompted CBC to file the present suit, alleging that it had “a reasonable apprehension that it will be sued by Advanced Media if it continues to operate its fantasy baseball games.”

The district court granted summary judgment to CBC. ...

Because this appeal is from the district court’s grant of summary judgment, our review is *de novo*, and we apply the same standards as the district court and view the evidence in the light most favorable to the nonmoving party. Summary judgment is appropriate only if there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. We also review *de novo* the district court’s interpretation of state law, including its interpretation of Missouri law regarding the right of publicity. When state law is ambiguous, we must predict how the highest court of that state would resolve the issue.

II.

A.

An action based on the right of publicity is a state-law claim. In Missouri, “the elements of a right of publicity action include: (1) That defendant used plaintiff’s name as a symbol of his identity (2) without consent (3) and with the intent to obtain a commercial advantage.” *Doe v. TCI Cablevision*, 110 S.W.3d 363, 369 (Mo. 2003). The parties all agree that CBC’s continued use of the players’ names and playing information after the expiration of the 2002 agreement was without consent. ...

Here, we entertain no doubt that the players’ names that CBC used are understood by it and its fantasy baseball subscribers as referring to actual major league baseball players.

It is true that with respect to the “commercial advantage” element of a cause of action for violating publicity rights, CBC’s use does not fit neatly into the more traditional categories of commercial advantage, namely, using individuals’ names for advertising and merchandising purposes in a way that states or intimates that the individuals are endorsing a product. *Cf.* Restatement (Third) of Unfair Competition § 47 cmt. a, b. But the Restatement, which the Missouri Supreme Court has recognized as authority in this kind of case, *see Doe*, 110 S.W.3d at 368, also says that a name is used for commercial advantage when it is used “in connection with services rendered by the user” and that the plaintiff need not show that “prospective purchasers are likely to believe” that he or she endorsed the product or service. Restatement (Third) of Unfair Competition § 47 & cmt. a. We note, moreover, that in Missouri, “the commercial advantage element of the right of publicity focuses on the defendant’s intent or purpose to obtain a commercial benefit from use of the plaintiff’s identity.” *Doe*, 110 S.W.3d at 370-71. Because we think that it is clear that CBC uses baseball players’ identities in its fantasy baseball products for purposes of profit, we believe that their identities are being used for commercial advantage and that the players therefore offered sufficient evidence to make out a cause of action for violation of their rights of publicity under Missouri law.

B.

CBC argues that the first amendment nonetheless trumps the right-of-publicity action that Missouri law provides. Though this dispute is between private parties, the state action necessary for first amendment protections exists because the right-of-publicity claim exists only insofar as the courts enforce state-created obligations that were never explicitly assumed by CBC.

The Supreme Court has directed that state law rights of publicity must be balanced against first amendment considerations, and here we conclude that the former must give way to the latter. First, the information used in CBC’s fantasy baseball games is all readily available in the public domain, and it would be strange law that a person would not have a first amendment right to use information that is available to everyone. It is true that CBC’s use of the information is meant to provide entertainment, but “[s]peech that entertains, like speech that informs, is protected by the First Amendment because the line between the informing and the entertaining is too elusive for the protection of that basic right.” *Cardtoons, L.C. v. Major League Baseball Players Ass’n*, 95 F.3d 959, 969 (10th Cir. 1996). We also find no merit in the argument that CBC’s use of players’ names and information in its fantasy baseball games is not speech at all. We have held that “the pictures, graphic design, concept art, sounds, music, stories, and narrative present in video games” is speech entitled to first amendment protection. *See Interactive Digital Software Ass’n v. St. Louis County, Mo.*, 329 F.3d 954, 957 (8th Cir. 2003). Similarly, here CBC uses the “names, nicknames, likenesses, signatures, pictures, playing records, and/or biographical data of each player” in an interactive form in connection with its fantasy baseball products. This use is no less expressive than the use that was at issue in *Interactive Digital*.

Courts have also recognized the public value of information about the game of baseball and its players, referring to baseball as “the national pastime.” *Cardtoons*, 95 F.3d at 972. A California court, in a case where Major League Baseball was itself defending its use of players’ names, likenesses, and information against the players’ asserted rights of publicity, observed, “Major league baseball is followed by millions of people across this country on a daily basis . . . The public has an enduring fascination in the records set by

former players and in memorable moments from previous games . . . The records and statistics remain of interest to the public because they provide context that allows fans to better appreciate (or deprecate) today's performances." *Gionfriddo v. Major League Baseball*, 94 Cal.App.4th 400, 411, 114 Cal. Rptr. 2d 307 (2001). The Court in *Gionfriddo* concluded that the "recitation and discussion of factual data concerning the athletic performance of [players on Major League Baseball's website] command a substantial public interest, and, therefore, is a form of expression due substantial constitutional protection." *Id.* We find these views persuasive.

In addition, the facts in this case barely, if at all, implicate the interests that states typically intend to vindicate by providing rights of publicity to individuals. Economic interests that states seek to promote include the right of an individual to reap the rewards of his or her endeavors and an individual's right to earn a living. Other motives for creating a publicity right are the desire to provide incentives to encourage a person's productive activities and to protect consumers from misleading advertising. But major league baseball players are rewarded, and handsomely, too, for their participation in games and can earn additional large sums from endorsements and sponsorship arrangements. Nor is there any danger here that consumers will be misled, because the fantasy baseball games depend on the inclusion of all players and thus cannot create a false impression that some particular player with "star power" is endorsing CBC's products.

Then there are so-called non-monetary interests that publicity rights are sometimes thought to advance. These include protecting natural rights, rewarding celebrity labors, and avoiding emotional harm. We do not see that any of these interests are especially relevant here, where baseball players are rewarded separately for their labors, and where any emotional harm would most likely be caused by a player's actual performance, in which case media coverage would cause the same harm. We also note that some courts have indicated that the right of publicity is intended to promote only economic interests and that noneconomic interests are more directly served by so-called rights of privacy. For instance, although the court in *Cardtoons*, 95 F.3d at 975-76, conducted a separate discussion of noneconomic interests when weighing the countervailing rights, it ultimately concluded that the non-economic justifications for the right of publicity were unpersuasive as compared with the interest in freedom of expression. "Publicity rights . . . are meant to protect against the loss of financial gain, not mental anguish." *Id.* at 976. We see merit in this approach.

Because we hold that CBC's first amendment rights in offering its fantasy baseball products supersede the players' rights of publicity, we need not reach CBC's alternative argument that federal copyright law preempts the players' state law rights of publicity. . . .

Governator Problem

Does this bobblehead doll violate Arnold Schwarzenegger's right of publicity? (As a reminder, following his action-movie acting career, Schwarzenegger went into politics and served as Governor of California from 2003 to 2011.)

Tony Twist Problem

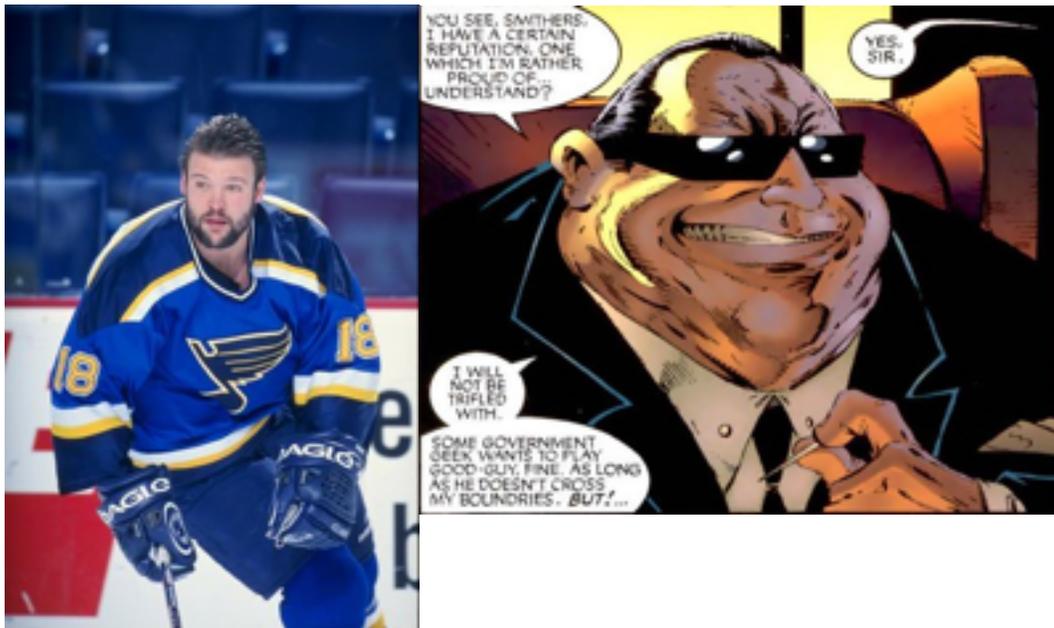
Anthony Rory Twist was a hockey player who played for the St. Louis Blues and the Quebec Nordiques. He was known as an "enforcer" who would pummel players from the opposing team if they disrespected or acted too aggressively toward his teammates.

Antonio Carlo Twistarelli a/k/a Tony Twist is a villain who appears in thirty-six issues of the *Spawn* comic book series by Todd McFarlane. McFarlane has sometimes given away copies of *Spawn* comic books as promotions at hockey games.

Does Anthony Twist have a right of publicity case against McFarlane?



AP / Haraz Ghanbari



7. DESIGN

A. COPYRIGHT: USEFUL ARTICLES

Readings

- 17 U.S.C. §§ 101 (“pictorial, graphic, and sculptural works,” “useful article”) , 113(a) to (c)
- Casebook § 4.II.B (*Brandir*)

Meshwerks Inc. v. Toyota Motor Sales USA Inc

528 F.3d 1258 (2008)

Gorsuch, Circuit Judge:

I

A

In 2003, and in conjunction with Saatchi & Saatchi, its advertising agency, Toyota began work on its model-year 2004 advertising campaign. Saatchi and Toyota agreed that the campaign would involve, among other things, digital models of Toyota’s vehicles for use on Toyota’s website and in various other media. These digital models have substantial advantages over the product photographs for which they substitute. With a few clicks of a computer mouse, the advertiser can change the color of the car, its surroundings, and even edit its physical dimensions to portray changes in vehicle styling; before this innovation, advertisers had to conduct new photo shoots of whole fleets of vehicles each time the manufacturer made even a small design change to a car or truck.

To supply these digital models, Saatchi and Toyota hired Grace & Wild, Inc. (“G & W”). In turn, G & W subcontracted with Meshwerks to assist with two initial aspects of the project—digitization and modeling. Digitizing involves collecting physical data points from the object to be portrayed. In the case of Toyota’s vehicles, Meshwerks took copious measurements of Toyota’s vehicles by covering each car, truck, and van with a grid of tape and running an articulated arm tethered to a computer over the vehicle to measure all points of intersection in the grid. Based on these measurements, modeling software then generated a digital image resembling a wire-frame model. In other words, the vehicles’ data points (measurements) were mapped onto a computerized grid and the modeling software connected the dots to create a “wire frame” of each vehicle.

At this point, however, the on-screen image remained far from perfect and manual “modeling” was necessary. Meshwerks personnel fine-tuned or, as the company prefers it, “sculpted,” the lines on screen to resemble each vehicle as closely as possible. Approximately 90 percent of the data points contained in each final model, Meshwerks represents, were the result not of the first-step measurement process, but of the skill and effort its digital sculptors manually expended at the second step. For example, some areas of detail, such as wheels, headlights, door handles, and the Toyota emblem, could not be accurately measured using current technology; those features had to be added at the second “sculpting” stage, and Meshwerks had to recreate those features as realistically as possible by hand, based on photographs. Even for areas that were measured, Meshwerks faced

the challenge of converting measurements taken of a three-dimensional car into a two-dimensional computer representation; to achieve this, its modelers had to sculpt, or move, data points to achieve a visually convincing result. The purpose and product of these processes, after nearly 80 to 100 hours of effort per vehicle, were two-dimensional wire-frame depictions of Toyota's vehicles that appeared three-dimensional on screen, but were utterly unadorned—lacking color, shading, and other details. Attached to this opinion as Appendix A are sample screen-prints of one of Meshwerks' digital wire-frame models.

With Meshwerks' wire-frame products in hand, G & W then manipulated the computerized models by, first, adding detail, the result of which appeared on screen as a "tightening" of the wire frames, as though significantly more wires had been added to the frames, or as though they were made of a finer mesh. Next, G & W digitally applied color, texture, lighting, and animation for use in Toyota's advertisements. An example of G & W's work product is attached as Appendix B to this opinion. G & W's digital models were then sent to Saatchi to be employed in a number of advertisements prepared by Saatchi and Toyota in various print, online, and television media.

B

This dispute arose because, according to Meshwerks, it contracted with G & W for only a single use of its models—as part of one Toyota television commercial—and neither Toyota nor any other defendant was allowed to use the digital models created from Meshwerks' wire-frames in other advertisements. Thus, Meshwerks contends defendants improperly—in violation of copyright laws as well as the parties' agreement—reused and redistributed the models created by Meshwerks in a host of other media. In support of the allegations that defendants misappropriated its intellectual property, Meshwerks points to the fact that it sought and received copyright registration on its wire-frame models.

In due course, defendants moved for summary judgment on the theory that Meshwerks' wire-frame models lacked sufficient originality to be protected by copyright. Specifically, defendants argued that any original expression found in Meshwerks' products was attributable to the Toyota designers who conceived of the vehicle designs in the first place; accordingly, defendants' use of the models could not give rise to a claim for copyright infringement.

The district court agreed. It found that the wire-frame models were merely copies of Toyota's products, not sufficiently original to warrant copyright protection, and stressed that Meshwerks' "intent was to replicate, as exactly as possible, the image of certain Toyota vehicles." D. Ct. Op. at 8, 2008 WL 2420869. Because there was no valid copyright, there could be no infringement, and, having granted summary judgment on the federal copyright claim, the district court declined to exercise supplemental jurisdiction over Meshwerks' state-law contract claim. Today, Meshwerks asks us to reverse and hold its digital, wire-frame models sufficiently original to warrant copyright protection.

II

To make a case for copyright infringement, Meshwerks must show (1) it owns a valid copyright, and (2) defendants copied constituent elements of the work that are original to Meshwerks. Our inquiry in this case focuses on the first of these tests—that is, on the question whether Meshwerks held a valid copyright in its digital wire-frame models. Because Meshwerks obtained registration certificates for its models from the Copy-

right Office, we presume that it holds a valid copyright. *See* 17 U.S.C. § 410(c). At the same time, defendants may overcome this presumption by presenting evidence and legal argument sufficient to establish that the works in question were not entitled to copyright protection. Because this case comes to us on summary judgment, we review the question whether Meshwerks holds a valid copyright *de novo* and will affirm the district court's judgment only if, viewing all of the facts in the light most favorable to Meshwerks, we are able to conclude that there is no genuine issue as to any material fact and that defendants are entitled to judgment as a matter of law. . . .

B

Applying these principles, evolved in the realm of photography, to the new medium that has come to supplement and even in some ways to supplant it, we think Meshwerks' models are not so much independent creations as (very good) copies of Toyota's vehicles. In reaching this conclusion we rely on (1) an objective assessment of the particular models before us and (2) the parties' purpose in creating them. All the same, we do not doubt for an instant that the digital medium before us, like photography before it, can be employed to create vivid new expressions fully protectable in copyright.

1

Key to our evaluation of this case is the fact that Meshwerks' digital wire-frame computer models depict Toyota's vehicles without any individualizing features: they are untouched by a digital paintbrush; they are not depicted in front of a palm tree, whizzing down the open road, or climbing up a mountainside. Put another way, Meshwerks' models depict nothing more than unadorned Toyota vehicles—the car *as* car. *See* Appendix A. And the unequivocal lesson from *Feist* is that works are not copyrightable to the extent they do not involve any expression apart from the raw facts in the world. As Professor Nimmer has commented in connection with the predecessor technology of photography, “[a]s applied to a photograph of a pre-existing product, that bedrock principle [of originality] means that the photographer manifestly cannot claim to have originated the matter depicted therein. . . . The upshot is that the photographer is entitled to copyright solely based on lighting, angle, perspective, and the other ingredients that traditionally apply to that art-form.” Nimmer on Copyright § 3.03[C][3]. It seems to us that exactly the same holds true with the digital medium now before us: the facts in this case unambiguously show that Meshwerks did not make any decisions regarding lighting, shading, the background in front of which a vehicle would be posed, the angle at which to pose it, or the like—in short, its models reflect none of the decisions that can make depictions of things or facts in the world, whether Oscar Wilde or a Toyota Camry, new expressions subject to copyright protection.

The primary case on which Meshwerks asks us to rely actually reinforces this conclusion. In *Ets-Hokin v. Skyy Spirits, Inc.*, 225 F.3d 1068 (9th Cir. 2000) (*Skyy I*), the Ninth Circuit was faced with a suit brought by a plaintiff photographer who alleged that the defendant had infringed on his commercial photographs of a Skyy-brand vodka bottle. The court held that the vodka bottle, as a “utilitarian object,” a fact in the world, was not itself (at least usually) copyrightable. *Id.* at 1080 (citing 17 U.S.C. § 101). At the same time, the court recognized that plaintiff's photos reflected decisions regarding “lighting, shading, angle, background, and so forth,” *id.* at 1078, and to the extent plaintiff's photographs reflected such original contributions the court held they could be copyrighted. In so hold-

ing, the Ninth Circuit reversed a district court's dismissal of the case and remanded the matter for further proceedings, and Meshwerks argues this analysis controls the outcome of its case.

But *Skyy I* tells only half the story. The case soon returned to the court of appeals, and the court held that the defendant's photos, which differed in terms of angle, lighting, shadow, reflection, and background, did *not* infringe on the plaintiff's copyrights. *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763, 765 (9th Cir. 2003) (*Skyy II*). Why? The only constant between the plaintiff's photographs and the defendant's photographs was the bottle itself, *id.* at 766, and an accurate portrayal of the unadorned bottle could not be copyrighted. Facts and ideas are the public's domain and open to exploitation to ensure the progress of science and the useful arts. Only original expressions of those facts or ideas are copyrightable, leaving the plaintiff in the *Skyy* case with an admittedly "thin" copyright offering protection perhaps only from exact duplication by others. *Id.*; see also *SHL Imaging, Inc.*, 117 F.Supp.2d at 311 ("Practically, the plaintiffs [photos] are only protected from verbatim copying.").

The teaching of *Skyy I* and *II*, then, is that the vodka bottle, because it did not owe its origins to the photographers, had to be filtered out to determine what copyrightable expression remained. And, by analogy—though not perhaps the one Meshwerks had in mind—we hold that the unadorned images of Toyota's vehicles cannot be copyrighted by Meshwerks and likewise must be filtered out. To the extent that Meshwerks' digital wire-frame models depict only those unadorned vehicles, having stripped away all lighting, angle, perspective, and "other ingredients" associated with an original expression, we conclude that they have left no copyrightable matter.

Confirming this conclusion as well is the peculiar place where Meshwerks stood in the model-creation pecking order. On the one hand, Meshwerks had nothing to do with designing the appearance of Toyota's vehicles, distinguishing them from any other cars, trucks, or vans in the world. That expressive creation took place *before* Meshwerks happened along, and was the result of work done by Toyota and its designers; indeed, at least six of the eight vehicles at issue are still covered by design patents belonging to Toyota and protecting the *appearances* of the objects for which they are issued. See 35 U.S.C. § 171; *Gorham Mfg. Co. v. White*, 14 Wall. 511, 81 U.S. 511, 525, 20 L.Ed. 731 (1871) ("It is the appearance itself, no matter by what agency caused, that constitutes mainly, if not entirely, the contribution to the public which the law deems worthy of recompense."). On the other hand, how the models Meshwerks created were to be deployed in advertising—including the backgrounds, lighting, angles, and colors—were all matters left to those (G & W, Saatchi, and 3D Recon) who came *after* Meshwerks left the scene. Meshwerks thus played a narrow, if pivotal, role in the process by simply, if effectively, copying Toyota's vehicles into a digital medium so they could be expressively manipulated by others. ...

It is certainly true that what Meshwerks accomplished was a peculiar kind of copying. It did not seek to recreate Toyota vehicles outright—steel, rubber, and all; instead, it sought to depict Toyota's three-dimensional physical objects in a two-dimensional digital medium. But we hold, as many before us have already suggested, that, standing alone, "[t]he fact that a work in one medium has been copied from a work in another medium does not render it any the less a 'copy.'" Nimmer on Copyright § 8.01[B]; see also *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 910 (2d Cir.1980) (holding that "the mere reproduction of the Disney characters in plastic . . . does not constitute originality as this

Court has defined the term”); *Entm’t Research Group, Inc. v. Genesis Creative Group, Inc.*, 122 F.3d 1211, 1221-24 (9th Cir. 1997) (denying copyright protection to 3-D costumes based on 2-D cartoon characters). After all, the putative creator who merely shifts the medium in which another’s creation is expressed has not necessarily added anything beyond the expression contained in the original. See *Bridgeman Art Library, Ltd.*, 36 F.Supp.2d at 199 (noting that “a copy in a new medium is copyrightable only where, as often but not always is the case, the copier makes some identifiable original contribution”).

In reaching this conclusion, we do not for a moment seek to downplay the considerable amount of time, effort, and skill that went into making Meshwerks’ digital wire-frame models. But, in assessing the originality of a work for which copyright protection is sought, we look only at the final *product*, not the process, and the fact that intensive, skillful, and even creative labor is invested in the process of creating a product does not guarantee its copyrightability. See *Feist*, 499 U.S. at 359-60, 111 S.Ct. 1282; Howard B. Abrams, Law of Copyright § 2:8 (“Even if the *process* is both expensive and intricate, an exact or near-exact duplicate of an original should not qualify for copyright.”) (emphasis added); Wojcik, *supra*, 30 Hastings Comm. & Ent. L.J. at 267 (“This is not to say that [accurately reproducing an underlying image] requires no skill or effort; it simply means that such skill and effort does not suffice to invoke the highly advantageous legal monopoly granted under the Copyright Act.”). In the case before us, there is no doubt that transposing the physical appearances of Toyota’s vehicles from three dimensions to two, such that computer-screen images accurately reflect Toyota’s products, was labor intensive and required a great amount of skill. But because the end-results were unadorned images of Toyota’s vehicles, the appearances of which do not owe their origins to Meshwerks, we are unable to reward that skill, effort, and labor with copyright protection. ...

C

Although we hold that Meshwerks’ digital, wire-frame models are insufficiently original to warrant copyright protection, we do not turn a blind eye to the fact that digital imaging is a relatively new and evolving technology and that Congress extended copyright protection to “original works of authorship fixed in any tangible medium of expression, *now known or later developed.*” 17 U.S.C. § 102(a) (emphasis added). A Luddite might make the mistake of suggesting that digital modeling, as was once said of photography, allows for nothing more than “mechanical reproduction of the physical features or outlines of some object . . . and involves no originality of thought or any novelty in the intellectual operation connected with its visible reproduction in [the] shape of a picture.” *Burrow-Giles*, 111 U.S. at 59, 4 S.Ct. 279. Clearly, this is not so.

Digital modeling can be, surely is being, and no doubt increasingly will be used to create copyrightable expressions. Yet, just as photographs *can be*, but are not *per se*, copyrightable, the same holds true for digital models. There’s little question that digital models *can* be devised of Toyota cars with copyrightable features, whether by virtue of unique shading, lighting, angle, background scene, or other choices. The problem for Meshwerks in this particular case is simply that the uncontested facts reveal that it wasn’t involved in any such process, and indeed contracted to provide completely unadorned digital replicas of Toyota vehicles in a two-dimensional space. For this reason, we do not envision any “chilling effect” on creative expression based on our holding today, and instead see it as applying to digital modeling the same legal principles that have come, in the fullness of time and with an enlightened eye, to apply to photographs and other media.

* * *

Originality is the *sine qua non* of copyright. If the basic design reflected in a work of art does not owe its origin to the putative copyright holder, then that person must add something original to that design, and then only the original addition may be copyrighted. In this case, Meshwerks copied Toyota's designs in creating digital, wire-frame models of Toyota's vehicles. But the models reflect, that is, "express," no more than the depiction of the vehicles *as* vehicles. The designs of the vehicles, however, owe their origins to Toyota, not to Meshwerks, and so we are unable to reward Meshwerks' digital wire-frame models, no doubt the product of significant labor, skill, and judgment, with copyright protection. The judgment of the district court is affirmed, and defendants' request for attorneys' fees is denied.

Coke Bottle Problem

This is the Coca-Cola Bottle by Earl Dean. Is its design copyrightable?



Eames Chair Problem

This is the Eames Lounge Chair by Charles and Ray Eames. Is its design copyrightable?



B. TRADEMARK: TRADE DRESS

Readings

- Lanham Act §§ 2(e)(5), 43(a)(1)(A)
- Casebook § 5.II (*Qualitex*, *Two Pesos*, *Samara Bros.*, *TrafFix*). *Two Pesos* is a bit of a trainwreck; it is okay to skim it as long as you are clear on the holding.

Coke Bottle Problem, Revisited

Look again at the Coca-Cola Bottle bottle. Is its design protectable trade dress?

Eames Chair Problem, Revisited

Look again at the Eames Lounge Chair. Is its design protectable trade dress?

Pez Dispenser Problem

Make yourself familiar, if you are not already, with PEZ dispensers. To what extent can Patrafico AG (the PEZ corporate parent) obtain trademark or trade dress protection in the appearance of PEZ dispensers? Can it trademark the spring-loaded flip-top design? The number of candies in a pack? The fluted front and footed base of a dispenser? Does it matter what heads the PEZ dispensers have? Against what products and uses will these rights be effective?

C. DESIGN PATENT

Readings

- 35 U.S.C §§ 171, 173
- Casebook §§ 3.IX.A to 3.IX.D (*Stevens*, *Webb*, *Rosco*, *PHG Techs.*, *Egyptian Goddess*, *Richardson*)

Coke Bottle Problem, Re-revisited

Look again at the Coca-Cola Bottle. Could its design be protected with a design patent?

Eames Chair Problem, Re-revisited

Look again at the Eames Lounge Chair chair. Could its design be protected with a design patent?

Smartphone Problem

Please read Design Patent 604,305.* Note the assignee. Here are a color screenshot of an iPhone home screen and a photograph of an iPhone:



The following, in order, are the Samsung Continuum, the Samsung Fascinate, the Blackberry Torch, the Nokia N9, and the Meizu M8.

* In the Appendix.



Do any of these other smartphones infringe the '305 patent?

8. SOFTWARE

Readings

- Casebook § 3.IV.A pp. 177–85 (*CLS Bank*) (patent)
- Casebook § 4.II.C (*Apple Computer, Lotus*) (copyright)

Tetris Problem

Your client, Thoth Software, would like to create and sell a version of Tetris for the Digix gaming console. What aspects of the game can Thoth imitate without fear of liability? The name? Falling blocks? The shapes of the blocks? Their colors? Lines that disappear when completely filled in? The music? The graphics around the play field?

9. JURISDICTION

A. FEDERAL-STATE

Readings

- Casebook § 6.I.B.1 (*Bonito Boats*)

Facenda v. NFL Films Inc.

542 F.3d 1007 (3rd. Cir. 2008)

Ambro, Circuit Judge: ...

John Facenda, a Philadelphia broadcasting legend, provided his voice to many productions of NFL Films, Inc. before his death in 1984. These well-known productions recounted tales of the National Football League with filmed highlights, background music, and Facenda's commanding narration. More than two decades after Facenda's death, NFL Films used small portions of his voice-over work in a cable-television production about the football video game "Madden NFL 06." That production, entitled "The Making of Madden NFL 06," sparked this controversy.

Facenda's Estate ("the Estate") sued NFL Films, the National Football League, and NFL Properties (which we refer to collectively, where appropriate, as "the NFL") in the United States District Court for the Eastern District of Pennsylvania. The Estate claims that the program's use of Facenda's voice falsely suggested that Facenda endorsed the video game, violating the federal Lanham Act, which deals with trademarks and related theories of intellectual property. The Estate also claims that the program was an unauthorized use of Facenda's name or likeness in violation of Pennsylvania's "right of publicity" statute. In its defense the NFL argued, among other things, that its copyrights in the original NFL Films productions that Facenda narrated gave it the exclusive right to use portions of those productions' soundtracks as it saw fit, including in the television piece at issue.

We must resolve this clash between parties claiming different types of intellectual property. Although we agree with much of the Court's trademark analysis, for the reasons that follow we vacate the Court's grant of summary judgment for the Estate and remand for trial on the Lanham Act claim. We affirm, however, the District Court's grant of summary judgment to the Estate on the Pennsylvania right-of-publicity claim.

I. FACTS

Facenda won national acclaim for his NFL Films work. His Estate credits that fame to the special qualities of his voice. In various depositions, several representatives for NFL Films described Facenda's deep baritone voice as "distinctive," "recognizable," "legendary," and as known by many football fans as "the Voice of God." As recently as 1999, NFL Films released works branded as featuring "the Legendary Voice of John Facenda."

For decades, Facenda worked on a session-by-session basis under an oral agreement, receiving a per-program fee. But shortly before he died from cancer in 1984, Facenda signed a "standard release" contract stating that NFL Films enjoys "the une-

quivocal rights to use the audio and visual film sequences recorded of me, or any part of them . . . in perpetuity and by whatever media or manner NFL Films. . . sees fit, provided, however, such use does not constitute an endorsement of any product or service.”

In 2005, NFL Films produced “The Making of Madden NFL 06” about the soon-to-be released annual update of the video game that simulates NFL games. This production is 22 minutes long and was shown on the NFL Network eight times in a three-day span leading up to the release of the video game to retail stores. It featured interviews with NFL players, the game’s producers, and others. It also included several sequences comparing the video game’s virtual environment with the actual NFL environment, extolling the realism of everything from the stadiums to the game play. The end of the program featured a countdown to the video game’s release.

The District Court found that not a single critical observation was made in this video regarding Madden NFL 06; all the commentary was positive. Other media, outside of the NFL Network, also covered the release of the game and addressed similar topics (albeit with the inclusion of the occasional criticism or recitation of the game’s perceived faults).

The program used sound recordings, taken from earlier NFL Films’ productions, of three sentences read by Facenda: (1) “Pro Football, the game for the ear and the eye,” (2) “This sport is more than spectacle, it is a game for all seasons,” and (3) “X’s and O’s on the blackboard are translated into aggression on the field.” These excerpts from his NFL Films work total 13 seconds of the program. In its opening brief to our Court, the NFL admits that these excerpts were chosen “to underscore the degree to which the video game authentically recreates the NFL experience.”

The producers of the program used the excerpts in a slightly altered form. The sound waves in the original recording of Facenda’s voice were digitally filtered to sound more like the synthesized speech one might hear from a computer. (NFL Films President Steve Sabol described the results of this aesthetic choice by the show’s producers as “awful.”)

The NFL has an agreement with EA Sports, the makers of Madden NFL 06, which provides the NFL with royalty revenue in return for the use of the NFL’s intellectual property. Various e-mail messages in the record suggest that NFL Films sought to create the television program as a promotion for Madden NFL 06, describing it as the “Madden Promo” or as “the Advertisements” in actors’ release forms. But in their depositions, many NFL Films executives testified that the program was a documentary and denied that it was a commercial or that it was motivated by promotional considerations.

II. PROCEDURAL HISTORY

Facenda’s Estate initially sued the NFL for false endorsement under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and for unauthorized use of name or likeness (known as the “right of publicity”) under 42 Pa. Cons.Stat. Ann. § 8316. The District Court split the case into a liability phase and a damages phase. After discovery in the liability phase, the parties cross-moved for summary judgment and agreed at a hearing that the District Court could resolve the liability issues on the evidence already before it. The District Court granted the Estate’s motion for summary judgment on both the false-endorsement claim and the right-of-publicity claim. . . .

IV. STANDARD OF REVIEW

We review the District Court’s legal conclusions *de novo*, reading all facts in the light most favorable to the party that did not move for summary judgment—the Estate. ...

VI. UNAUTHORIZED USE OF NAME OR LIKENESS
UNDER PENNSYLVANIA LAW

Pennsylvania law grants individuals the exclusive right to their name and likeness, which includes voice. 42 Pa. Cons.Stat. Ann. § 8316. “Any natural person whose name or likeness has commercial value and is used for any commercial or advertising purpose” without consent may sue for an injunction and damages. *Id.* § 8316(a). A deceased person’s estate may bring such an action, *id.* § 8316(b)(3), although the right only lasts until thirty years after the person’s death, *id.* § 8316(c).

The District Court held that the NFL violated this statute with its use of Facenda’s voice because (a) his voice’s commercial value was not disputed, (b) the NFL used his voice for a commercial purpose, and (c) the standard release Facenda signed did not consent to the use of his voice in endorsements. The NFL argued that its use of Facenda’s voice was merely “incidental.” The District Court rejected this defense because the NFL stated a specific purpose for using the three sound clips of Facenda’s voice: “enhanc[ing] the parallel between Madden NFL [06] and NFL football.” The NFL does not pursue its incidental-or-fleeting-use defense on appeal and we thus deem that argument to be waived.

We agree that the NFL has violated § 8316 on its face for precisely the reasons provided by the District Court, and we see no disputed issues of material fact on that question. On appeal, the NFL instead focuses on another argument it raised in the District Court—that copyright law preempts the Estate’s right-of-publicity claim.

A. The NFL’s Copyright in the Sound Clips

A threshold issue for the NFL’s preemption defense is whether the NFL has a valid copyright in the sound recordings of Facenda’s voice. The NFL notes that it excerpted the sound clips at issue from copyrighted productions of NFL Films. Moreover, the sound clips represent Facenda’s readings of copyrighted NFL scripts, making the clips “derivative works” (of the scripts) in which a distinct copyright exists. *See* 17 U.S.C. § 106(2) (granting copyright holders the exclusive right to prepare derivative works); *id.* § 102(a)(7) (allowing copyrights in sound recordings, which are separate and distinct from the copyrights in musical compositions of § 102(a)(2)). Either way, the NFL had the copyright in the sound clips.

By using the sound clips of Facenda’s voice in “The Making of Madden NFL 06,” the NFL was exercising its exclusive right to make derivative works of those sound clips under § 106(2). In effect, it was “sampling” itself, making a collage, taking a small piece of an old work and using it in a new work—as when a hip-hop group samples the drum part from James Brown’s “Funky Drummer.” It is well-established that copyrights extend to samples, even brief samples. For instance, no third party to this case may use those recordings unless a limitation on or exception to the NFL’s § 106 rights applies, such as the fair use doctrine of 17 U.S.C. § 107. Thus, the NFL is correct that copyright law, taken in isolation, gives it the exclusive right (absent a limitation or exception) to use the sound recordings of Facenda’s voice in the way that it did.

The question for us is how the NFL's (federal) copyright relates to Facenda's (state-law) right of publicity. Does the state-law right of publicity exist irrespective of the federal copyright? Put another way, does federal copyright law preempt the right of publicity claim under Pennsylvania law?

B. Express Preemption

The Copyright Code has an express preemption provision, which provides that

all legal or equitable rights that [1] are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in [2] 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 ... are governed exclusively by this title.

17 U.S.C. § 301(a). In other words, for a state-law claim to be preempted by copyright law, it must protect (1) an exclusive right in (2) a work within copyright's subject matter. The same section of the Copyright Code goes on to explain that this provision is not meant to "annul[] or limit[]" any rights in works outside the subject matter of copyright under state law. *Id.* § 301(b)(1). Nor does it limit [1027] any intellectual property rights from other federal statutes, which is why there is no question of preemption regarding the Estate's Lanham Act claim. *See id.* § 301(d).

1. Equivalent to an Exclusive Right?

The Estate's claim seeks to block the NFL from exercising its exclusive rights under 17 U.S.C. § 106 to reproduce, distribute, perform, and make derivative works from sound recordings in which it owns the copyrights. In that sense, it could be thought "equivalent" to a copyright holder's exclusive rights. 17 U.S.C. § 301(a), (b)(3); *cf. Harper & Row, Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 201 (2d Cir.1983), *rev'd on other grounds*, 471 U.S. 539, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985) ("If there is a qualitative difference between the asserted right [a claim for tortious interference with contract] and the exclusive right under the Act of preparing derivative works based on the copyrighted work, we are unable to discern it. In both cases, it is the act of unauthorized publication which causes the violation.").

Under the first prong of express copyright preemption analysis, some courts have looked to the elements of a state-law cause of action. The presence of an "additional element" required to state a cause of action under state law, beyond what a copyright-infringement claim would require, renders the state-law cause of action not equivalent to a copyright.

Pennsylvania's right-of-publicity statute requires a showing of commercial value, defined as a "[v]aluable interest in a natural person's name or likeness that is developed through the investment of time, effort and money." 42 Pa. Cons.Stat. Ann. § 8316(e). The requirement under the statute that Facenda's voice have "commercial value," *id.* § 8316(a), provides an additional element beyond what a copyright-infringement claim requires, *see* 1 Nimmer on Copyright § 1.01[B][1][c], at 1-29 to -30 ("Invasion of privacy may sometimes occur by acts of reproduction, distribution, performance, or display, but inasmuch as the essence of the tort does not lie in such acts, pre-emption should not apply. The same may be said of the right of publicity."). Because the Estate's right-of-publicity claim relied on an element not equivalent to any of the exclusive rights granted to federal copyright holders, we hold that the first prong of § 301(a) is not satisfied here.

2. Copyrightable Subject Matter?

Looking to the second prong of 17 U.S.C. § 301(a), does Facenda's voice fall under the subject matter of copyright? The Court of Appeals for the Ninth Circuit has stated, in the context of vocal imitations, that "[a] voice is not copyrightable. The sounds are not 'fixed.' What is put forward as protectible [*sic*] here is more personal than any work of authorship." *Midler v. Ford Motor Co.*, 849 F.2d 460, 462 (9th Cir.1988). One can fix Facenda's voice in a tangible medium by recording it, but one cannot divorce his distinctive voice itself from the Facenda identity (or persona). See 1 Nimmer on Copyright § 1.01[B][1][c], at 1-30 ("The 'work' that is the subject of the right of publicity is the persona, *i.e.*, the name and likeness of a celebrity or other individual. A persona can hardly be said to constitute a 'writing' of an 'author' within the meaning of the Copyright Clause of the Constitution."); 2 McCarthy, Rights of Publicity and Privacy § 11:53, at 802 ("The sound in plaintiff's recording is merely an indicium by which the listening public can identify plaintiff's persona and identity."). We hold that Facenda's voice is outside the subject matter [1028] of copyright. Thus, the second prong of § 301(a) is not satisfied.

* * * * *

We conclude thus that copyright's express preemption provision, 17 U.S.C. § 301(a), does not bar the Estate's right-of-publicity claim. Thus, we affirm the holding of the District Court to this effect.

C. Conflict Preemption

Our analysis, however, does not stop there. We also consider whether federal copyright law impliedly preempts the Estate's right-of-publicity claim.

The analysis works as follows. Copyright law does not expressly preempt the right of publicity because an individual's identity or persona is outside the subject matter of copyright. Yet in some situations, including this case, the right of publicity clashes with the exploitation of a defendant's copyright. Unlike the plaintiffs in cases involving vocal imitations, Facenda collaborated with the NFL to create the copyrighted sound recordings at issue. In our view, this gives the NFL a stronger preemption defense than the vocal-imitation defendants, for example. Where a defendant in a right-of-publicity claim obtained a copyright in a work featuring the plaintiff, courts must separate legitimate exploitations of what Congress intended to be a copyright holder's exclusive rights from particular uses that infringe the right of publicity. Otherwise, few copyright holders would be safe from suits by performers who agreed to appear in the holders' works. See 2 McCarthy, Rights of Publicity and Privacy § 11:55, at 817 ("[W]hen another reproduces a recorded performance in an expressive, non-advertising medium, this should not be the concern of right of publicity law.").

Conflict preemption is a particular species of implied preemption that "renders state law 'without effect' when, without 'express congressional command,' state law conflicts with federal law." *Pa. Employees Benefit Trust Fund v. Zeneca Inc.*, 499 F.3d 239, 247 (3d Cir.2007) (citing *Cipollone v. Liggett Group, Inc.*, 505 U.S. 504, 516, 112 S.Ct. 2608, 120 L.Ed.2d 407 (1992)). As one copyright treatise puts it:

Therefore, even apart from Section 301, the general proposition pertains in copyright law, as elsewhere, that a state law is invalid that "stands as an obstacle to the accomplishment of the full purposes and objectives of

Congress.” Such “conflict pre-emption” equally pertains when compliance with both federal and state mandates is a physical impossibility.

1 Nimmer on Copyright § 1.01[B][3][a], at 1-77. The Estate’s claim, if successful, will constrain the NFL’s ability to exercise its full array of exclusive rights under the Copyright Code. Yet federal copyrights are not absolute.

Courts have found conflict preemption where state laws interfere with federal copyright law’s goal of leaving some works, or uses of works, in the public domain. *See id.* § 1.01[B][1][c], at 1-33 (citing *Brown v. Ames*, 201 F.3d 654, 660-61 (5th Cir.2000)). For example, these concerns might arise with respect to state laws offering protection for “sound-alike” sound recordings, which copyright does not protect. *See id.* § 1.01[B][3][b][i], at 1-82 to -83 (discussing *Midler*, 849 F.2d at 460); *see also Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 269-70 (5th Cir.1988) (holding that a Louisiana state law permitting [1029] a software producer to prohibit disassembly of its computer program conflicted with rights Congress left to software purchasers [under what is now 17 U.S.C. § 117(a) of the federal Copyright Code] and was therefore unenforceable).

Our case presents a different kind of potential conflict. Here we are concerned with the conflict between copyright law and the right of publicity. When does the right of individuals to avoid commercial exploitation of their identities interfere with the rights of copyright owners to exploit their works? In addition, we must confront the role of the standard release contract. Does a contract acknowledging a right-of-publicity for defendant’s copyright in a work containing a plaintiff’s identity mean that the defendant may use that work in any way it sees fit?

David Nimmer has proposed a two-part framework for handling cases at the intersection of copyright, the right of publicity, and contract. First, we look to how the copyrighted work featuring the plaintiff’s identity is used. Surveying the case law, Nimmer finds that when defendants use the work “for the purposes of trade,” such as in an advertisement, plaintiffs’ right-of-publicity claims have not been held to be preempted.¹⁴ On the other hand, when defendants’ uses constitute “expressive works,” right-of-publicity claims have been preempted.¹⁵ The rationale is that state law has a role in regulating prac-

¹⁴ The cases Nimmer places in this category of commercial or advertising uses are *Midler*, 849 F.2d at 460 (voice imitation in advertisement); *Waits v. Frito-Lay, Inc.*, 978 F.2d at 1093 (same); *White v. Samsung Electronics America, Inc.*, 971 F.2d at 1395 (robot with game show hostess’s likeness used in advertisement); *Wendt*, 125 F.3d at 806 (robots with actors’ likenesses used to market an airport restaurant); *Toney v. L’Oreal U.S.A., Inc.*, 406 F.3d 905 (7th Cir.2005) (model’s likeness on product packaging); *Downing*, 265 F.3d at 994 (surfer’s images, including T-shirts, in catalog); *Seifer v. PHE, Inc.*, 196 F.Supp.2d 622 (S.D. Ohio 2002) (performer’s likeness in promotional materials for video); *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, 25 Cal.4th 387, 106 Cal.Rptr.2d 126, 21 P.3d 797 (2001) (actors’ images on T-shirts); and— *most importantly*—the District Court’s opinion in our case.

¹⁵ Nimmer puts into the category of expressive uses *Fleet v. CBS, Inc.*, 50 Cal.App.4th 1911, 58 Cal.Rptr.2d 645 (1996) (distributing a movie in which the plaintiff acted); *Laws v. Sony Music Entertainment, Inc.*, 448 F.3d 1134 (9th Cir.2006) (licensing of a song by non-plaintiffs that included another portion of a song in which the plaintiff sang); *Hoffman v. Capital Cities/ABC, Inc.*, 255 F.3d 1180 (9th Cir.2001) (publishing a digitized image of an actor in a movie); *Astaire v. Best Film & Video Corp.*, 136 F.3d 1208 (9th Cir.1997) (using public domain footage of an actor in a new video); *Polydoros v. Twentieth Century Fox Film Corp.*, 67 Cal.App.4th 318, 79 Cal. Rptr.2d 207 (1997) (using high school classmate’s name in a film); and *Ahn v. Midway Mfg. Co.*, 965 F.Supp. 1134 (N.D.Ill.1997) (using images of individuals in a video game).

tices of trade, including advertising. But limiting the way that material can be used in expressive works extends beyond the purview of state law and into the domain of copyright law.

Seale v. Gramercy Pictures was Nimmer's inspiration for this framework, and illustrates the distinction he draws. 949 F.Supp. 331 (E.D. Pa. 1996). Seale's right-of-publicity claim for use of his likeness to make a "docudrama" about the Black Panthers failed as a matter of law. Nimmer contends that this claim should have been preempted because it targeted an expressive work. On the other hand, Seale's claim based on the use of his image to sell compact discs (on which he did not perform) went to trial (although the defendants ultimately prevailed, *Seale*, 964 F.Supp. at 931). Nimmer suggests that this claim should not have been preempted even though it proved unsuccessful.

The NFL used the sound recordings of Facenda's voice in a television production promoting the video game Madden NFL 06. This kind of use, in what amounts to a 22-minute promotional piece akin to advertising, does not count as an expressive work. Following the case law, this suggests that conflict preemption is inappropriate in our case.

The second part of Nimmer's framework addresses the way that contracts affect the preemption analysis. Nimmer proposes that courts should examine the purpose of the use to which the plaintiff initially consented when signing over the copyright in a contract. He argues that the proper question in cases involving advertising and a contract between the plaintiff and the defendant—such as our case—is whether the plaintiff "collaborated in the creation of a copyrighted advertising product." If the plaintiff did collaborate in that fashion, then the party holding the copyright is in a very strong position to contend that allowing the plaintiff to assert a right of publicity against use of its likeness in advertising would interfere with the rights it acquired. If, on the other hand, the plaintiff did not collaborate specifically in the creation of advertising content, then the plaintiff is in a strong position to assert continuing control over the use of his image.

Three cases, along with the District Court's opinion in our case, provide the most important background case law for the second part of Nimmer's analysis. *Fleet v. CBS, Inc.* involved a right-of-publicity claim by actors seeking to prevent a movie-distribution company from distributing a film in which they appeared. 50 Cal. App. 4th 1911 (1996). The actors had contracted away their rights in the film, but had not received compensation. They apparently hoped to obtain leverage in seeking payment by enjoining distribution of the film. The California Court of Appeal held that the actors' claim was preempted, stating that "a party who does not hold the copyright in a performance captured on film cannot prevent the one who does from exploiting it by resort to state law."

The Ninth Circuit Court of Appeals in *Laws v. Sony Music Entertainment, Inc.*, evaluated singer Debra Laws's claims that Sony had violated her right of publicity by using a sample of one of her recordings in a song by Jennifer Lopez and LL Cool J. 448 F.3d at 1135-36. A third party, Elektra Asylum Records, owned the copyright in the original sound recording that featured Laws. Elektra granted Sony a license to use the sample in the J. Lo-LL Cool J song. Laws's recording contract with Elektra gave Elektra the right to grant licenses, subject to contractual conditions. In that context, whether Laws authorized the sample license was a contract issue between Laws and Elektra. But Laws sued Sony, the end user of the sample. *See id.* at 1143 ("To the extent that Laws has enforceable, contractual rights regarding the use of Elektra's copyright, her remedy may lie in a breach of

contract claim against Elektra for licensing [her song] ‘Very Special’ without her authorization.”). Even though Laws might have been able to state a contract claim against Elektra, her right-of-publicity claim against Sony was preempted by § 301(a).

In *Toney v. L’Oreal U.S.A., Inc.*, the plaintiff, a model, sued L’Oreal for the unauthorized use of her image on product packaging. 406 F.3d at 907. The plaintiff had a contract with L’Oreal’s corporate predecessor to use her image in that way, but it had expired. The Court of Appeals for the Seventh Circuit held that the plaintiff’s claim was not preempted. “There is no ‘work of authorship’ at issue in Toney’s right of publicity claim. A person’s likeness—her persona—is not authored and it is not fixed. The fact that an image of the person might be fixed in a copyrightable photograph does not change this.” *Id.* at 910. Thus, the second express-preemption requirement of § 301(a) (that the state law at issue purports to protect something that falls within the subject matter of copyright) was not met, and accordingly Toney’s claim was not preempted.

To illustrate this second part of his framework, Nimmer puts the fact situations in *Fleet*, *Laws*, and *Toney* on one side, and the fact situation of our case (which he uses as his main counter-example, based on the District Court’s opinion) on the other:

Fleet acted in a movie; for that reason, he could not complain when that very movie was later exploited, by being broadcast on television. Laws sang for a recording; for that reason, she could not complain when that very recording was later exploited, by being used as background for Jennifer Lopez. Toney posed for the packaging of “Ultra Sheen Supreme.” Parallel reasoning indicates that she should not be able to complain about subsequent exploitation of that very work. The defendants in that case, in short, did not “appropriate[] the commercial value of a [Toney]’s identity by using [it] without consent.” Far from it—they simply did exactly what she agreed to. In that regard, they stand poles apart from the NFL, when it took anchorman Facenda’s sports commentary and transmuted it into part of a pitch for a computer game.

1 Nimmer on Copyright § 1.01[B][3][b][iv][II], at 1-88.2(18). Thus, with regard to Toney’s claim, Nimmer answers the question “Did she collaborate in the production of a copyrighted advertising product?” in the affirmative. He argues that her case should have been an exception to the usual rule that right-of-publicity claims for uses in advertisements would not be preempted (and thus the Seventh Circuit erred). But in our case, Nimmer suggests that preemption is not appropriate. Facenda consented to participation in films documenting NFL games, not an advertisement for a football video game. The release form Facenda signed did not implicitly waive his right to publicity, the core of which is the right not to have one’s identity used in advertisements. In fact, the release specifically preserved that right by carving out endorsements.

The NFL argues that Facenda’s only remedy should lie in contract. While we agree that Facenda could state a claim for breach of contract, we believe that he also retained his tort-derived remedy for violation of Pennsylvania’s right-of-publicity statute. Parties may waive tort remedies via contract. It follows that they may also preserve them. While performing artists should have the burden of reserving publicity rights when contracting away any rights under copyright law they might have, we hold that Facenda successfully bore that burden here and preserved his state-law right-to-publicity claim.

Despite our holding, we emphasize that courts must circumscribe the right of publicity so that musicians, actors, and other voice artists do not get a right that extends beyond commercial advertisements to other works of artistic expression. If courts failed to do so, then every record contract or movie contract would no longer suffice to authorize record companies and movie studios to distribute their works. In addition to copyrights, entertainment companies would need additional licenses for artists' rights of publicity in every case.

Thus, we believe that *Laws* was rightly decided—Debra Laws sought to enforce a right that she had contracted away. We do not intend to express any disagreement with the Ninth Circuit Court of Appeals by distinguishing the facts of our case from those of *Laws*. Our case simply presents a different scenario than *Laws*. Just as Facenda did not, in the standard release contract, waive the right to bring a false-endorsement claim, *see supra* Section V.B.1, he did not grant the NFL the right to use his voice in a promotional television program. This contrasts with the situation in *Laws*. Debra Laws's voice was not used in an endorsement, but in a work of artistic expression.

In the endorsement context, an individual's identity and credibility are put directly on point. Advertisements are special in the way they implicate an individual's identity. Precisely what Pennsylvania's right of publicity is meant to protect is a citizen's prerogative *not* to have his or her name, likeness, voice, or identity used in a commercial advertisement, whether that citizen is a celebrity or not.

In our case, we have no precedent to hold that the right of publicity in an individual's voice is analogous to the public domain. In this void, we believe state-law protection of an individual's voice will not upset copyright law's balance as long as the state law is not construed too broadly. Pennsylvania's § 8316 focuses solely on the commercial-advertising context. It is targeted at endorsements, not the full universe of creative works. The Estate's claim lies at the heart of the statute's focus. For these reasons, the state-law right of publicity does not conflict with federal copyright law in this case.

* * * * *

We hold that neither express nor implied conflict preemption bars the Estate's right-of-publicity claim under Pennsylvania law. We affirm the District Court's grant of summary judgment to the Estate on that claim.

B. STATE-STATE

Readings

- Casebook pp. 101–08 (*Google*)

C. INTERNATIONAL

Readings

- Casebook §§ 6.II.A (*Kirtsaeng*) and 6.II.C (*SKF USA*)

10. REMEDIES

A. MONETARY

Readings

- 35 U.S.C. §§ 284 (patent damages), 285 (fees)
- 17 U.S.C. §§ 504 (copyright damages), 505 (fees)
- Lanham Act § 35 (trademark damages and fees)
- Casebook §§ 7.I (*Pioneer Hi-Bred, Grain Processing, Frank Music, Tamko Roofing Prods., Bohnsack, Bryant, Davis, Zomba, Bryant, Octane, Highmark*)

B. NON-MONETARY

Readings

- 35 U.S.C. § 283 (patent injunctions)
- 17 U.S.C. §§ 502 (copyright injunctions), 503 (impoundment), 506 (criminal infringement)
- Lanham Act §§ 34 (trademark injunctions), 36 (destruction)
- Casebook §§ 7.II and 7.III (*eBay, Tamko Roofing Prods., Salinger, Apple*)

Noon Heartache Problem

Laura Jones, a jazz pianist and singer, self-records an album of twelve original songs that she titles *Noon Heartache*. She owns all of the relevant copyrights. She is paid roughly \$500 per concert to perform at jazz clubs, which she does roughly ten times a month; her act is a mixture of jazz standards and songs from *Noon Heartache*. She sells copies of the *Noon Heartache* CD at her concerts for \$15 each; the CDs cost her \$5 in materials and duplication. Her sales in January, February, March, April, May, and June were 100, 90, 105, and 105, 85, and 75 CDs, respectively.

A hard-rock band, Skeletor, performs roughly twenty concerts a month, with an average attendance of 1,000 and an average ticket price of \$25. Skeletor spends about \$250,000 a month to rent venues, pay roadies, replace blown-out speakers, etc. The band's setlists are typically about 16 songs long. In May and June, Skeletor began performing death-metal covers of four songs from *Noon Heartache* as part of its standard setlist.

Tom Tapedeck (not his real name) sells unauthorized CDs of *Noon Heartache* in the parking lot at Skeletor concerts. In May and June combined, Tapedeck sold 1000 CDs at \$20 each. Because he uses home equipment, his duplication costs are higher than Jones's: \$8 per CD.

Jones sues for copyright infringement. Skeletor defends on the grounds of transformative fair use; Tapedeck asserts that Jones verbally granted him a license. Both of them lose in a bench trial. The court concludes that Skeletor's covers are a mere change in genre that do not comment on the original, and it enters findings of fact that Tapedeck's testimony is not credible given his demeanor and his inability to answer multiple questions on cross-examination.

What remedies is Jones entitled to against the defendants? Are any of them criminal infringers, as well?

11. TRANSACTIONS

Effects Associates Inc. v. Cohen

908 F.2d 555 (9th Cir. 1990)

Kozinski, Circuit Judge:

What we have here is a failure to compensate. Larry Cohen, a low-budget horror movie mogul, paid less than the agreed price for special effects footage he had commissioned from Effects Associates. Cohen then used this footage without first obtaining a written license or assignment of the copyright; Effects sued for copyright infringement. We consider whether a transfer of copyright without a written agreement, an arrangement apparently not uncommon in the motion picture industry, conforms with the requirements of the Copyright Act.

FACTS

This started out as a run-of-the-mill Hollywood squabble. Defendant Larry Cohen wrote, directed and executive produced “The Stuff,” a horror movie with a dash of social satire: Earth is invaded by an alien life form that looks (and tastes) like frozen yogurt but, alas, has some unfortunate side effects — it’s addictive and takes over the mind of anyone who eats it. Marketed by an unscrupulous entrepreneur, the Stuff becomes a big hit. An industrial spy hired by ice cream manufacturers eventually uncovers the terrible truth; he alerts the American people and blows up the yogurt factory, making the world safe once again for lovers of frozen confections.

In cooking up this gustatory melodrama, Cohen asked Effects Associates, a small special effects company, to create footage to enhance certain action sequences in the film. In a short letter dated October 29, 1984, Effects offered to prepare seven shots,¹ the most dramatic of which would depict the climactic explosion of the Stuff factory. Cohen agreed to the deal orally, but no one said anything about who would own the copyright in the footage.

Cohen was unhappy with the factory explosion Effects created, and he expressed his dissatisfaction by paying Effects only half the promised amount for that shot. Effects made several demands for the rest of the money (a little over \$8,000), but Cohen refused. Nevertheless, Cohen incorporated Effects’s footage into the film and turned it over to New World Entertainment for distribution. Effects then brought this copyright infringement action, claiming that Cohen (along with his production company and New World) had no right to use the special effects footage unless he paid Effects the full contract price. Effects also brought pendent state law claims for fraud and conspiracy to infringe copyright.

The district court initially dismissed the suit, holding that it was primarily a contract dispute and, as such, did not arise under federal law. In an opinion remarkable for its lucidity, we reversed and remanded, concluding that plaintiff was “master of his claim” and could opt to pursue the copyright infringement action instead of suing on the con-

¹ The price originally agreed to was \$62,335; in an invoice dated January 10, 1985, Effects adjusted this amount upward to \$64,033.92, because of additional expenses incurred in creating the shots.

tract. *Effects Assocs., Inc. v. Cohen*, 817 F.2d 72, 73 (9th Cir. 1987). We recognized that the issue on remand would be whether Effects had transferred to Cohen the right to use the footage.

On remand, the district court granted summary judgment to Cohen on the infringement claim, holding that Effects had granted Cohen an implied license to use the shots. Accordingly, the court dismissed the remaining state law claims, allowing Effects to pursue them in state court. We review the district court's grant of summary judgment *de novo*.

DISCUSSION

A. Transfer of Copyright Ownership

The law couldn't be clearer: The copyright owner of "a motion picture or other audiovisual work" has the exclusive rights to copy, distribute or display the copyrighted work publicly. 17 U.S.C. § 106 (1988). While the copyright owner can sell or license his rights to someone else, section 204 of the Copyright Act invalidates a purported transfer of ownership unless it is in writing. 17 U.S.C. § 204(a) (1988).²

Here, no one disputes that Effects is the copyright owner of the special effects footage used in "The Stuff," and that defendants copied, distributed and publicly displayed this footage without written authorization.

Cohen suggests that section 204's writing requirement does not apply to this situation, advancing an argument that might be summarized, tongue in cheek, as: Movie-makers do lunch, not contracts. Cohen concedes that "[i]n the best of all possible legal worlds" parties would obey the writing requirement, but contends that moviemakers [557] are too absorbed in developing "joint creative endeavors" to "focus upon the legal niceties of copyright licenses." Thus, Cohen suggests that we hold section 204's writing requirement inapplicable here because "it [i]s customary in the motion picture industry ... not to have written licenses." To the extent that Cohen's argument amounts to a plea to exempt moviemakers from the normal operation of section 204 by making implied transfers of copyrights "the rule, not the exception," we reject his argument.

Common sense tells us that agreements should routinely be put in writing. This simple practice prevents misunderstandings by spelling out the terms of a deal in black and white, forces parties to clarify their thinking and consider problems that could potentially arise, and encourages them to take their promises seriously because it's harder to backtrack on a written contract than on an oral one. Copyright law dovetails nicely with common sense by requiring that a transfer of copyright ownership be in writing. Section 204 ensures that the creator of a work will not give away his copyright inadvertently and forces a party who wants to use the copyrighted work to negotiate with the creator to determine precisely what rights are being transferred and at what price. Most importantly, section 204 enhances predictability and certainty of copyright ownership — Congress' paramount goal when it revised the Act in 1976. Rather than look to the courts every time they disagree as to whether a particular use of the work violates their mutual understanding, parties need only look to the writing that sets out their respective rights.

² The Copyright Act defines "transfer of copyright ownership" as an "assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright ... but not including a nonexclusive license." 17 U.S.C. § 101.

Section 204's writing requirement is not unduly burdensome; it necessitates neither protracted negotiations nor substantial expense. The rule is really quite simple: If the copyright holder agrees to transfer ownership to another party, that party must get the copyright holder to sign a piece of paper saying so. It doesn't have to be the Magna Charta; a one-line pro forma statement will do. ...

The Supreme Court and this circuit, while recognizing the custom and practice in the industry, have refused to permit moviemakers to sidestep section 204's writing requirement. Accordingly, we find unpersuasive Cohen's contention that section 204's writing requirement, which singles out no particular group, somehow doesn't apply to him. As section 204 makes no special allowances for the movie industry, neither do we.

B. Nonexclusive Licenses

Although we reject any suggestion that moviemakers are immune to section 204, we note that there is a narrow exception to the writing requirement that may apply here. Section 204 provides that all transfers of copyright ownership must be in writing; section 101 defines transfers of ownership broadly, but expressly removes from the scope of section 204 a "nonexclusive license." The sole issue that remains, then, is whether Cohen had a nonexclusive license to use plaintiff's special effects footage.

The leading treatise on copyright law states that "[a] nonexclusive license may be granted orally, or may even be implied from conduct." 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 10.03[A], at 10-36 (1989). Cohen relies on the latter proposition; he insists that, although Effects never gave him a written or oral license, Effects's conduct created an implied license to use the footage in "The Stuff."

Cohen relies largely on our decision in *Oddo v. Ries*, 743 F.2d 630 (9th Cir.1984). There, we held that Oddo, the author of a series of articles on how to restore Ford F-100 pickup trucks, had impliedly granted a limited non-exclusive license to Ries, a publisher, to use plaintiff's articles in a book on the same topic. We relied on the fact that Oddo and Ries had formed a partnership to create and publish the book, with Oddo writing and Ries providing capital. Oddo prepared a manuscript consisting partly of material taken from his prior articles and submitted it to Ries. Because the manuscript incorporated pre-existing material, it was a derivative work; by publishing it, Ries would have necessarily infringed the copyright in Oddo's articles, unless Oddo had granted him a license. We concluded that, in preparing and handing over to Ries a manuscript intended for publication that, if published, would infringe Oddo's copyright, Oddo "impliedly gave the partnership a license to use the articles insofar as they were incorporated in the manuscript, for without such a license, Oddo's contribution to the partnership venture would have been of minimal value."

The district court agreed with Cohen, and we agree with the district court: *Oddo* controls here. Like the plaintiff in *Oddo*, Effects created a work at defendant's request and

handed it over, intending that defendant copy and distribute it.⁶ To hold that Effects did not at the same time convey a license to use the footage in “The Stuff” would mean that plaintiff’s contribution to the film was “of minimal value,” a conclusion that can’t be squared with the fact that Cohen paid Effects almost \$56,000 for this footage. Accordingly, we conclude that Effects impliedly granted nonexclusive licenses to Cohen and his production company to incorporate the special effects footage into “The Stuff” and to New World Entertainment to distribute the film.⁷

CONCLUSION

We affirm the district court’s grant of summary judgment in favor of Cohen and the other defendants. We note, however, that plaintiff doesn’t leave this court empty-handed. Copyright ownership is comprised of a bundle of rights; in granting a nonexclusive license to Cohen, Effects has given up only one stick from that bundle — the right to sue Cohen for copyright infringement. It retains the right to sue him in state court on a variety of other grounds, including breach of contract. Additionally, Effects may license, sell or give away for nothing its remaining rights in the special effects footage. Those rights may not be particularly valuable, of course: “The Stuff” was something less than a blockbuster, and it remains to be seen whether there’s a market for shots featuring great gobs of alien yogurt oozing out of a defunct factory. On the other hand, the shots may have much potential for use in music videos. In any event, whatever Effects chooses to do with the footage, Cohen will have no basis for complaining. And that’s an important lesson that licensees of more versatile film properties may want to take to heart.

⁶ As the district court found, “every objective fact concerning the transaction at issue supports a finding that an implied license existed.” Effects’s copyright registration certificate states that the footage is to be used in “The Stuff,” so does the letter agreement of October 29, 1984, and Effects’s President James Danforth agreed at his deposition that this was his understanding. Also, Effects delivered the film negatives to Cohen, never warning him that cutting the negatives into the film would constitute copyright infringement. While delivery of a copy “does not *of itself* convey any rights in the copyrighted work,” 17 U.S.C. § 202 (1988) (emphasis added), it is one factor that may be relied upon in determining that an implied license has been granted.

⁷ Plaintiff argues that an implied license is an equitable remedy, akin to estoppel, for which Cohen does not qualify because he hasn’t paid in full the agreed-to price for the footage. We reject this argument. Plaintiff cites no authority for the proposition that an implied license is equitable in nature; it seems to us to be a creature of law, much like any other implied-in-fact contract. In any event, it is unclear that a balancing of equities would favor plaintiff, who has been paid almost \$56,000 for footage that is worthless to Cohen should plaintiff prevail.

Nor can we construe payment in full as a condition precedent to implying a license. Conditions precedent are disfavored and will not be read into a contract unless required by plain, unambiguous language. The language of the October 29, 1984, agreement doesn’t support a conclusion that full payment was a condition precedent to Cohen’s use of the footage. Moreover, Effects’s president conceded at his deposition that he never told Cohen that a failure to pay would be viewed as copyright infringement.

Sugar Busters LLC v. Brennan

177 F.3d 258 (5th Cir. 1999)

King, Chief Judge:

This appeal challenges the district court's grant of a preliminary injunction prohibiting defendants-appellants from selling or distributing a book entitled "SUGAR BUST For Life!" as infringing plaintiff-appellee's federally registered service mark, "SUGARBUSTERS." Plaintiff-appellee is an assignee of a registered "SUGARBUSTERS" service mark and the author of a best-selling diet book entitled "SUGAR BUSTERS! Cut Sugar to Trim Fat." We determine that the assignment of the registered "SUGARBUSTERS" service mark to plaintiff-appellee was in gross and was therefore invalid, and we vacate the injunction. However, because plaintiff-appellee might still obtain protection for its book title from unfair competition under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), we remand to the district court to consider plaintiff-appellee's unfair competition claims.

I. FACTUAL AND PROCEDURAL HISTORY

Plaintiff-appellee Sugar Busters, L.L.C. (plaintiff) is a limited liability company organized by three doctors and H. Leighton Steward, a former chief executive officer of a large energy corporation, who co-authored and published a book entitled "SUGAR BUSTERS! Cut Sugar to Trim Fat" in 1995. In "SUGAR BUSTERS! Cut Sugar to Trim Fat," the authors recommend a diet plan based on the role of insulin in obesity and cardiovascular disease. The authors' premise is that reduced consumption of insulin-producing food, such as carbohydrates and other sugars, leads to weight loss and a more healthy lifestyle. The 1995 publication of "SUGAR BUSTERS! Cut Sugar to Trim Fat" sold over 210,000 copies, and in May 1998 a second edition was released. The second edition has sold over 800,000 copies and remains a bestseller. ...

Plaintiff filed this suit in the United States District Court for the Eastern District of Louisiana on May 26, 1998, asserting causes of action for trademark infringement and dilution under 15 U.S.C. §§ 1114 and 1125(c), unfair competition and trade dress infringement under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and trademark dilution, misrepresentation, unfair competition and misappropriation of trade secrets under Louisiana state law. Plaintiff sought to enjoin defendants-appellants Ellen Brennan, Theodore Brennan and Shamrock Publishing, Inc. (collectively, defendants) from selling, displaying, advertising or distributing "SUGAR BUST For Life!," to destroy all copies of the cookbook, and to recover damages and any profits derived from the cookbook.

The mark that is the subject of plaintiff's infringement claim is a service mark that was registered in 1992 by Sugarbusters, Inc., an Indiana corporation operating a retail store named "Sugarbusters" in Indianapolis that provides products and information for diabetics. The "SUGARBUSTERS" service mark, registration number 1,684,769, is for "retail store services featuring products and supplies for diabetic people; namely, medical supplies, medical equipment, food products, informational literature and wearing apparel featuring a message regarding diabetes." Sugarbusters, Inc. sold "any and all rights to the mark" to Thornton-Sahoo, Inc. on December 19, 1997, and Thornton-Sahoo, Inc. sold these rights to Elliott Company, Inc. (Elliott) on January 9, 1998. Plaintiff obtained the service mark from Elliott pursuant to a "servicemark purchase agreement" dated January 26, 1998. Under the terms of that agreement, plaintiff purchased "all the interests [Elliott]

owns” in the mark and “the goodwill of all business connected with the use of and symbolized by” the mark. Furthermore, Elliott agreed that it “will cease all use of the [m]ark, [n]ame and [t]rademark [i]nterests within one hundred eighty (180) days.” ...

The district court heard evidence relating to the preliminary injunction for three days beginning on June 30, 1998 and entered a preliminary injunction on September 22, 1998 that prohibits defendants from engaging in the sale and distribution of their cookbook, “SUGAR BUST For Life!” The district court found that plaintiff is the owner of the registered service mark, “SUGARBUSTERS,” and that the mark is registered in International Class 16, “information, literature, and books.” The district court found that the mark is valid and that the transfer of the mark to plaintiff was not “in gross” because

[t]he plaintiff has used the trademark to disseminate information through its books, seminars, the Internet, and the cover of plaintiff’s recent book, which reads “Help Treat Diabetes and Other Diseases.” Moreover, the plaintiff is moving forward to market and sell its own products and services, which comport with the products and services sold by the Indiana corporation. There has been a full and complete transfer of the [264] good will related to the mark, and the plaintiff has licensed the Indiana corporation to use the mark for only six months to enable it to wind down its operations.

The district court found that “plaintiff has established that there is a likelihood of confusion in the minds of customers,” that there is a substantial threat plaintiff will suffer irreparable injury without a preliminary injunction, that this threatened injury outweighs any damage that an injunction may cause defendants, and that an injunction will not disserve the public interest. ... Defendants timely appeal.

II. DISCUSSION

Defendants argue that the district court erroneously concluded that plaintiff’s purported service mark in “SUGARBUSTERS” is valid and that their cookbook infringes the mark. ...

A. Standard of Review

We review a district court’s ultimate decision to grant a preliminary injunction for an abuse of discretion. ...

B. Plaintiff’s Registered Service Mark

A trademark is merely a symbol of goodwill and has no independent significance apart from the goodwill that it symbolizes. “A trade mark only gives the right to prohibit the use of it so far as to protect the owner’s good will” *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924) (Holmes, J.). Therefore, a trademark cannot be sold or assigned apart from the goodwill it symbolizes. *See* 15 U.S.C. § 1060 (“A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark.”). The sale or assignment of a trademark without the goodwill that the mark represents is characterized as in gross and is invalid.

The purpose of the rule prohibiting the sale or assignment of a trademark in gross is to prevent a consumer from being misled or confused as to the source and nature of the goods or services that he or she acquires. Use of the mark by the assignee in connection

with a different goodwill and different product would result in a fraud on the purchasing public who reasonably assume that the mark signifies the same thing, whether used by one person or another. Therefore, if consumers are not to be misled from established associations with the mark, it must continue to be associated with the same or similar products after the assignment.

Plaintiff's purported service mark in "SUGARBUSTERS" is valid only if plaintiff also acquired the goodwill that accompanies the mark; that is, "the portion of the business or service with which the mark is associated." Defendants claim that the transfer of the "SUGARBUSTERS" mark to plaintiff was in gross because "[n]one of the assignor's underlying business, including its inventory, customer lists, or other assets, were transferred to [plaintiff]." Defendants' view of goodwill, however, is too narrow. Plaintiff may obtain a valid trademark without purchasing any physical or tangible assets of the retail store in Indiana—the transfer of goodwill requires only that the services be sufficiently similar to prevent consumers of the service offered under the mark from being misled from established associations with the mark. *See Marshak*, 746 F.2d at 930 ("The courts have upheld such assignments if they find that the assignee is producing a product or performing a service substantially similar to that of the assignor and that the consumers would not be deceived or harmed."); *PepsiCo*, 416 F.2d at 288 ("Basic to this concept [of protecting against consumer deception] is the proposition that any assignment of a trademark and its goodwill (with or without tangibles or intangibles assigned) requires the mark itself be used by the assignee on a product having substantially the same characteristics."); *cf. Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 678 (7th Cir.1982) ("In the case of a service mark ... confusion would result if an assignee offered a service different from that offered by the assignor of the mark.")).

The district court found, without expressly stating the applicable legal standard, that "[t]here has been a full and complete transfer of the good will related to the mark." *Sugar Busters*, 48 U.S.P.Q.2d at 1514. The proper standard, as discussed above, is whether plaintiff's book and the retail store in Indiana are sufficiently similar to prevent consumer confusion or deception when plaintiff uses the mark previously associated with the store as the title of its book. We conclude that even if the district court applied this standard, its finding that goodwill was transferred between Elliott and plaintiff is clearly erroneous.

In concluding that goodwill was transferred, the district court relied in part on its finding that the mark at issue is registered in International Class 16, "information, literature, and books." However, the registration certificate issued by the United States Patent and Trademark Office states that the service mark is "in class 42" and is "for retail store services featuring products and supplies for diabetic people." The district court also relied on its finding that "plaintiff is moving forward to market and sell its own products and services, which comport with the products and services sold by the Indiana corporation." Steward testified, however, that plaintiff does not have any plans to operate a retail store, and plaintiff offered no evidence suggesting that it intends to market directly to consumers any goods it licenses to carry the "SUGAR BUSTERS!" name. Finally, we are unconvinced by plaintiff's argument that, by stating on the cover of its diet book that it may "[h]elp treat diabetes and other diseases" and then selling some of those books on the Internet, plaintiff provides a service substantially similar to a retail store that provides diabetic supplies. *See PepsiCo*, 416 F.2d at 286-89 (determining that pepper-flavored soft drink and cola-flavored soft drink are not substantially similar and therefore purported

assignment was in gross and invalid). We therefore must conclude that plaintiff's purported service mark is invalid. Thus, its trademark infringement claim under 15 U.S.C. § 1114 cannot succeed on the merits and the district court improperly relied on this ground in granting [267] plaintiff's request for a preliminary injunction. ...

III. CONCLUSION

For the foregoing reasons, we VACATE the preliminary injunction and REMAND to the district court for further proceedings consistent with this opinion.

Barcamerica Int'l USA Trust v Tyfield Importers, Inc.

289 F.3d 589 (9th Cir. 2002)

O'Scannlain, Circuit Judge:

We must decide whether a company engaged in "naked licensing" of its trademark, thus resulting in abandonment of the mark and ultimately its cancellation.

I

This case involves a dispute over who may use the "Leonardo Da Vinci" trademark for wines.

A

Barcamerica International USA Trust ("Barcamerica") traces its rights in the Leonardo Da Vinci mark to a February 14, 1984 registration granted by the United States Patent and Trademark Office ("PTO"), on an application filed in 1982. ... Barcamerica asserts that it has used the mark continuously since the early 1980s. In the district court, it produced invoices evidencing two sales per year for the years 1980 through 1993: one to a former employee and the other to a barter exchange company. Barcamerica further produced invoices evidencing between three and seven sales per year for the years 1994 through 1998. These include sales to the same former employee, two barter exchange companies, and various sales for "cash." The sales volume reflected in the invoices for the years 1980 through 1988 range from 160 to 410 cases of wine per year. Barcamerica also produced sales summaries for the years 1980 through 1996 which reflect significantly higher sales volumes; these summaries do not indicate, however, to whom the wine was sold.

In 1988, Barcamerica entered into a licensing agreement with Renaissance Vineyards ("Renaissance"). Under the agreement, Barcamerica granted Renaissance the non-exclusive right to use the "Da Vinci" mark for five years or 4,000 cases, "whichever comes first," in exchange for \$2,500. The agreement contained no quality control provision. In 1989, Barcamerica and Renaissance entered into a second agreement in place of the 1988 agreement. The 1989 agreement granted Renaissance an exclusive license to use the "Da Vinci" mark in the United States for wine products or alcoholic beverages. The 1989 agreement was drafted by Barcamerica's counsel and, like the 1988 agreement, it did not contain a quality control provision. In fact, the only evidence in the record of any efforts by Barcamerica to exercise "quality control" over Renaissance's wines comprised (1) Barcamerica principal George Gino Barca's testimony that he occasionally, informally tasted of the wine, and (2) Barca's testimony that he relied on the reputation of a "world-famous winemaker" employed by Renaissance at the time the agreements were signed. (That winemaker is now deceased, although the record does not indicate when he died.)

Nonetheless, Barcamerica contends that Renaissance's use of the mark inures to Barcamerica's benefit.

Cantine Leonardo Da Vinci Soc. Coop. a.r.l. ("Cantine"), an entity of Italy, is a wine producer located in Vinci, Italy. Cantine has sold wine products bearing the "Leonardo Da Vinci" tradename since 1972; it selected this name and mark based on the name of its home city, Vinci. Cantine began selling its "Leonardo Da Vinci" wine to importers in the United States in 1979. Since 1996, however, Tyfield Importers, Inc. ("Tyfield") has been the exclusive United States importer and distributor of Cantine wine products bearing the "Leonardo Da Vinci" mark. During the first eighteen months after Tyfield became Cantine's exclusive importer, Cantine sold approximately 55,000 cases of wine products bearing the "Leonardo Da Vinci" mark to Tyfield. During this same period, Tyfield spent between \$250,000 and \$300,000 advertising and promoting Cantine's products, advertising in USA Today, and such specialty magazines as The Wine Spectator, Wine and Spirits, and Southern Beverage Journal.

Cantine learned of Barcamerica's registration of the "Leonardo Da Vinci" mark in or about 1996, in the course of prosecuting its first trademark application in the United States. Cantine investigated Barcamerica's use of the mark and concluded that Barcamerica was no longer selling any wine products bearing the "Leonardo Da Vinci" mark and had long since abandoned the mark. As a result, in May 1997, Cantine commenced a proceeding in the PTO seeking cancellation of Barcamerica's registration for the mark based on abandonment. Barcamerica responded by filing the instant action on January 30, 1998, and thereafter moved to suspend the proceeding in the PTO. The PTO granted Barcamerica's motion and suspended the cancellation proceeding.

Although Barca has been aware of Cantine's use of the "Leonardo Da Vinci" mark since approximately 1993, Barcamerica initiated the instant action only after Tyfield and Cantine commenced the proceeding in the PTO. A month after Barcamerica filed the instant action, it moved for a preliminary injunction enjoining Tyfield and Cantine from any further use of the mark. The district court denied the motion, finding, among other things, that "there is a serious question as to whether [Barcamerica] will be able to demonstrate a bona fide use of the Leonardo Da Vinci mark in the ordinary course of trade and overcome [the] claim of abandonment."

Thereafter, Tyfield and Cantine moved for summary judgment on various grounds. The district court granted the motion, concluding that Barcamerica abandoned the mark through naked licensing. ... This timely appeal followed. ...

Barcamerica first challenges the district court's conclusion that Barcamerica abandoned its trademark by engaging in naked licensing. It is well-established that a trademark owner may grant a license and remain protected provided quality control of the goods and services sold under the trademark by the licensee is maintained. But "[u]ncontrolled or 'naked' licensing may result in the trademark ceasing to function as a symbol of quality and controlled source." *McCarthy on Trademarks and Unfair Competition* § 18:48, at 18-79 (4th ed. 2001). Consequently, where the licensor fails to exercise adequate quality control over the licensee, a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark. Such abandonment "is purely an 'involuntary' forfeiture of trademark rights," for it need not be shown that the trademark owner had any subjective intent to abandon the

mark. *McCarthy* § 18:48, at 18-79. Accordingly, the proponent of a naked license theory faces a stringent standard of proof.

Judge Damrell's analysis of this issue in his memorandum opinion and order is correct and well-stated, and we adopt it as our own. As that court explained,

. . . The lack of an express contract right to inspect and supervise a licensee's operations is not conclusive evidence of lack of control. There need not be formal quality control where the particular circumstances of the licensing arrangement indicate that the public will not be deceived. Indeed, courts have upheld licensing agreements where the licensor is familiar with and relies upon the licensee's own efforts to control quality.

Here, there is no evidence that [Barcamerica] is familiar with or relied upon Renaissance's efforts to control quality. Mr. Barca represents that Renaissance's use of the mark is "controlled by" plaintiff "with respect to the nature and quality of the wine sold under the license," and that "[t]he nature and quality of Renaissance wine sold under the trademark is good." [Barcamerica]'s sole evidence of any such control is Mr. Barca's own apparently random tastings and his reliance on Renaissance's reputation. According to Mr. Barca, the quality of Renaissance's wine is "good" and at the time plaintiff began licensing the mark to Renaissance, Renaissance's winemaker was Karl Werner, a "world famous" winemaker.

Mr. Barca's conclusory statements as to the existence of quality controls is insufficient to create a triable issue of fact on the issue of naked licensing. While Mr. Barca's tastings perhaps demonstrate a minimal effort to monitor quality, Mr. Barca fails to state when, how often, and under what circumstances he tastes the wine. Mr. Barca's reliance on the reputation of the winemaker is no longer justified as he is deceased. Mr. Barca has not provided any information concerning the successor winemaker(s). While Renaissance's attorney, Mr. Goldman, testified that Renaissance "strive[s] extremely hard to have the highest possible standards," he has no knowledge of the quality control procedures utilized by Renaissance with regard to testing wine. Moreover, according to Renaissance, Mr. Barca never "had any involvement whatsoever regarding the quality of the wine and maintaining it at any level." [Barcamerica] has failed to demonstrate any knowledge of or reliance on the actual quality controls used by Renaissance, nor has it demonstrated any ongoing effort to monitor quality.

[Barcamerica] and Renaissance did not and do not have the type of close working relationship required to establish adequate quality control in the absence of a formal agreement. No such familiarity or close working relationship ever existed between [Barcamerica] and Renaissance. Both the terms of the licensing agreements and the manner in which they were carried out show that [Barcamerica] engaged in naked licensing of the "Leonardo Da Vinci" mark. Accordingly, [Barcamerica] is estopped from asserting any rights in the mark.

B

On appeal, Barcamerica does not seriously contest any of the foregoing. Instead, it argues essentially that because Renaissance makes good wine, the public is not deceived by Renaissance's use of the "Da Vinci" mark, and thus, that the license was legally acceptable. This novel rationale, however, is faulty. Whether Renaissance's wine was objectively "good" or "bad" is simply irrelevant. What matters is that Barcamerica played no meaningful role in holding the wine to a standard of quality—good, bad, or otherwise. As McCarthy explains,

It is important to keep in mind that "quality control" does not necessarily mean that the licensed goods or services must be of "high" quality, but merely of equal quality, whether that quality is high, low or middle. The point is that customers are entitled to assume that the nature and quality of goods and services sold under the mark at all licensed outlets will be consistent and predictable.

McCarthy § 18:55, at 18-94 (emphasis added) (footnotes omitted). And it is well established that where a trademark owner engages in naked licensing, without any control over the quality of goods produced by the licensee, such a practice is inherently deceptive and constitutes abandonment of any rights to the trademark by the licensor.

Certainly, "[i]t is difficult, if not impossible to define in the abstract exactly how much control and inspection is needed to satisfy the requirement of quality control over trademark licensees." *McCarthy*, § 18:55, at 18-94. And we recognize that "[t]he standard of quality control and the degree of necessary inspection and policing by the licensor will vary with the wide range of licensing situations in use in the modern marketplace." *Id.*, at 18-95. But in this case we deal with a relatively simple product: wine. Wine, of course, is bottled by season. Thus, at the very least, one might have expected Barca to sample (or to have some designated wine connoisseur sample) on an annual basis, in some organized way, some adequate number of bottles of the Renaissance wines which were to bear Barcamerica's mark to ensure that they were of sufficient quality to be called "Da Vinci." But Barca did not make even this minimal effort.

We therefore agree with Judge Damrell, and hold that Barcamerica engaged in naked licensing of its "Leonardo Da Vinci" mark—and that by so doing, Barcamerica forfeited its rights in the mark. We also agree that cancellation of Barcamerica's registration of the mark was appropriate.

Mongols Problem

The Mongols Motorcycle Club is a group of motorcyclists based in Southern California. Its 500–1,500 loosely affiliated members have created an unincorporated association, Mongol Nation, which has registered the collective mark MONGOLS for "association services, namely promoting the interests of persons interested in the recreation of riding" and an trademark consisting of an individual riding a motorcycle with the letters

“M.C.” for use on “jackets and t-shirts.” Group members often wear leather jackets bearing either the word MONGOLS, the image, or both. The group has also manufactured a number of T-shirts with these images for sale, although they have not particularly targeted the general public.

You are an Assistant U.S. Attorney for the Central District of California. Your office has been investigating the Mongols for drug trafficking, extortion, and murder, and is preparing to bring a RICO indictment against approximately 75 members of the Mongols. Your boss, the U.S. Attorney, has proposed that you also seek a seizure of the Mongols’ trademarks. By seizing the marks, he explains, your office will be able to immediately arrest anyone wearing a Mongols jacket and impound the jacket. Explain to him whether the plan will work. Assuming the seizure is authorized under RICO, what legal effects will it have?

