

Copyright, Patent, Trademark, and Related Doctrines

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Part One: Intellectual Property Law in Context

I. The Sources and Limits of Intellectual Property Law

- Intellectual property law stems from the congressional powers set forth in the Article I, Section 8 of the U.S. Constitution: “Congress shall have power... (3) To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes; (8) To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”
- Jurisdiction for enforcing intellectual property powers throughout all of the states is exclusively vested in the federal government by Article 6 of the Constitution (the supremacy clause) – can states pass laws to extend the rights granted by Congress and protect additional intellectual property rights? (e.g., state unfair competition laws) – states often did so in the 1800s, since the federal systems (copyright, trademark, and patent) were of limited use – eventually, the federal government passed the Lanham Trademark Act, the 1976 Copyright Act, and the 1952 Patent Act, all of which almost completely preempt state laws – states do still have some rights to pass trade secret laws
- *Sears, Roebuck & Co. v. Stiffel Co.* (1964): SC stated that states cannot protect subject matter that comes within the Congress’s IP authority but that doesn’t qualify for protection under Congress’s rules – *Sears*: district court invalidated π ’s patented lamppost design but enjoined Δ from producing competing lamps that violated state unfair competition laws – SC reversed: district ct verdict awarded “the equivalent of a patent monopoly on its unpatented lamp,” thereby usurping federal patent authority – 1970’s SC retreated from *Sears* in a series of decisions allowing state trade secret protection for unpatentable ideas, and state copyright protection for sound recordings that didn’t qualify for federal copyright protection – *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* (1989): SC returned to *Sears* reasoning by invalidating state statute that protected injection-molded industrial design processes for boats: “state law that substantially interferes with the enjoyment of an unpatented utilitarian or design conception which has been freely disclosed by its authors to the public at large impermissibly contravenes the ultimate goal of public disclosure and use which is the centerpiece of federal patent policy”
- Goal of patent laws: Promoting investment in new technologies that might not work, that might not have market success, and that will not completely qualify for other intellectual property protections
- International developments: The 1883 Paris Convention for the Protection of Intellectual Property set forth a broad mandate for international cooperation in

protecting all forms of IP, but real unity on these issues has only been a recent development

II. The Nature and Functions of Intellectual Property Law

- The primary purpose of IP laws is to ensure consumer access to a variety of information products at the lowest possible prices, by granting property rights to companies for information that they create as a research/development incentive – copyright law secures rights for authors and artists to works of art; patent law secures rights for inventors to technologies; trademark secures rights for businesses to symbolic identifiers of their goods and services – trade secret law and unfair competition law (usually state laws) secure rights to businesses to information and products not yet ready for other forms of protection – finally, the right of publicity secures rights for public figures to the commercial value of their celebrity
- Intellectual property laws deal with intangible information, thereby creating an appropriations problem (if information can easily be adopted by competitors, why use resources required to develop it?) and an indivisibility problem (not depleted by continued use, and thereby not due the absolutely stringent protection courts extend to tangible property) – the non-scarcity of information does not comport with the 20th-century economics concept that a valuable good shouldn't be usable by one person without increasing the wealth of another person (and thereby excluding those who can't/won't pay the price) – “Put succinctly, the dilemma [of IP] is that without a legal monopoly not enough information will be produced but with the legal monopoly too little of the information will be used”
- Other factors and views: Intellectual property creators have an inherent natural right to ownership of their efforts (no inducement rationale needed); political judgments, e.g., research and educational institutions should be exempt from monopoly liability

A. Copyright Law

- Macauley, Speech Delivered in the House of Commons (1841): Great books, especially those requiring deep meditation, can rarely be created by men engaged in active professions – remuneration is needed to encourage the production of literary works – the alternative, government patronage, damages the integrity and independence of the works so created – monopoly is an evil, but a limited-time monopoly is the least exceptionable way of promoting literary works – the duration should last only as long as the benefit to the author outweighs the harm to society
- Breyer, The Uneasy Case For Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs (1970): Abolishing copyright law may make some books available at lower prices due to competition, but would also prevent many books from being written at all – an initial publisher bears many costs that publishers who copy those works don't, like editing and correcting the text – also, the initial publisher is usually obligated to pay the author royalties, while copying publishers need not – this cost advantage is ordinarily large, and can be very large for complicated textbooks – this advantage has grown even larger with the advent of copy machines – while the initial publisher enjoys

market lead time (quite important for novels, not as important for textbooks) and the threat of retaliation by way of below-cost pricing intended to dissuade copiers (more important in low-volume publications) – on balance, initial publishers have a cost disadvantage in textbooks, which usually have long-term costs, but might still publish them if even moderate profit is available

- The factors weighing against copyright have been mitigated by market changes: automated copying virtually eliminates market lead time, and modern markets mostly go through distributors who are more sensitive to price differences than consumers – of course, below-cost pricing isn't a viable long-term strategy
- Breyer focuses on the quantity and variety of texts, but doesn't much discuss the quality of texts – quality isn't an issue because copyright protects expressions, not ideas, and publishers promote new expressions of old ideas – thus, copyrighted works usually express redundant ideas – is this undesirable?
- Report of the U.S. Copyright Office of the Subcommissioner on Patents, Copyrights & Trademarks (1984): 2.8% of U.S. GNP derives from “values added” by copyright industries – 1977 royalty payments in the U.S. exceeded \$1.7 billion, and the U.S. had an \$850 million surplus in international copyright trade – copyright industries employed 2.2 million Americans (2.2% of the U.S. civilian labor pool)

B. Patent Law

- Report of the President's Commission on the Patent System (1966): The U.S. patent system goes all the way back to 1790, with major revisions in 1793 and 1836; no major changes to its general character since 1836 act – current U.S. economy depends directly on technology developments, for which the Constitution requires Congress “to promote the progress of useful arts” – the patent system is keenly functional for this purpose by providing an incentive to invest in research and product development, while encouraging public disclosure of technologies that might otherwise be kept as trade secrets and promoting international exchange of products
- Malchup, An Economic Review of the Patent System (1958): Economists disagree on whether consumers benefit from patents: proponents argue that many inventions wouldn't be available without a patent system, while opponents argue that many such inventions would have been created anyway; while *some* inventions wouldn't be created, consumers indirectly pay for *all* patents – another source of conflict: the first-to-invent patent system encourages initial inventors to patent the first solution to a problem, then encourages competitors to patent alternatives “invented around” the first patents, and then encourages the first patent holder to patent *all* alternative solutions in order to block competitors from “inventing around” the initial patents – drawbacks: near-simultaneous inventors lose all rights to use their inventions if they lose the race to the patent office – the incentive to “invent around” can be seen either as useful (further research in a promising field) or wasteful (needless duplication of effort and solutions to a solved problem) – finally, blocking competitors is almost completely wasteful
- Patent law only grants rights for “useful” inventions, not to abstract ideas like basic research – patent law imposes high standards of novelty, utility, and non-obviousness, but these factors steer industry away from basic research

C. Trademark Law

- Economides, The Economics of Trademarks (1988): Trademarks facilitate and enhance consumer decisions and to compel companies to produce products of good quality – for many products, consumers can't easily determine internal quality from observation before buying, and the market would be flooded with goods of the cheapest (lowest) internal quality – trademarks allow companies to identify their products and to associate such products with above-average internal quality – this isn't an analytic determination, but is still useful – formal trademarks arose in the middle ages among jewelers, but the practice of labeling goods dates back to ancient times – trademarks can also identify features besides quality (e.g., characteristic taste of food) – factors influencing commercial success of trademark in identifying product/producer include market conditions, the type of product, the frequency of purchase (especially useful in oft-purchased goods), and the ease of information diffusion across consumers – competitors should not be allowed to “dilute” the value of the trademark by releasing similar products under a confusingly similar trademark – two considerations: trademark should identify all relevant features, and features must be consistent between purchases – it may be natural for a company with no long-term future to lower the cost and quality of its goods and expect its trademark to maintain sales – trademarks very efficiently achieve their goals; the only alternative is government-enforced quality-control regulations, but this can't be used to encourage variety, only to set a minimum entry barrier
- Advertising: Trademarks sometimes help sell not only the product, but the product image crafted by advertising - Ralph Brown, Advertising and the Public Interest (1948): “The buyer of an advertised good buys more than a parcel of food or fabric; he buys the pause that refreshes, the hand that has never lost its skill, the priceless ingredient that is the reputation of the maker. All these may be illusions, but they cost money to create, and if the creators can recoup their outlay, who is the poorer?”

Part Two: State Law of Intellectual Property

I. Rights in Undeveloped Ideas

- *Sellers v. American Broadcasting Co.* (1982): π approached Δ s ABC and Geraldo Rivera with “exclusive” theory that Elvis had been killed by bodyguard who replaced his prescription of cortisone with a placebo – prior to revealing theory, π signed contract with Δ s granting them exclusive rights to the story in exchange for some rights if they used it – Δ s later and independently developed a theory that Elvis had been killed by drug interaction (not involving cortisone) and ran a special broadcast on the theory – π sued for misappropriation of his idea, and trial ct granted summary judgment to Δ s – eighth circuit appellate ct affirmed: New York law allows suit for misappropriation of ideas that are novel and specific, and are used by Δ – here, Δ s did not use ideas, so no cause of action
- Olsson, Dreams for Sale (1958): Idea submission claims are problematic; many theorists rely on others to flesh out their theories, and then sue for misappropriation, instead of developing them themselves – these claims are

sometimes granted on the basis of contracts express or implied, unjust enrichment, tort (theft of property), or a fiduciary relationship – some π s even assert common-law copyright violations, but these claims rarely succeed – in particular, broadcasters are frequently sent many thousand unsolicited ideas each year by people who want to claim a stake in future broadcasts, and studios spend a lot of time contesting these claims

- Justice Weick, *Richter v. Westab, Inc.* (1976): Abstract ideas shouldn't be protected until someone reduces it to a patentable or copyrightable form – the mere idea of using a theme as part of a design shouldn't award the inventor any exclusive rights
- Professional vs. amateur developers: Should the context of invention affect the rights awarded to it? – some cts award relief based on the rendering of professional services (without regard to novelty of idea), while requiring amateur inventors to demonstrate novelty, utility, etc. but
- Company submission policies: Some companies seek an explicit waiver from the submitter of an unsolicited idea before using it (and send form letters to this effect) – other companies have an employee with a non-technical background receive all ideas and send back a form letter asking for a waiver for every one before reviewing it
- Invention promoters: Some companies offer invention promotion services for solo inventors, but these very rarely succeed (e.g., 0.01% commercial success rate), and many companies engage in false advertising – the FTC came to regard these services as deceptive and imposed regulations, and the industry basically folded

A. Theories of Protection

- *Lueddecke v. Chevrolet Motor Co.* (1934): π discovered the causes of some common problems with Δ 's cars and sent a letter vaguely describing his discovery and the cost of implementing it – Δ refused to establish terms of compensation for using idea, but asked π to submit a specific description, and advised π to protect the idea by patent and to establish proof of ownership – π then sent a letter noting that placement of engine and battery off-balanced the body to the left, and proposed adding some springs to fix it – Δ sent back a letter declining the idea, and then incorporated the springs in later designs – *eighth circuit appellate ct affirmed*: π 's idea was not usable without undue experimentation, and was also not completely novel (letters admitted that others knew of the defect and had corrected it) – also, correspondence does not establish a claim of a promise to pay; π voluntarily disclosed his idea without obtaining a promise of compensation
- Justice Traynor, *Stanley v. Columbia Broadcasting System, Inc.* (1950): Even common and well-known ideas can give rise to a cause of action if Δ expressly contracted for its use – however, in the absence of any such contract, recovery can only be based on unjust enrichment, for which π must establish exclusive ownership of the idea – there can be quasi-contract claim for use of a well-known idea, since Δ has not been unjustly enriched
- *Downey v. General Foods Corp.* (1972): π submitted to Δ a suggestion to rename Jell-O as “Wiggle-E” or some variation thereof as a children's product – Δ later came out with a “Mr. Wiggle” product, and π claimed unjust enrichment – Δ argued that it had independently developed the idea, and submitted as evidence

some ads from a decade earlier describing Jell-O as “wiggly” and “wigglewam” – district ct refused both parties’ motions for summary judgment – *N.Y. appellate ct granted summary judgment for Δ*: though people may own right to ideas that they exclusively hold, they lose those rights by divulging the idea outside the context of a promise to extend other rights (if it lacks novelty) – here, the idea appears to have been known by Δ long before π disclosed it to them – relevant factor: “wiggly” is “descriptive of the most obvious characteristic of Jell-O” – also, Δ did a good job of isolating π’s disclosure and demonstrating its independent development of the moniker without reliance on π’s disclosure

- Property theories: These rarely succeed for disclosure of non-novel ideas (those that are novel can be protected by other means) – California Supreme Ct had a brief phase (1950-1953) of granting common-law property rights for novel ideas, but soon (mostly) vacated this position – can particular trades establish a customary right to ideas? – e.g., *Cole v. Phillips ?H. Lord, Inc.* (1941): “in the radio field there is a well-recognized right to an original idea or combination of ideas, set forth in a formula for a program.... That a property right exists with respect to a combination of ideas evolved into a program as distinguished from rights to particular scripts, find support in defendant’s own course of conduct.”
- Express contract: Even this much stronger basis is subject to a novelty requirement – *Masline v. New York* (1921): an obvious idea sold to a defendant under an express contract “could have no market value so as to form the consideration for a contract” – however, *High v. Trade Union Courier Pub. Corp.* (1946): “While the idea disclosed may be common or even open to public knowledge, yet such disclosure, if protected by contract, is sufficient consideration” (i.e., the disclosure, not the idea, is the bargained-for *quid pro quo*) – what if Δ agrees to pay for the idea after π discloses it? – not enforceable: *Smith v. Recrion Corp.* (1975): “past consideration is the legal equivalent of no consideration”
- Contract implied in fact: This common basis of relief hinges on the behavior of the parties (e.g., confidentiality) – along these lines, breach of confidentiality can be viewed either as breach of express/implied contract or as tort (breach of confidential relationship), with dispositively different statutes of limitations
- Quasi-contract: *Matarese v. Moore-McCormack Lines* (1946): Employee disclosed specific idea to agent of employer corporation, which then freely used the idea – ct required corporation to pay fair value for use of idea – ct distinguished *Lueddecke* as involving spurious fishing for compensation of unsolicited, vague concepts (“seizing upon some later general similarity”)
- “Novelty” and “concreteness” terms: These terms are frequently used but poorly defined – these terms seem to take on different meanings for different kinds of actions: generously (for inventor) in cases of express contract, conservatively interpreted for cases of implied-in-fact contracts, and strictly in cases of quasi-contract – *Murray v. National Broadcasting Co.* (1988): π disclosed idea to Δ of a TV show featuring a family sitcom with Bill Cosby as its head; four years later, Δ launched The Cosby Show – π sued for idea misappropriation – ct found that *concept* (intact, nonstereotypical black family) was not novel, but that the decision to broadcast it as a TV show was novel (but found for Δ) – *Hamilton*

Nat'l Bank v. Belt (1953): π proposed the idea of radio broadcasts of student talent shows – ct stated that a general concept for such a show isn't concrete, and that a proposal involving fully-written scripts is concrete – π 's idea fell somewhere in the middle, so trial ct judgment affirmed

- Damages: Express contracts usually set forth damages in cases of breach – breach of factually-implied contract will result in damages equivalent to what Δ is presumed willing to have paid, or the market value of the idea – quasi-contract damages will be measured by the amount Δ was unfairly enriched
- Unsolicited submission: *Yadkoe v. Fields* (1944): π submitted a script to Δ , W.C. Fields, to use as a radio comedy skit – Δ sent back a letter offering soliciting scripts “gratis” but suggested a willingness to enter into a contract if he used any of them – π did so, and Δ later used them without paying – ct relied on this language as basis for implied contract

B. Limits of Protection: The Place of Ideas in the Competitive Plan

- *Aronson v. Quick Point Pencil Co.* (1979): π filed for a patent for a new form of keyholder, and during pendency licensed invention to Δ – two letters exchanged – the first offered to pay royalty of 5% of selling price for exclusive license; π permitted to rescind license if Δ didn't sell 1MM units in a year, and Δ permitted to stop selling if sales weren't as expected – second letter, accompanying a \$750 advance, indicated that if patent was not allowed, Δ would only pay 2.5% royalty – patent was later rejected, and Δ reduced royalties to 2.5% while still selling product – later, competitors started to sell copies of design, and Δ filed suit to have license canceled, claiming that enforcement was premised on state contract law, which was superseded by federal patent law – trial ct found for π , noting that contract language was clear and not dependent on issuance of patent – appellate ct reversed, noting that contract expressly contemplated the issuance of a patent – Supreme Ct found for π : contract expressly anticipated a continuing relationship in the absence of a patent – state contract law isn't superseded merely because it involves IP; preemption only occurs when state law “stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress” (*Hines v. Davidowitz*, referenced in *Kewanee*) – *Kewanee* explicitly summarized the purposes of the patent system as promoting and rewarding innovation, rewarding disclosure to encourage public practicing of invention after expiration, and protecting the public domain by strict novelty rules – enforcement of this contract does not conflict with any of these goals – Δ contends that contract interferes with relegation of ideas to public domain, but this is baseless: π 's idea is now in the public domain, but Δ waived free use of this in exchange for a head start on the market – no indication that idea has been withdrawn from public domain – *Kewanee* further demonstrates harmony of federal patent law with state trade secret law (no overlap causing preemption): these are two kinds of innovation rewards, even if promoting confidentiality via trade secret interferes with goal of disclosure via patent law – contract like this “encourage innovation in areas where patent law does not reach” – Blackmun concurrence: π 's primary case, *Brulotte v. Thys Co.* (1964), involved a contract that extended patent royalties past the expiration of a patent (basis for patent abuse), and if a similar situation existed here, this contract would be void – however, it's a different

scenario if patent is rejected, rather than allowed and later expires; there can be no patent abuse if the patent never issues

- Copyright preemption: Federal law preempts copyright if (1) the work protected by state law is fixed in tangible medium, (2) federal copyright is available, and (3) state law attempts to grant a right similar to federal copyright rights – of course, this doesn't apply to patentable technical ideas

II. Unfair Competition

- Overview: State unfair competition law prohibits unauthorized use of company's name, slogan, symbol, label, packaging, or other business identifiers, where such use is likely to mislead customers about origin of copied products – most basic form: “passing off” (Δ incorrectly tells customer that goods were made by π) – this area coexisted with federal trademark law, but many states passed their own trademark laws and anti-dilution statutes to prohibit such activity for reasons besides market confusion – Lanham Act of 1946 created a superseding body of federal unfair competition law – current version: *Restatement of Law 3rd, Unfair Competition* (1993), which added deceptive advertising, trade-secret theft, and right of publicity

A. Theory of Protection

1. Passing Off and Secondary Meaning

- *William R. Warner & Co. v. Eli Lilly & Co.* (1924): π Eli Lilly marketed a combination of quinine, yerba-santa, and chocolate under the name Coco-Quinine – Δ sold a very similar product under the name Quin-Coco, and π sued for trademark infringement and unfair competition – trial ct found for Δ on both counts, but appellate ct found for π on unfair competition claim – Supreme Ct found for π : no case for trademark infringement, since both names are descriptive of the product, so its use is permitted as long as it's accurate – however, Δ 's product was almost exactly the same as π 's, and Δ 's purpose in preparing and naming its product was not to utilize a particularly good formulation, but to compete with π by offering a substantially similar product – even though Δ 's bottle was distinguishable from π 's, the end product sold to customers had no distinguishing identifier – since Δ 's conduct will continue unless enjoined, some remedy must be applied – it's true that π 's formulation is not merely trade dress, but is a formula created for specific (functional) purposes, so the formula is public domain; but Δ can't intentionally pass off its product as π 's – thus, Δ is not completely enjoined from preparing a *similar* formulation, but must take greater steps to distinguish its products – remanded to trial ct to decide details of injunction
- *Charcoal Steak House of Charlotte, Inc. v. Staley* (1964): While a generic term can't become a trademark by itself, it can afford a business some rights if it uses it long enough to earn secondary meaning, such that the words have a meaning separate from their literal use that identifies the business as the origin of the product – a competitor's unauthorized use of this secondary meaning constitutes a tort, requiring π to show that the “primary significance of the term in the minds of the consuming public is not the product but the producer” – Δ can only use the generic term if it affirmatively distinguishes its use from π 's products

- *Galt House, Inc. v. Home Supply Co.* (1972): Back in the 1840's, Louisville operated a hotel called the Galt House Hotel that was the scene of a famous murder, and that was favorably reviewed by several famous authors – in 1964, π incorporated for the purpose of operating hotels, and adopted the term “Galt House” in its corporate charter, but failed to do anything productive or use the term (no activity, essentially no corporation body) – in 1971, Δ incorporated and opened a hotel under the name “Galt House,” and applied for a service mark for this name – π filed suit to enjoin Δ 's registration – trial ct found for Δ , finding that π did not earn use of the mark merely by incorporating – appellate ct affirmed judgment for Δ : π is a non-user of that name, and thus is not unfairly injured by Δ 's use of the same name – π 's inaction destroyed any goodwill or reputation that Δ might have damaged – even if the first corporation begins using the name *after* the second corporation adopts it, the first corporation may still have rights, but at least some use must occur to support an unfair competition claim
- Elements of unfair competition: Traditionally, these include (1) π who first used name, brand, or symbol in connection with goods or services, (2) competitor who subsequently uses the symbol, and (3) consumer confusion – all three factors are matters of degree, and strongly establishing any one factor will compensate for less convincing evidence of another factor – if term has no generic meaning, π must show intentional effort to confuse products; if secondary meaning exists, the existence of some confusion will suffice; and if mark is arbitrary and strong, confusion is assumed to exist
- Nondeceptive references: A company can refer to a competitor's trademark for the purpose of contrasting or distinguishing goods; this can't be enjoined, so long as no misrepresentation occurs – thus, a competitor can offer his product as an exactly identical but different product than Product X, but only if it *actually is* an exact duplicate (otherwise, this is a misrepresentation)
- Injunctions: Once unfair competition is found to exist, the court has very broad power to fashion an appropriate injunction – ct may ban Δ from using π 's trademark, or affirmatively require Δ to disclaim/distinguish π 's product – may require Δ to ask inquiring customers whether they really wanted π 's products, and if so, must refer customer to π ; may require Δ to destroy stock of confusing products, or even compel Δ to recall previously sold confusing products
- Monetary rewards: Courts usually issue money judgments where infringement is willful or fraudulent – usually assessed as an accounting (“all profits earned by unfair conduct,” which requires Δ to apportion all business profits) and damages (requiring π to prove its right to an apportioned section of Δ 's profits) – after assessing lost profits, cts usually restrict damages (penalty) to costs over and above Δ 's unfair profits, e.g., π 's lost business and required price cuts – sometimes, cts assess a fine equivalent to estimated cost of an advertising campaign to distinguish Δ 's product
- Use: *Galt* demonstrates that unfair competition requires the mark to be in actual use, not merely reserved for future use – company can't have any rights to a mark in a geographic region in which it doesn't yet operate (no market confusion) – how can this principle work in today's global economy? – also, does the history of the Galt House name (a fact to which neither party contributed) indicate that

- neither party can claim it exclusively? – see related doctrines of zone of expansion and dilution
- Misrepresentation of quality: Does a company face an unfair competition rule by misrepresenting not the source of its products, but the quality? e.g., suggesting that its products were made of sturdy aluminum instead of weaker zinc? – *American Washboard Co. v. Saginaw Mfg. Co.* (1900): no unfair competition claim; *Mosler Safe Co. v. Ely-Norris Safe Co.* (1927): unfair competition claim may exist if π is the sole manufacturer of the genuine goods, so that Δ 's misrepresentation diverted customers from π – Unfair Competition Restatement includes this proposition as one way of showing “likely commercial detriment” that was “likely to cause a diversion of trade from the other or harm to the other’s reputation or good will” – Lanham Act §43(a) provides for this kind of damage
 - Other examples of unfair competition:
 - *Addison-Wesley Pub. Co. v. Brown* (1962): π published textbook with questions for students; Δ published study guide containing answers to all of the questions in π 's textbook; π claimed that Δ 's study guide would destroy sales of its textbook – ct found for π
 - *Masro Plastics Corp. v. Emenee Industries, Inc.* (1962): Δ bought some of π 's product, relabeled them as Δ 's, and displayed as samples of Δ 's products – ct found for π , but on new tort law, not on unfair competition: Δ was using Δ 's own trademark to guarantee the quality of π 's products; this is the antithesis of “passing off,” and no dilution is possible here
 - *Chamber of Commerce of Missoula* (1923): Δ , seeking to reduce competition by mail-order Sears & Roebuck, offered a public event where admission was the surrender of a Sears & Roebuck catalog – FTC sued for unfair competition – ct allowed FTC suit to stand, but Sears & Roebuck would have had no case
 - *Stevens v. National Broadcasting Co.* (1966): π produced motion picture which was licensed to Δ – Δ intended to intersperse commercials during the broadcast, but π sued for injunction based on unfair competition, claiming that this would ruin the value of the film – ct found for π

2. Zone of Expansion

- *The Sample, Inc. v. Porrath* (1973): Δ , Porrath family, opened two women’s clothing shops called “Sample Dress Shop” in Niagara Falls in 1934 – frequently advertised in Niagara Falls Gazette, and made \$0.67MM in sales in 1971 – π operated a national chain of women’s clothing stores in Buffalo called “The Sample, Inc.,” dating back to 1929 and realizing \$10.6MM in sales – π sought to open a store in Niagara Falls, and offered to call their store something distinguishing it from Δ 's stores but with the word “Sample” in the title (e.g., “Buffalo Sample Shop”) – π sought declaratory judgment for use of the word “Sample” in this area, and offered as evidence a survey of the area showing that women identified this term more with π 's stores than with Δ 's – trial ct granted judgment for Δ , with injunction against π 's use of this term in this area – appellate ct found for Δ : strong evidence suggests that π 's efforts had created secondary meaning for its bigger chain, despite Δ 's long presence in the town – similar case: *Food Center v. Food Fair Stores*: local grocery called “New England Food Fair”

sought injunction against national chain “Food Fair” from opening a store with this name in its region; ct refused injunction because this is a pretty weak/descriptive term – the goal of unfair competition law is to encourage fairness, and in this case, Δ should be allowed to do business while using a distinguishing name like “Buffalo Sample Shop” – in this case, evidence (survey) doesn’t indicate that Δ has established secondary meaning, or that Δ ’s goodwill would be damaged (since people didn’t heavily identify “Sample” with Δ ’s stores anyway); and requiring π to change its name for business in this town is unduly burdensome, especially without evidence of bad faith

- Reverse confusion: What if Δ advertised heavily that consumers assumed π ’s store was part of Δ ? – this is the opposite of regular confusion, where Δ advertises that Δ ’s store is part of π – this scenario arose in *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.* (1977), where ct allowed an unfair competition claim based on reverse confusion
- Zone of expansion: Can a large company reserve right to do business in markets into which it’s likely to enter but hasn’t entered yet? – *Hanover Star Milling Co. v. Metcalf* (1916): Δ ’s prior use of claim on a nationwide basis reserved for Δ the right to use the same name in a likely future market – larger, aggressive firms will be permitted broader zones of expansion than small, resource-strapped small competitors – however, zone of expansion is limited or destroyed if evidence of unfair competition exists – *Raxton Corp. v. Anania Assocs., Inc.* (1980): “natural expansion” doctrine applies only to innocent competitors; will not accommodate intentionally infringing a smaller competitors’ market with the same name

3. Dilution

- *Mead Data Central, Inc. v. Toyota Motor Sales, USA, Inc.* (1989): π , owner of Lexis database, sued Δ , maker of Lexus automobile, for trademark infringement under New York anti-dilution statute (which prohibited trademark infringement “notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services”) – district ct found for π and enjoined Δ from using Lexus brand name – USCA found for Δ : “Lexis” stems from the Latin term *lex* for law + IS for information systems, but this term is used by other companies in other contexts; its basis as a common root in the English language accords it less trademark protection than an unknown word, e.g., Kodak – also, Lexis is widely recognized by lawyers and judges, but barely recognized among others, so its trademark strength is limited to this field – no evidence of bad faith (Δ internally obtained legal opinion of “absolutely no conflict” before proceeding) – dilution depends on actual confusion of the mark, or a very similar mark, for the purpose of passing off goods as competitor’s; these marks are not “very” or “substantially” similar, so no dilution – logos are different: squarish Lexis lettering vs. script Lexus print with “rakish” L logo – also, not spoken identically: Lexus is like census and focus, while Lexis is like axis and iris – finally, there’s no connection between legal case information and luxury cars, so no possibility of dilution based on mental association (*Trademarks and Unfair Competition*: “dilution theory presumes *some kind of mental association* in the reasonable buyer’s mind between the two parties’ uses of the mark”)

- Dilution theory: Six factors are involved (outline in Judge Sweet concurrence in *Mead v. Toyota*):
 - Similarity of the marks
 - Similarity of the products covered by the marks
 - Sophistication of customers
 - Predatory interests
 - Renown of the senior mark
 - Renown of the junior mark

The tarnishment potential of dilutive activity can be construed liberally (*any* unauthorized use of the mark in *any* context) or narrowly (only identical uses of a strong mark by competitors who wants to pass off shoddy goods) – of course, a balance is appropriate, and other rights have to be considered – *L.L. Bean v. Drake Publishers*: Δ published sexual parody of π 's teddy bear; appellate ct found Δ 's conduct to be protected by the First Amendment

- Common law of dilution: *Borden Ice Cream Co. v. Borden's Condensed Milk Co.* (1912): early case establishing a prerequisite of unfair competition as the basis for dilution claims (no such competition here) – other cases reach opposite conclusions; injunctions issued against use of Tiffany label for motion pictures, Rolls-Royce for radio tubes, and Dunhill (tobacco) for shirts – in addition to passing off, these uses were thought to misrepresent a sponsorship relationship, or simply on a misappropriation basis – these factors may be weighed differently for new firms (who can easily switch names) vs. expanding firms (who have built a large business on the name)

4. Misappropriation

- *Board of Trade of City of Chicago v. Dow Jones & Co.* (1983): Δ produced the Dow Jones market index, an indicator of overall stock market value based on a particular selection of stocks – π sought to establish its own index, based on the exact same selection of stocks as Δ 's index – π applied to become a certified broker of futures contracts, but the CFTC (Commodities Futures Trading Commission) stated that π 's application must note that its stock selection was identical to Δ 's – π then revised application, noting identical selection but disclaiming any connection to Δ , and then filed suit for declaratory judgment that this was OK – trial ct found for π , permitting use of the same stock selection for the new index, so long as π maintained its disclaimer – appellate ct reversed, holding that use of Δ 's chosen stocks constituted commercial misappropriation – Supreme Ct of Illinois found for Δ and enjoined use: no precedent directly on point, so misappropriation theory has to be clarified – π argues lack of competitive injury (no competition between π and Δ), and that injunction would grant Δ a pointless monopoly on its stock selection – Δ argues that misappropriation doesn't require competition but an uncompensated use of first user's reputation for accuracy and reliability, and that protection of this selection is Δ 's only incentive to maintain the index (no other intellectual property protection) – creation of misappropriation doctrine: *International News Service v. Associated Press* (1918), which involved news service that collected stories published by AP and rebroadcast them as its own; as Δ argues, this case damages the AP's (sole) business incentive to produce timely, accurate news stories –

similarly, *Capitol Records, Inc. v. Spies* (1970), involving the copying of music records onto cassettes and selling them; Δ derived an uncompensated benefit from π 's work, and could directly compete without having to pay royalties, thereby damaging π 's business model – however, competition is to be encouraged, even if by imitation (shouldn't be limited to truly independent development) – policy considerations: Δ probably won't close up shop without injunction, while enjoining π will inspire the creation of new and competitive indices – monopoly is OK as long as it's extremely limited, as with Δ 's precise stock selection – thus, decided on policy grounds

- Similar cases: *U.S. Golf Association v. St. Andrews Systems* (1984): ct refused to grant π a monopoly on its handicapping formula in order to prevent Δ from using it in a computer program, since competition was very indirect (π wasn't in the business of selling handicaps) – *Standard & Poor's Corp. v. Commodity Exchange, Inc.* (1982): similar facts to *Dow Jones*, but found for π because it had already licensed the index to one of Δ 's competitors (very strange basis!)
- Abandonment of “judge-made property rights”: *Unfair Competition Restatement* rejects “the recognition of exclusive rights in intangible trade values,” with a few exceptions (trade secrets, right of publicity, breach of contract)

B. Limits of Protection

1. Personal Interests: Rights in Names

- *David B. Findlay, Inc. v. Findlay* (1966): π operated an art gallery called Findlay Galleries, Inc. on East 57th Street in Manhattan – Δ , π 's brother, opened a gallery next door also called Findlay, and over π 's objection, changed its name to “W.C.F. Galleries” or “Wally Findlay Galleries” – trial ct found for π and enjoined Δ 's use of the name Findlay – appellate ct affirmed: π 's long history of business and sizable financial investment had built up significant recognition and goodwill under this name (which many customers referred to as “Findlay's on 57th”) – very great likelihood of confusion exists due to Δ 's choice of the same name for the same kind of business, suggesting Δ 's willful exploitation of π 's reputation – much evidence presented that confusion has occurred – Δ 's “sacred right” to use his name in his business is not unlimited; can't be used to deceive or mislead, and Δ 's use constitutes unfair competition – narrow injunction granted against the name “Findlay,” but only on East 57th Street; this is well-tailored to avoid the harm while minimally restricting Δ 's business opportunities
- *Sullivan v. Ed Sullivan Radio & T.V., Inc.* (1956): Δ operated a single TV and radio repair store, using his given name of Ed Sullivan – π , TV's Ed Sullivan, sued for unfair competition – trial ct found for π – appellate ct found for π : while the right to use one's name in business is strong, it's not unlimited – Δ could have chosen Edward Sullivan, Ed J. Sullivan, E.J. Sullivan, etc., and his use of the exact same name suggests an intention to imply sponsorship – even though Δ only owns one store, the injunction is appropriate; should Δ become a nationwide chain, π 's request for an injunction would probably be denied on the basis of laches
- Similar cases: *Brown Chem. Co. v. Meyer* (1891): First case on this topic, involving the use of the common name “Brown”; ct denied injunction because π 's use had not generated any secondary meaning – *Edison v. Thomas A. Edison Jr.*

Chem. Co. (1904): π , Thomas Edison, had a deadbeat son who sold the use of his name to various businesses for exploitation of π 's reputation; ct denied π 's injunction, since the use of the "Jr." moniker was sufficiently distinguishing – *Levitt Corp. v. Levitt* (1979): Δ founded π company for the purpose of creating "Levittown" residential communities, and after Δ left company, he advertised his intention to create his own "Levittowns" in the same state; ct granted π 's injunction request, even barring Δ from referencing his past association with π and compelling Δ to advertise a corrective statement

2. Economic Interests: The Place of Unfair Competition in the Competitive Plan

- *Crescent Tool Co. v. Kilborn & Bishop Co.* (1917): π created the crescent wrench with a particular functional design, and achieved considerable market success – Δ began marketing a facsimile crescent wrench, distinctly labeled "K&B 22½ adjustable" and with distinctive packaging – customers expressed some confusion about the source of each wrench, but Δ did nothing to foster this – trial ct granted π an injunction against Δ 's marketing of facsimile wrench – appellate ct found for Δ : dilution theory depends on the premise that the public not only knows who makes particular goods (based on trademark, etc.), but *cares* who makes them, e.g., as an indicator of quality (not merely the product, but the product of this company) – here, the public is only concerned about getting a device with the features of a crescent wrench, and the nonfunctional elements don't matter to them – π has a right not to lose customers through misrepresentation, but Δ has a right to copy π 's product down to most minute details, as long as he markets it in a distinguishing way – if π 's marketing has created a secondary meaning associating these details with π , eliminating confusion with a facsimile product may be impossible, but this is confined to non-essential elements
- *Sears, Roebuck & Co. v. Stiffel Co.* (1964): π , Stiffel Co., designed a pole lamp that achieved commercial success – π applied for federal mechanical and design patents on its structure, but these were denied – later, Δ , Sears, began marketing a facsimile product via catalog at a lower price, and with no distinguishing marks on the lamp – π sued for infringement of design patents and unfair competition, and presented some evidence of customer confusion – trial ct granted π an injunction based on "passing off"; affirmed by appellate ct – Supreme Ct found for Δ : federal patent law supersedes any similar state laws, and is the only source of monopoly – since π had applied for patents that were denied, state cts can't subsequently grant him a monopoly based on its design – despite π 's efforts in promoting the popularity of the design, Δ had a right to copy and market a facsimile – trial ct could have required Δ to add a label to its product, but it had no right to grant a design monopoly or award damages, so verdict reversed
- *Compco Corp. v. Day-Brite Lighting, Inc.* (1964): π created a fluorescent lamp fixture design and obtained a design patent (but had a mechanical patent rejected) – Δ created a facsimile product, with distinguishing labels on the box and the fixture, and π sued for infringement of design patent and unfair competition – at trial, π presented evidence of one instance of confusion, when a purchaser of Δ 's fixture called π for service on it – trial ct invalidated π 's design patent but found for π on basis of unfair competition; appellate ct affirmed – Supreme Ct found for π

Δ: as in *Stiffel*, Δ has every right to market a facsimile copy of π's unpatented product, and a state can't grant a monopoly for an unpatented design on the basis of unfair competition – π's efforts to generate secondary meaning for the design, and evidence of purchaser confusion, would be relevant in a case of passing off, but not where an identically-designed competing product is clearly distinguished by labels

- Copying of trademarks: Sometimes the copied design *is* a trademark – *National Football League Properties, Inc. v. Consumer Enterprises, Inc.* (1975): ct granted π an injunction against Δ of including football team insignias on its products – Δ argued unsuccessfully that logos were simply ornamental, and that the insignias weren't intended to fulfill the trademark goal of identifying the product source – similarly, *Samson Cordage Works v. Puritan Cordage Mills* (1964): π's distinctive spiral pattern of spots, purely ornamental, was copied by Δ – ct granted injunction on the basis of unfair competition, secondary meaning, passing off, etc.; injunction prohibited exact duplicate of spot pattern, though Δ was entitled to copy every other physical feature of π's product
- Trademark preemption: Lanham Act also prohibits states from creating conflicting trademark-like monopolies – specifically held to prohibit state regulatory agencies from mandating uses of or prohibitions against specific trademark usages
- Copyright preemption: Federal copyright act also has a state preemption clause; states cannot grant rights similar to federal copyright regarding works of art fixed in tangible media that are amenable to federal copyright protection –

III. Trade Secrets

A. Theory of Protection

- *Forest Labs, Inc. v. Formulations, Inc.* (1969): π developed special method of packaging effervescent tablets to prolong lifespan – π disclosed method to Δ in meetings over selling tablets to Δ - π was later acquired by Pillsbury, who contracted with another manufacturer and conveyed the packaging process to manufacturer - π sued for trade-secret infringement – *Wisconsin district ct found infringement*: trade-secret infringement involves three elements: existence of a trade secret, disclosure in confidence, and violation of confidence – first issue: a trade secret is “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” – six factors to consider: commonality of information outside business, knowledge by employees of business, measures taken to protect confidentiality, value of information to business and competitors, costs in developing information, and ease with which competitors might acquire secret – facts establish that part of π's packaging method constituted a trade secret until the date that π's patent on this technique issued (once patent issued, trade secret no longer existed) – prior cases are split on impact of issued patent on prior trade-secret infringement (injunction against infringer, or no liability because information was subsequently made public?) – second issue: existence of confidential relationship – standard: “whether Δ knows or should know that the information is π's trade secret and that its disclosure is made in confidence” – when Pillsbury acquired Δ, it stepped into

- its position in the relationship and was bound by the same confidentiality obligations; Δ and Pillsbury were aware of confidentiality (formula sheet sent by π was labeled confidential) – third issue: violation of confidence – facts establish this claim
- Circuit ct reversed district ct decision in part: purchase of one corporation by another doesn't render latter liable to confidentiality of former – latter can escape liability if it, in good faith, paid reasonable market value for the trade secret or changed position such that liability would be inequitable – but no value was traded in this transaction, so Pillsbury is still liable
 - Two subsequent acts dealing with trade secrets: Restatement of Torts (includes all sales and operations information, but exempts “single or ephemeral events” like the details of a private bid) and Uniform Trade Secrets Act (includes even single or ephemeral events, and even includes “negative” information like unsuccessful R&D)
 - Secrecy: Degree of protection need not be absolute – cts use a reasonableness standard: “whether π has taken ‘all proper and reasonable steps’” – this inquiry focuses on the conduct of the parties – *USM Corp. v. Marson Fastener Corp.* (1979): π required employees to sign NDA's – this was enough, though NDA's were nonspecific and blueprints weren't marked confidential – USM also offered tours of manufacturing plant, but denied tourists access to production areas of plant where trade secrets were practiced
 - Novelty: Trade secret must be somewhat novel – this is merely a subset of secrecy; if information isn't novel, it's not secret, either
 - Injunction: How long should a trade-secret injunction last if granted? – some cts granted permanent injunctions against infringers; others granted injunction lasting only so long as secrecy of trade secret was preserved; other cts pre-set the duration of an injunction – Uniform Trade Secrets Act: Where injunction is inequitable, future use may be permitted but royalties may be preset and enforced – 1985 amendment to Uniform Trade Secrets Act made injunctions available in all but “exceptional circumstances” – subsequent cts have sometimes refused injunction if it would cause “disproportionate harm” to Δ
 - Damages: Damages are assessed as the greater of A) profit π would have realized had Δ not infringed trade-secret protection and B) profit that Δ realized by misappropriating trade secret – Uniform Trade Secrets Act includes both formulations, or ct may set royalty rate for use of secret – λ 's fees not recoverable – in extreme circumstances, π might also recover cost of security measures that Δ 's infringement has defeated
 - *E.I. duPont de Nemours & Co. v. Christopher* (1970): π constructed a new methanol production plant relying on trade secrets - Δ , being paid by third party, flew airplane over π 's construction and took aerial photographs of plant construction that might reveal intellectual property - π discovered what Δ was doing, attempted but failed to find out who was paying Δ , and sued Δ for an injunction against distributing photos and damages for harm already caused – ct rejected Δ 's motion to dismiss and compelled Δ to reveal third party - Δ appealed

- 5th Circuit affirmed trade-secret infringement: Δ argued that photos were taken from “public airspace”, did not breach any confidentiality relationship, and had not committed fraud or illegality – however, trade secret law is broader than this: Δ is liable if he discovers trade secret by “improper means,” even though legal – ct routinely enforce “higher standards of commercial morality in the business world” – proper methods: analysis of trade-secret holder’s products, reverse-engineering, and independent discovery – improper methods: taking by force, fraudulent misrepresentation, tapping phone wires, eavesdropping, anything that smells like espionage – businesses must safeguard against espionage that can be “reasonably anticipated or prevented,” but need not protect itself against more extreme methods of espionage in order to bring trade-secret infringement suit – summary: it’s inappropriate to “appropriate a trade secret through deviousness under circumstances in which countervailing defenses are not reasonably available” – here, π couldn’t have protected against Δ ’s observation except by building massive, wastefully expensive roof; this is inappropriate
- Reverse-engineering: Detecting competitor’s trade secrets by analyzing and re-creating their product is OK – the boundary between using public secondary information appropriately and inappropriately is extremely gray – *Chicago Lock Co. v. Fanberg* (1982): customers of π ’s locks often had locksmiths pick locks and re-craft keys; locksmiths often kept a record of key configurations and corresponding lock serial numbers – Δ published a compendium of locksmiths’ logs; π alleged trade-secret violation – ct found no violation: Δ could have purchased and examined lock info on its own, so this was public information
 - Litigation hazards: It’s not always wise to engage in trade-secret litigation; trade secrets may be made public in the process – worse, π will certainly have to disclose trade secret to Δ , and ct may not provide adequate protection – furthermore, π may have trouble detecting Δ ’s subsequent infringement, and π may more reluctant to punish Δ for violating trade secret learned in ct than for trade secret learned by intentional, obvious wrongdoing
 - Freedom of Information Act: Information disclosed to state agencies may later be discovered by FOIA demand by third parties – FOIA exempts trade secret information, and another exception makes it illegal for a federal officer to disclose information that another statute requires him to withhold from the public, and the other statute referenced can be the Trade Secrets Act; thus, trade-secret holders can enjoin officers from disclosing information – however, both grounds vacated by SCT: granted state agency broad deference to decide whether or not to exercise exemption (*Chrysler Corp. v. Brown*)
 - Taking: SCT considered whether EPA disclosure of trade secret constituted a Fifth Amendment taking (*Ruckelshaus v. Monsanto Co.*) – SCT focused on whether π had a “reasonable investment-backed expectation of secrecy” by disclosing information to EPA – SCT held negatively for some less secret information (π knew at time of disclosure how EPA might use/disclose data), but held affirmatively for clearly trade-secret information (statute granted π a clear property right in IP, and statute assured π that EPA was prohibited from disclosing data that π and EPA agreed constituted trade secret)

B. Limits of Protection

1. Personal Interests: Restraints on Post-Employment Competition

- Comments from *Wexler v. Greenberg* (1960): Employment restraint is a balance of “the right of a businessman to be protected against unfair competition stemming from the usurpation of his trade secrets and the right of an individual to the unhampered pursuit of the occupations and livelihoods for which he is best suited” – businessmen must be able to entrust employees with confidences without fear that they’ll take secrets to a competitor, but employees shouldn’t be shackled to one employer and competition shouldn’t be unduly limited
- *PepsiCo, Inc. v. Redmond* (1995): Pepsi owns AllSport and Ocean Spray drinks, and Quaker owns dominant market share of Gatorade and Snapple drinks – Δ , employed as Pepsi’s general manager of 20% of US sales, jumped ship to become VP at Quaker – Pepsi sued to enjoin Δ from taking position, arguing that Δ knew most of Pepsi’s trade secrets (competitive strategy, customer pricing information, packaging/distributing methods) – Quaker and Δ argued that Δ ’s duties would involve execution of a distribution plan previously established by Quaker, and that distribution schemes were very different (Pepsi is vertically integrated; Quaker uses wholesalers and distributors) – finally, Quaker presented confidentiality agreement signed between Quaker and Δ prohibiting Δ from disclosing “any confidential information belonging to others” – trial ct temporarily enjoined Δ from joining Quaker and permanently enjoined Δ from disclosing any of π ’s confidential information – appellate ct affirmed injunction for π : Illinois Trade Secrets Act (“ITSA”) permits injunctions to prevent “he actual or threatened misappropriation of a trade secret” for the purpose of promoting “standards of commercial morality” – however, ITSA is not intended to stop employees from practicing in their chosen profession – it’s difficult to balance these issues in a case of an employee leaving to join a competitor – *Teradyne Inc. v. Clear Communications Corp.* (1989): similar facts, but case dismissed on the grounds that π hadn’t argued that employee’s disclosure to employer-competitor had been threatened or was inevitable – *AMP Inc. v. Fleischhacker* (1987): similar facts, but injunction denied because employee apparently didn’t know any of π ’s trade secrets – ITSA and these cases clarify the basis for trade secret misappropriation claim: departing employee will inevitably disclose former employer’s trade secrets – while Quaker denies that Δ will use the information to construct a new distribution plan, the real danger is that Δ can anticipate and strategize against π ’s distribution and marketing plans – also, it’s suspicious that Quaker interviewed and hired away three of π ’s employees; trial ct did not abuse discretion in ruling against Δ on this basis – finally, trial ct has great but not unlimited latitude in crafting an appropriate injunction; the period of this injunction did not “exceed the extent of the plaintiff’s protectible rights”
- *Reed, Roberts Associates, Inc. v. Strauman* (1976): π operated a business supplying advice about tax implications of unemployment law to 6,000 employer clients – no trade secrets involved (no proprietary business forms, etc.) – Δ was hired by π under restrictive covenant: “at no time shall I either directly or indirectly solicit any of our clients, and I will not either directly or indirectly be engaged in, nor in any manner whatsoever become interested directly or

indirectly, in any business of the type and character engaged in by your company within the City of New York” – Δ stayed with π for 10 years, eventually rising to senior vice-president of operations, but was not responsible for sales or obtaining new customers – Δ decided to start competing business in direct competition with π in the same city – π sued for enforcement of post-termination employment clause for period of three years – trial ct found no protectible trade secrets involved, but still enjoined Δ , permanently, from using knowledge of π 's internal structure – appellate ct found for Δ : noncompete covenants are only enforceable if they are reasonable in light of the context and type of restriction (e.g., a business unit being sold off warrants a broader noncompete clause than an employer/employee relationship) – must be reasonable in time and area, necessary to protect employer's legitimate interests like trade secrets, not harmful to the public, and not unreasonably burdensome on plaintiff – in this case, no trade secrets involved, and no evidence that Δ pirated an actual client list – basically, any company in the Dun & Bradstreet directory is a potential client for π or Δ 's company, and can be reached through public information – thus, client list couldn't be confidential information – it appears that π 's real concern is Δ 's acquired expertise, but it has no protectible right to this knowledge absent a trade-secret basis

- Noncompete covenant vs. trade secrets: Employers usually try to build noncompete into employment contract and try to enforce it upon departure based on unfair competition or trade secret misappropriation – noncompetes are presumptively invalid, and employer bears the burden of proving reasonable scope (duration, region, kinds of business labeled as competitors) – common yardstick of reasonable duration is the same as for trademark: how long would it take competitor to discern the employer's methods independent of the employee's knowledge? – trade secrets are similarly limited to the employer's industry, but employer bears the burden of proving trade secret status – also, noncompete covenant enforcement requires only that employee *could* use trade secret unfairly, while trade secret injunction requires that employee *is* using trade secret unfairly – for these reasons, departing employees may have trouble getting work with any competitor since they carry a liability risk
- Shop rights: Absent an employment contract, all inventions created by employee during employment continue to belong to employee – however, if employee was explicitly hired to engage in research, courts imply an assignment covenant (*Solomons v. U.S.* (1890): “If one is employed to devise or perfect an instrument, or a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer”) – also, if invention was made during work hours or with employer's equipment, employer retains a “shop right” (irrevocable, nonexclusive license to practice invention) – *Kinkade v. New York Shipbuilding Co.* (1956): “Since the servant uses his master's time, facilities and materials to attain a concrete result, the latter is in equity entitled to use that which embodies his own property and to duplicate it... but the employer has no equity to demand a conveyance of the invention, which is the original conception of the employee alone, in which the employer had no part”)

- Customer lists: These can qualify as trade secrets warranting an injunction, but employers rarely take the requisite steps to earn this qualification – *Ruesch v. Ruesch Int'l Monetary Services* (1984): all trade secret factors weighed against employer: names and addresses of clients were widely known (mailing lists, etc.); list was openly accessible within company; client list had little value (no marketing data); no special efforts to compile list, only regular business activity; and any competitor could easily compile the same list from publicly accessible sources – slightly different view established by Restatement of Agency: employer has a duty not to use “trade secrets, written lists of names, or other confidential information” – bright line: employee can't steal documents, but can use anything he can remember
 - Infrequent litigation: Surprisingly few cases arise over former employee misappropriation of trade secrets: hard to prove and enforce, and employer runs the risk of an affirmative ruling that its data isn't a trade secret, or of having its information exposed in the public record
- 2. Economic Interests: The Place of Trade Secrets in the Competitive Plan**
- *Taber v. Hoffman* (1889): π spent a lot of time designing and improving a rotary pump used in commerce – these pumps were made from castings or molds of careful proportions, and because the pumps were made of brass and iron that cooled at different rates, the molds were precisely designed through experimentation to account for this different proportioning – π sent the molds for repair to a blacksmith, who surreptitiously copied the dimensions of the molds and provided them to Δ , π 's competitor – π sued for trade secret infringement, and ct granted injunction – appellate ct found for π and maintained injunction: it is conceded that π is not the exclusive owner of the pump design, since he hadn't applied for a patent, but created and protected a trade secret interest in the patterns – Δ could have fairly competed by copying the pump design through experimentation, or by reverse-engineering the mold designs from the design and appearance of the pumps; but unfair means (bribery of agents entrusted to work with the trade secret) are impermissible – dissenting opinion: the molds are not a separate invention, but merely an unprotectible precursor of the unpatented pump – this may have been a trespass or breach of contract by blacksmith, but not trade secret misappropriation
 - *Kewanee Oil Co. v. Bicron Corp.* (1974): π was in the business of creating radiation-detecting crystals, and spent 15 years and \$1M in research to create a 17-inch-diameter crystal of this type – several employees subsequently left to form Δ as a competing corporation, and within eight months had created their own 17-inch-diameter crystal – π sued, claiming misappropriation of 40 trade secrets; trial ct enjoined Δ from using most of the trade secrets until they became public knowledge, based on Ohio trade secret law – appellate ct did not dispute trial ct's findings of fact, but found Ohio trade secret law in conflict with federal patent law and vacated judgment – Supreme Ct found for π : Ohio trade secret law was based on trade secret definition in Restatement of Torts (“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”) – trade secret holder may

safely disclose to others who have an obligation not to use or disclose it except as permitted, but trade secret status is destroyed by public disclosure, independent invention, or competitor reverse-engineering – some novelty is required, but not as stringently as for a patent; moreover, trade secrets aren't limited by patentable statutory classes or limited term of patents – state regulatory powers are broad, as long as they don't conflict with federal intellectual property laws and systems – the federal patent system and the state trade secret system are two different ways of encouraging innovation; while patent law grants a monopoly but compels disclosure, trade secret law grants more limited rights but compels secrecy – trade secret law has many benefits: discourages industrial espionage; facilitates small companies that can't afford “self-help” measures like tight security; facilitates licensing of secret processes; promotes invention by small businesses/inventors who can't afford patent prosecution/enforcement; provides an alternative to patent applications for marginal inventions, which would pointlessly swamp the USPTO; promotes invention in areas not reachable by patent law (discoveries, customer lists, business plans, inventions that aren't patentably novel or don't fit the statutory classes), and in which the public has no interest in disclosure – also, trade secret law cannot cause the withdrawal of information from the public domain, which patent law prevents – so the only question is whether trade secret protection is available for undisclosed but clearly patentable technology – here, the incentives to disclose are great enough to encourage most inventors to file patent applications – it's true that trade secret doesn't provide any benefit for these inventions, but society runs little risk in allowing an option of trade secrecy, because it's likely that someone else will independently create the same invention – no direct conflict, so no reason for preemption – a partial preemption doctrine would be difficult to create; state courts would have to decide whether an invention is “clearly patentable,” and even specialized federal courts have trouble determining whether an invention is patentable at all – Marshall concurrence: the purpose of the patent system is to encourage inventors to patent, but not to pressure them into doing so – Congress has never expressed disapproval of trade secret law, which has coexisted with the federal patent system for decades – Douglas dissent: the majority decision conflicts with *Sears Roebuck* and *Day-Brite Lighting*, which forbade states from granting intellectual property rights beyond those allowed by the federal courts – the injunction reinstated by the majority effectively gives π a permanent monopoly on the technology, which is clearly at odds with the limited lifespan of a patent – moreover, unlike a trademark, copyright, or patent, trade secrets have no property value – π 's proper remedy is a tort for breach of a duty of confidentiality, not state trade secret law

- Trade secrets and patents: Whether or not state trade secrets conflict with patents, it's clear that they are mutually exclusive – patents require a disclosure of *all* elements; an inventor cannot get a patent that withholds a functional part of an invention as a trade secret – *Van Products Co. v. General Welding & Fabricating Co.* (1965): patent applicant disclosed design for air drier device, but withheld formula of chemical desiccant needed for its operation; trial court invalidated patent as non-enabling

- Royalty obligations for licensed trade secrets after public disclosure: *Warner-Lambert Pharmaceutical Co. v. John J. Reynolds, Inc.* (1959): π attempted to escape royalty payments for formula for Listerine after it became public knowledge – ct found for Δ and maintained royalty obligation, on the grounds that third party actions in discovering and publicizing formula do not change the contractual obligations between the parties
- Trade secrets in the Patent and Trademark Office: A patent applicant runs the risk of having his patent rejected, or, worse, having it invalidated after issuance – either way, once the application or patent becomes public, the trade secret value is irrevocably lost, even if the patent never issues – for this reason, the USPTO holds all patent applications in confidence until issuance (*but* see the American Inventors Protection Act, i.e., publication rules for pending international applications) – moreover, the Court of Customs and Patent Appeals (predecessor to Court of Appeals for the Federal Circuit) sometimes restricted trials over unpublished patent applications to *in camera* hearings, and sealed the trial record, to preserve the trade secret value

IV. Common Law Copyright

- Until the 1976 Copyright Act, federal copyright only applied to published works of art; all unpublished works were protected in perpetuity (or at least until publication) by common law copyright – the 1976 Act extended federal copyright back to the moment of creation in tangible form, and explicitly preempted all common law copyright doctrine for such works – however, common law copyright still applies to works not fixed in a tangible medium, including unrecorded choreography, extemporaneous speeches, live broadcasts, and improvised or memorized musical/theatrical compositions – this preemption successfully eliminated many questions and problems over the concept of “publication,” which was an unworkable concept for newer forms of media
- Questions that arose under common law copyright still exist: is copyright an author’s right to his work, or a consumer’s right to enjoy works that aren’t preserved under copyright? – debate continues today

V. Right of Publicity

A. Theory of Protection

- *Carson v. Here’s Johnny Portable Toilets, Inc.* (1983): π , Johnny Carson, developed his TV persona and the associated phrase “Here’s Johnny!” – Δ opened a business seeking to capitalize on π ’s efforts, and π promptly sued for unfair competition under §43(a) of the Lanham Act – district ct found for Δ , found that “Here’s Johnny” wasn’t so strong as to encompass unrelated brands like toilets, that Δ had attempted to capitalize on π ’s efforts but not to deceive the public, and absence of actual confusion or damage to π – appellate ct found for Δ on confusion but π on publicity: the test for Lanham Act violation, as well as Michigan common law, is “likelihood of confusion” (*Frisch’s Restaurants, Inc. v. Elby’s Big Boy of Steubenville, Inc.*) – eight relevant factors: 1) strength of π ’s mark, 2) relatedness of goods, 3) similarity of marks, 4) evidence of actual confusion, 5) overlap of marketing channels, 6) purchaser sophistication, 7) Δ ’s

- intent in using the mark, and 8) likelihood of expansion of product lines – trial ct’s findings on confusion are not erroneous – however, four types of privacy rights exist (as outlined by Dean Prosser): 1) no intrusion upon seclusion or solitude, 2) no public disclosure of embarrassing private facts, 3) no misrepresentation, and 4) no misappropriation of one’s name for another’s business (this is the “publicity right”) – this right was created to protect celebrities’ commercial interests in their identities – district ct found too indirect a connection between “Here’s Johnny!” and Johnny Carson, but this view too narrowly construes the right of publicity: a celebrity’s personality can be misappropriated without explicitly using his “name or likeness” – e.g., *Motschenbacher v. R.J. Reynolds Tobacco Co.* (1974): ad incorporating unauthorized use of distinctively marked racecar violated driver’s publicity right; *Hirsch v. S.C. Johnson & Son, Inc.* (1979): ad incorporating unauthorized use of football player’s nickname (“Crazylegs”) violated player’s publicity right (“a stage or other fictitious name can be so identified with the plaintiff that he is entitled to protection against its use”) – here, evidence exists that Δ knew the public recognized the “Here’s Johnny!” phrase, and chose it as his business name for this reason – Kennedy dissent: common law publicity right cannot be extended past identifying characteristics to include phrases merely associated with a celebrity – obviously, Δ ’s name choice was motivated by double-entendre use of “Johnny” as slang for toilet – publicity rights exist to protect developed commercial value of celebrities’ identities, to promote celebrities in creating such identities, and to prevent unjust enrichment including deceptive trade practices – the majority’s ruling promotes none of these goals: “Here’s Johnny!” is not part of Carson’s identity, and no unfair competition in the absence of confusion – on the other hand, needless expansion of publicity rights is deleterious to competition, creates a broader monopoly than Congress authorized with no predictable expiration date, places an undue restriction on the public domain, and reduces predictability in application of publicity rights doctrine – “Here’s Johnny” is not particularly novel, and restricting its use pointlessly reduces the scope of the First Amendment – cases cited by majority actually involve the name or likeness of the celebrity, including by extension *Motschenbacher*’s racecar (the actual image that achieved his fame), including his identifying number and decorations – by contrast, “Here’s Johnny” is not particularly distinctive of Johnny Carson
- *White v. Samsung Electronics America, Inc.* (1992): π , Vanna White, created celebrity identity via The Wheel of Fortune – Δ produced a series of satiric ads about the future, and in one case showed a robotic version of π turning letters in 2012 – π sued on several publicity rights theories, and trial ct granted summary judgment to Δ – appellate ct affirmed dismissal of some claims but reinstated others: California Civil Code publicity right: this prohibits “knowingly using another’s name, voice, signature, photograph, or likeness for the purpose of an advertisement without such person’s prior consent” – this claim is dismissed; the robot was not a “likeness” intended to persuade the public that it *was* π – common-law publicity right: this claim is broader; “name or likeness” in this context extends beyond impersonation to include representations identifiable with celebrity – *Motschenbacher*: a racecar driver’s uniquely-styled racecar is part of

- his identity – also reference to *Carson*, where “Here’s Johnny!” is part of his common-law publicity rights – *Midler v. Ford Motor Co.* (1988): “sound-alike” impersonation of Bette Midler violates her common-law publicity rights – thus, the key is that the “specific means of appropriation are relevant only for determining whether the defendant has in fact appropriated the plaintiff’s identity” (i.e., not a “how” question, but a “whether” question) – carefully defining the components of a publicity right would challenge advertisers to find unspecified components – this ad clearly uses π ’s image in its ad, so common-law publicity right has clearly been used – Lanham Act trademark: §43(a) of Lanham Act prohibits “using, in connection with any goods or services, any false description or representation of any person who believes that he or she is likely to be damaged by the use of any such false description or designation” – does the ad create a false impression that π is endorsing Δ ’s products? – standard Lanham Act analysis: π ’s image is highly representative (strong mark); π ’s television presence is related to Δ ’s VCR ad; no evidence of actual confusion, but similar marketing channels (π appears in magazines in which Δ ’s ad appears); no considerable sophistication – Δ relevantly notes that its intention was not passing-off, but a spoof, but it does raise the impression that Δ paid π to use her likeness when they did not – Δ has a parody defense, but their profit motive makes this suspect – thus, issues must be resolved by jury, so summary judgment partially reversed
- Judge Kozinski, of Ninth Circuit USCA, dissented from order rejecting request of *en banc* rehearing of *White*: Majority opinion creates a broad and dangerous precedent; merely creating facsimile works, or reminding viewers of another’s work, is not a violation of publicity rights; here, the only identifying factor was Wheel of Fortune board, which is OK – majority opinion also destroys the federal scheme allowing for parody works, wince it’s impossible to do so without “invoking the identities” of the principal actors – the majority opinion also expands the right of publicity so as to limit First Amendment rights, as well as the public domain, by giving celebrities the right to abolish anything reminiscent of the celebrity that was created without authorization – this considerably limits the range of commercial speech, which often entertains by ridiculing celebrities – finally, the majority failed to apply the *Central Hudson* test created by the Supreme Ct to balance speech restrictions against publicity issues (is restriction justified by substantial state interest? does restriction directly advance the interest? is restriction narrowly tailored?)
 - Comments: These cases reveal three of the pillars of the right to publicity: privacy, trademark, and common-law publicity rights – could also be spun into a copyright issue (if the identifying piece is also a work of art), etc. – another basis: if unprotectible, so many entrepreneurs will scramble to use up a celebrity image that it will be quickly and completely diluted; allowing celebrities to control their image permits them to pace its use to avoid dilution – also, who controls the right of celebrity: the individual so identified, or the entity that exerted effort to create it (e.g., the movie studio)? – e.g., in *White v. Samsung*, is the only truly identifying feature the set of Wheel of Fortune, such that only its owners have a trade dress infringement suit?

- Right of publicity in voice: States vary as to whether voice is an asset of an individual celebrity (California says it is, Nebraska says it isn't) – early cases indicated no such right, but *Midler v. Ford Motor Co.* (1992) allowed Bette Midler to pursue a common law right of publicity claim against Ford for using a similar-sounding vocalist produce a very near facsimile of her singing: “when a distinctive voice of a professional singer is widely known and is deliberately imitated in order to sell a product, the sellers have appropriated what is not theirs and have committed a tort in California”
- Identifiability: In order to sustain any right of publicity claim, the defendant must have appropriated a trait known to the public – e.g., using “J. William Carson Toilet” would not have violated Johnny Carson’s publicity rights, since the identification is absent – this question arises in terms of “look-alikes”: how strong a resemblance must be present to sustain one of these claims?
- Remedies: Very difficult to assess, but usually take the form of injunctions – damages measure is normally (at least) the fair market value of the use of the celebrity’s image, but is often increased for punitive damages, and ct may order surrender of all profits made from use of image (if calculable)

B. Limits of Protection

- *Zacchini v. Scripps-Howard Broadcasting Co.* (1977): π , Hugo Zacchini, regularly performed a “human cannonball” circus act as a 15-second performance – reporter for Δ showed up at circus with videocamera to record performance, which π asked him not to record – reporter returned the next day and recorded performance, which was then broadcast on TV – π sued for damages – trial ct found for Δ ; appellate ct reversed and found for π ; Ohio Supreme Ct reversed and found for Δ , stating that reporters have a privilege to record and broadcast public-interest events under the First Amendment even if it violates a celebrity’s publicity rights – Supreme Ct found for π : while newscasters have a First Amendment privilege for reporting news, π ’s exact performance is not newsworthy; only the fact of his performance is newsworthy – much of Ohio Supreme Ct’s decision was premised on *Time, Inc. v. Hill*, which was about a “false light” case (erroneous and negative reporting of past conduct), which is primarily a case of damaged reputation similar to defamation – of course, publicity rights are different; they’re an incentive to cultivate celebrity personalities by rewarding authorized uses of that personality – remedies are usually different (injunction vs. money damages) – no matter what portion of a performance a reporter may report as a fair-use right under the First Amendment, it’s certainly less than the *entire* performance – a full broadcasting threatens the celebrity’s economic value of the performance, and is perhaps the strongest case of violation of a property right: an unauthorized rebroadcast of the entire act for which the celebrity is famous – here, π does not seek to enjoin Δ , but only payment of fair value of footage displayed; this demand does not withdraw the work from the public domain – Ohio could have extended privilege to reporter for this kind of broadcast, but did not, and so the privilege can’t be created now – Powell dissent: the “entire performance” feature on which the majority focuses is not really relevant; the context matters – the quality of reporting will diminish if reporters can’t freely use video footage of performances as a news-reporting

- function, instead of a commercial or private use – π waived his right to control Δ 's broadcasting by holding a public performance
- Advertising or news?: Right of publicity statutes often target only profit-making (advertising) misappropriation – *Stephano v. News Group Publications* (1984): a news feature about a product (here, a jacket) can include a picture of that product, as part of the news broadcasting effort
 - Preemption: Surprisingly little judicial attention has been paid to the preemption by *Sears* and *Compro* – also might be preempted by 1976 Copyright Act, if the celebrity feature being copied is frequently fixed in a tangible medium

Part Three: Federal Law of Intellectual Property

- State and federal jurisdiction: Judicial Code §1338 defines jurisdiction of federal courts over federal intellectual property laws: original and exclusive jurisdiction over any action “arising under” an Act of Congress regarding federal IP; shared jurisdiction over state unfair competition claim that is “joined with a substantial and related” patent, copyright, or trademark claim (*T.B. Harms Co. v. Eliscu* (1964): “an action ‘arises under’ the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim”) – e.g., foreclosure of copyright mortgage does not “arise under” an Act or federal principles, since it’s just a mortgage foreclosure
- Well-pleaded complaint: Complaint must allege the elements of an infringement case, or will be dismissed for lack of jurisdiction – cannot be met simply by anticipating a federal-law defense to a complaint solely based on state law – if this requirement is met, jurisdiction won’t be defeated by Δ 's use of a state law defense – however, “if on the face of a well-pleaded complaint there are reasons completely unrelated to the provisions and purposes of the patent laws why π may or may not be entitled to the relief it seeks, then the claim does not ‘arise under’ those laws... a claim supported by alternative theories in the complaint may not form the basis for §1338 jurisdiction unless patent law is essential to each of those theories” (thus, claims for relief must all be essentially based on federal law)
- Choice of forum: These rules sometimes allow π to choose forum – claim for breach of license can be sought either in state forum, based on breach of contract, or in federal forum, based on the theory that the license is void and that Δ is infringing on the licensed property – again, however, a dispute over a license won’t be accorded federal jurisdiction solely because the license is for federally-protected IP
- Pendent jurisdiction: If several claims are present, some based on state law and some on federal law, it may be better to resolve all of them in one forum – §1388(b): federal courts have jurisdiction over state unfair competition claims if substantial and related federal claims are also presented – “unfair competition”: broadly interpreted; not just passing-off and misappropriation, but also appropriation of trade secrets and patent misrepresentation – “substantial”: if the federal claim is dismissed during pretrial, the state claim can’t be heard by the federal court; but if the federal claim is denied during trial, the federal court can finish

resolving the state claim – “related”: difficult to define; the goal of this requirement is to avoid “piecemeal” litigation for enforcement of state claims by bolting on a distanced federal claim – *Hurn v. Oursler* (1933): the key question is whether the state and federal claims arise from a single cause of action or from two separate causes of action – i.e., state and federal claims can be joined if they are based on “substantially the same set of facts” (*Musher v. Alba Trading*) – more recent rulings have further expanded this concept: joinder allowed if “the facts of the transactions alleged by the plaintiffs are likely to be so interwoven that a joinder of claims would serve the convenience of the parties, and judicial economy” (*American Foresight, Inc. v. Fine Arts Sterling Silver, Inc.*) – these issues are decided under the general principles of *Erie v. Tompkins*

- Court of Appeals for the Federal Circuit (CAFC): Created April 2, 1982 by the Federal Courts Improvement Act – twelve judges appointed by the President and confirmed by the Senate – this is the only federal court whose jurisdiction is defined not by geography but by subject matter: exclusive jurisdiction over appeals from district ct rulings on patents, and over decisions by the Board of Patent Appeals and Interferences of the USPTO (either by direct appeal, or by civil suit against infringer or Commissioner of Patents and Trademarks in district ct) – CAFC created to eliminate persistent disparities of patent standards among different appellate cts

I. Trademark Law

- Historical basis: Trademarks date back to 6th century BC; ancient Greek vases often bore potter’s mark, and Middle Age merchants affixed distinctive marks to their goods in case of shipwreck or piracy – however, these indicated ownership, rather than source of goods – closer analogy: guild practices required craftsmen to attach production marks to their wares, so that guild monopolies could be enforced (competing guilds couldn’t sell their goods in another guild’s monopoly region) – early 1900s: birth of legal protection of trademarks, with the common-law crime of deceit (passing-off) – primary element: intention to deceive customers, which was presumed if the mark was arbitrary or highly distinctive; these were eventually classified as trademark actions (with no intent element) and distinguished from unfair competition claims
- First U.S. trademark statute: Act of July 8, 1870: initially just created system for registration of marks; Congress later amended to add penalties for infringement – in 1879, Supreme Ct ruled this act unconstitutional: no congressional authority under the U.S. Constitution, and not justified under commerce clause (any action that regulates all trade and all commerce, even strictly within a state, exceeds the limitation of the commerce power as “between the several states”) – Congress shied away from further protection attempts for almost 75 years
- Lanham Act: Promoted by Rep. Fritz Lanham, signed July 5, 1946, and subsequently amended several times (Trademark Law Revision Act of 1988 made deep changes)

A. Requirements for Protection

1. Use and Use in Commerce

- Overview: Until 1988 revision, Lanham Act granted no rights to trademark owner until registration, and commercial use was a prerequisite of trademark registration – 1988 revision allowed registration upon “bona fide intention” to use the mark, and use is only a subsequent condition of continued validity – two competing interests: allowing firms to protect mark before investing heavily in its development, vs. preventing firms from “warehousing” marks that they’re not using
- Registration process: Office reviews mark for compliance with Lanham Act §2 (15 USCA §1052); if satisfactory, mark is published in Official Gazette – opposition period follows, where anyone can object to the mark –for marks already in use, the opposition period is six months; for marks not already in use, the registration period is a year, and may be extended up to 24 months – either way, after objection period ends, office issues a notice of allowance; if applicant files a “verified statement that the mark is in commercial use” within six months, then the mark is fully registered (if not, it’s abandoned) – overall result: for new trademarks (not yet in use), companies have up to four years between filing for registration and the requirement of filing a verified statement
- Priority: Two companies attempting to register the same mark must vie for priority; the earlier registrant will win – this encourages the filing of “intent to use” registration, which constitutes “constructive use” and establishes priority over later filings
- Token use: Before 1988, companies often had to create a “token” use of the trademark (small quantities, limited geographic scope) in order to start the registration process – 1988 mark superseded this practice with “intent to use” practice, and thus vacated the purpose of token uses by requiring *actual* use to be a “bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in the mark”
- *Blue Bell, Inc. v. Farah Mfg. Co.* (1975): π and Δ each sold men’s shirts under the brand “Time Out” and contested ownership of mark based on first use – timeline: Farah chose mark for new stretch menswear on May 16th, publicly demonstrated line on June 5th, manufactured “Time Out” tags on June 27th, sent out one tagged item to each regional manager on July 3rd (for which regional managers paid), and commenced full shipment on July 11th – Blue Bell chose mark for new high-cost clothing division on June 18th, manufactured “Time Out” tags on June 29th, started attaching label to some clothing on June 29th (in addition to “Mr. Hicks” trademark tag), began shipping such tagged clothing on July 5th, and intermittently shipped such tagged products thereafter – by October, both parties had shipped a large number of tagged items (\$2.75MM vs. \$900M) and had started extensive advertising campaigns, which alerted them to each other’s use of the name, and both parties sought injunctions – trial ct granted permanent injunction to Farah, allowing Blue Bell to ship all orders received before December 5th – appellate ct affirmed judgment for Farah: neither party has registered trademark under Lanham Act, so jurisdiction arises from diversity of citizenship, and parties have agreed to Texas law – state trademark statute: a mark is “used” when affixed to goods and when “the goods are sold, display4ed for sale, or otherwise publicly distributed” – Blue Bell contends that Farah’s July 3rd

- distribution to regional managers was an internal action, insufficient for “use,” since “sales” were not to customers – however, “use” need not be an actual sale to customers: *New England Duplicating Co. v. Mendes* (1951): “although evidence of sales is highly persuasive, the question of use remains one to be decided on the facts of each case, and that evidence showing, first, adoption, and, second, use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark” – while such activity may be enough to support registration of a mark (as Trademark Appeal Board has recognized), it is not sufficient to create a common-law trademark right – however, Blue Bell’s July 5th sporadic shipments to customers also failed to constitute “use”: trademark law requires that labels must be affixed to goods that were manufactured in anticipation of the tag; can’t be attached to goods that were intended as generic, or differently marked, when created, as were Blue Bell’s “Mr. Hicks” goods – goods can bear more than one mark, but each one must be a bona fide attempt to distinguish it – first real use was Farah’s September shipment to customers, while Blue Bell started shipping genuine articles to customers in October; thus, injunction granted to Farah
- *Manhattan Industries, Inc. v. Sweater Bee by Banff, Ltd.* (1980): General Mills, women’s apparel manufacturer, cultivated “Kimberley” trademark with success, but later formally abandoned it – π and Δ both started using trademark on their own high-quality women’s clothing: π shipped goods on May 9th, and by October had shipped \$50M in goods and \$10M on advertising – Δ shipped goods on May 10th, and had shipped \$130M in goods by October – π sued Δ under Lanham Act; trial ct permanently enjoined Δ – appellate ct found for Δ : trial ct properly found that both parties could freely use tag following GM’s abandonment – π won the race to start using the tag, but this “slight priority in time” does not warrant an exclusive, nation-wide use – *Chandon Champagne Corp. v. San Marino Wine Corp.* (1964): “the concept of priority in the law of trademarks is applied ‘not in the calendar sense’ but on the basis of ‘the equities involved’” – the Lanham Act is intended to prevent confusion, but this is not as relevant where customer sophistication increases – this market has very sophisticated customers, so the parties can keep using the tags with distinctive tags; therefore, exclusive injunction not warranted – remanded to trial ct for crafting of better injunction
 - “Use” standards: *Blue Bell* illustrates different standards applied before 1988 for registration vs. common-law trademark right accrual – of course, this isn’t needed with new trademark practice for intended use – several questions used to identify “bona fide use”: 1) quantity and continuity of sale; 2) consumer purchases; 3) business of mark owner; 4) quality control; 5) distinguishing nature of mark; 6) intent; 7) profit or loss; 8) advertising; 9) test market – while Lanham Act defines “commerce” (in “commercial use”) broadly as “all commerce which may lawfully be regulated by Congress,” 1950’s courts applied a narrower definition to interstate commerce – this trend reversed in 1960’s, and cts began recognizing “commercial” uses for service marks within a state if it participates in interstate commerce (e.g., gas station situated on interstate highway) – trademarks began receiving similarly broad “commercial use” recognition in 1970’s

- Foreign registrations: One goal of 1988 revisions for “intent to use” practice was to conform law with other countries, which allowed registration without use (U.S. is obligated by treaty to recognize foreign trademark rights) – previous practice meant that U.S. first users can lose rights to later foreign users (e.g., *SCM Corp. v. Langis Foods Ltd.* (1976): π and Δ began using the same trademark on the same day, but π applied before use in Canada, while Δ applied after use in U.S.) – 1988 revisions eliminated disparity by creating intent-to-use practice, and also by extending requirement of filing verified statement of use, just as U.S. applicants must file
- Affixation: Trademark must be affixed to goods; Lanham Act defines this as “placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto” – 1988 amendment added: “or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale” – however, no affixation is possible regarding service marks, so some argued that service marks were unprotectible under Lanham Act – this line of argument has been completely ignored, and service marks are protectible in absence of labeling
- Trademark abandonment: Of course, abandonment can be formal and express – two tests of undeclared, informal abandonment: cessation of use or cessation of secondary meaning (mark loses its capacity to indicate source) – both defined by Lanham Act §45
- Abandonment by non-use: Abandonment occurs when “use has been discontinued with intent not to resume such use”; intent is to be inferred from circumstances, but three years of non-use is prima facie evidence of abandonment – this should be bona fide use of mark; token use primarily intended to warehouse mark is insufficient – ceasing use with intent to resume “in the reasonably foreseeable future” is sufficient, but intent to resume at some indefinite future time is not – *Silverman v. CBS, Inc.* (1989): CBS bought Amos ‘n’ Andy trademark in 1946, but stopped broadcasting in 1966 because blacks found it demeaning – maintained intention to broadcast again in the future, but no specific plans – appellate ct refused to allow CBS to enjoin unauthorized use in 1987, characterizing CBS’s behavior as “warehousing” – contrary example where mark preserved during non-use: *Saratoga Vichy Co. v. Lehman* (1980): state owned trademark for mineral water and decided to stop selling goods, but tried continuously to sell the trademark to other businesses for seven years
- Abandonment through loss of distinctiveness: Abandonment occurs when “the mark becomes the generic name for the goods or services on or in connection with which it is used or otherwise loses its significance as a mark” – *King-Seeley Thermos Co. v. Aladdin Industries, Inc.* (1963): “Thermos” became general descriptor of vacuum-sealed drink containers; *Dawn Donut co. v. Hart’s Food Stores, Inc.* (1959): trademark owner licensed trademark freely without controlling the quality of goods to which licensees affixed marks; *Uncas Mfg. Co. v. Clark & Coombs Co.* (1962): trademark owner failed to sue infringers using similar marks in confusing manner
- Consequences of abandonment: In cases of express abandonment, anyone can use the mark (see *Sweater Bee*) – but when abandonment arises from non-use, there

will still be some goods labeled as first owner's, and second user's use of the mark may create market confusion – thus, in some cases, no one can claim exclusive use

2. Distinctiveness and Related Statutory Standards

- Distinctiveness: Trademarks must be distinctive in order to identify source of goods, and to deny protection to descriptive or generic terms (being able to trademark “lite beer” is great for seizing market share, but bad for the purposes of the trademark system) – distinctiveness is a spectrum: generic terms are not protectible (“hand soap”); descriptive terms are weakly protectible if much secondary is cultivated (“100% Pure”); suggestive terms are protectible without proof of secondary meaning (“Ivory”); and arbitrary marks are not only protectible but are invulnerable from attack under descriptive vs. suggestive analysis (“Camay Soap”) – geographic terms are generic if associated with quality of goods (Napa Valley wine can't give rise to “Napa Valley” trademark), or descriptive if secondary meaning has been cultivated (*In re Nantucket, Inc.* (1982): “Chicago” shirts can be protected if secondary meaning cultivated) – following cases deal with distinctiveness

a. “Trademark by Which the Goods of the Applicant May Be Distinguished from the Goods of Others”

- *King-Seeley Thermos Co. v. Aladdin Industries, Inc.* (1963): π created Thermos vacuum-sealed drink container, and promoted it as a “Thermos bottle” (without using other identifying terms, like “Thermos vacuum-insulated bottle”) – by 1923, Thermos had become the generic industry term for this kind of drink container; π policed industry trade journals for infringing use, but did not monitor public use – by 1953, Thermos had become the widespread term for this bottle; π intensified policing to general public, and sought injunction against Δ from selling its products as thermoses – trial ct mostly found for Δ , but granted very minor injunction: allowed π exclusive use of capitalized “Thermos” term, and required Δ to label its product “Aladdin thermos” – appellate ct affirmed verdict for Δ : contrary to trial ct's finding, π did not appear lax in enforcement; however, generic use was inevitable and beyond π 's control (evidence: 75% of public knew what a thermos was; 12% knew it was a trademarked term) – π argues that in cases where no generic term exists for the product (e.g., Aspirin, Cellophane), the trademark must inevitably lapse, but that Thermoses were generically known as vacuum bottles – however, the key question (as declared by Learned Hand): “What do the buyers understand by the word for whose use the parties are contending? If they understand by it only the kind of goods sold, then it makes no difference what efforts the plaintiff has made to get them to understand more” – dual-function trademarks (those that identify both the product and the source) are OK, but the mark becomes generic when “the principal significance of the word is its indication of the nature or class of an article, rather than an indication of its origin” (*Feathercombs, Inc. v. Solo Products Co.* (1962) – trial ct's minor injunction represents a proper balance of competitor's right to use generic term and first inventor's right to assert original creator of item, and satisfies the purpose of the trademark system to allow the public to identify the source of goods (the genuine “Thermos”))

- Genericide: Eight years after *King-Seeley*, Aladdin Industries sued to have injunction lifted and Thermos term freely used – appellate ct lifted injunction, noting continued generic use of the “thermos” term and further decline of public recognition as a trademark – contrast with *Bayer Co. v. United Drug Co.* (1921), where Learned Hand noted that “aspirin” was recognized in industry as π 's trademark but used generically in public; accordingly, he allowed trademark enforcement for industry sales to chemists, physicians, and druggists, but denied enforcement in sales to the public – similarly, *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.* (1982): Supreme Ct denied Parker Brothers the exclusive use of the term “Monopoly” in the market of board games, primarily based on a customer survey that most of the public identified “Monopoly” as the board game and didn't care about the producer – Congress reacted by passing the Trademark Clarification Act of 1984, which reduced the relevance of consumer interest (“the primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the common descriptive name of goods or services”)
- Preventing genericide: What can trademark owners do to stop people (e.g., trade journals) from using its term generically? – *Selchow & Richter Co. v. McGraw-Hill Book Co.* (1978): π , owner of “Scrabble” term, successfully enjoined Δ from publishing “The Complete Scrabble Dictionary” book, partially on the basis that allowing Δ 's publication would contribute to genericide
- Expired patents: If trademark is used for patented device, should it fall into public use when patent expires? – *Kellogg Co. v. National Biscuit Co.* (1938): When patent for “shredded wheat” cereal expired, the public earned both the right to develop competing products and the right to call them “shredded wheat” – similar to and draws upon *Singer Mfg. Co. v. June Mfg. Co.* (1896): ‘Singer’ term used to describe particular design of sewing machine became generic when patent expired – these are not general rulings, but significantly hold that patent protection is a relevant factor in considering whether trademark has lapsed into generic use – in *Singer*, Supreme Ct drew on two factors: 1) during patent term, trademark was used for generically identifying particular design; 2) trademark owner consented to this generic use during patent term (also, fact-specific factor: π applied for trademark shortly before patent was due to expire; indicates that it knew its term had become generic) – as in *Thermos*, *Singer* Court granted a very limited injunction requiring competitors to identify their Singer sewing machines as by their company, not by Singer Co.
 - b. “Deceptive Matter”**
- *In re Budge Manufacturing Co.* (1988): π manufactured automotive seat covers from synthetic fibers, and applied for trademark “LOVEE LAMB” – Trademark Appeal Board rejected trademark as deceptive according to Lanham Act §2(a), and π appealed – CAFC affirmed denial of trademark: Lanham Act bars registration of marks “comprising deceptive matter” – not merely misdescriptive, but actually deceptive – *In re Shapely, Inc.* (1986): three-part test: 1) term is misdescriptive as applied to goods; 2) likelihood of consumers believing misrepresentation; and 3) belief in misrepresentation would materially affect purchasing decisions – other decisions have incorrectly included intent to deceive

as an element, but this is not necessary – in *ex parte* prosecution, the USPTO bears the burden of showing these criteria in rejecting trademark (within its limited facilities for doing so, i.e., huge evidentiary trial not required); facts support rejection in this case – π presented evidence that it labeled packages as “Simulated Sheepskin,” but this is insufficient to negate misrepresentation (compare *R. Neumann & Co. v. Overseas Shipments, Inc.* (1964), misrepresentation of non-leather shoes as “Durahyde” despite disclaimer that they “outwear leather,” with *A.F. Gallun & Sons Corp. v. Aristocrat Leather Prods, Inc.* (1962): “Copy Calf” trademark allowed for non-lamb products because trademark itself suggests a facsimile)

c. “Confusing Similarity to Prior Marks”

- *In re N.A.D., Inc.* (1985): π marketed surgical anesthesia machines, and sought to protect them under the name “NARCOMED” – π had previously filed cancellation suits against a competitor in this narrow field, Narco Scientific, Inc., and in settlement agreements Narco expressly recognized π ’s right “to the use and registration of the trademark NARKOMED for use in the sale of hospital and medical equipment” – when π later sought trademark for NARKOMED, USPTO rejected as too similar to two of Narco Scientific’s trademarks: “NARCO MEDICAL SERVICES” for consulting services for surgical anesthesia machines and leasing of such machines, and “NARCO” for many kinds of medical equipment, including anesthesia administering apparatuses – appellate ct found for π : N.A.D. and Narco Scientific anticipated the use of the Narkomed trademark in the field, which implies that this would be distinguishable in the field – “it can be safely taken as fundamental that reputable businessmen-users of valuable trademarks have no interesting *causing* public confusion” (*In re E.I. DuPont de Nemours & Co.* (1973) – analysis of these trademarks: NARKMED vs. NARCO is readily distinguishable; although they cover the same type of goods, these are very expensive machines purchased only by very sophisticated customers who would know the difference – thus, no likelihood of confusion, and therefore not surprising that N.A.D. and Narco Scientific didn’t anticipate any confusion)

d. “Merely Descriptive or Deceptively Misdescriptive”

- *Application of Sun Oil Co.* (1970): π sought trademark over term “Custom-Blended” to indicate that its gasoline pumps blend a grade of gasoline based on customer’s preferences – Trademark Appeal Board rejected application – CCPA affirmed rejection of trademark: “Custom-Blended” is purely descriptive, merely illustrating that various grades of gasoline are blended to meet customer’s preferences – π presented evidence that customers know that π ’s gasoline is “custom-blended,” but this does not give rise to secondary meaning for the term “Custom-Blended” – Rich concurrence: “Custom-Blended” is so highly descriptive of π ’s product that in circumstances is it protectible – no amount of secondary meaning can make such a term protectible – Fisher dissent: π has highly promoted the term “Custom-Blended” over twelve years, and the public seems to identify it with π ’s product, so trademark should have been allowed

e. “Primarily Geographically Descriptive or Deceptively Misdescriptive”

- *In re Lowe’s Theatres, Inc.* (1985): π sought to trademark the term “DURANGO” for its chewing tobacco – Trademark Appeal Board rejected under Lanham Act

- §2(e)(2) as “primarily geographically deceptively misdescriptive,” relying on trade journal reference to a tobacco crop from Durango, Mexico, which did not match π 's product – π presented evidence that it had previously trademarked the same name for its cigars, and that the public didn't associate “Durango” with any particular place; examiner maintained rejection, responding that Durango, Mexico also produces tobacco, and that π presented no evidence of secondary meaning developed by use of its Durango cigar trademark (no evidence of length of use, public identification as π 's product, etc.) – CAFC maintained rejection of trademark: examiner successfully made *prima facie* case of geographic misdescriptiveness; while an arbitrary use of a geographic name that is not intended to imply a connection is protectible, a more direct connection will support a rejection if more than a *de minimis* section of the public is likely to infer a connection (e.g., Mexican Americans) – the USPTO need not show proof of actual confusion – also, trademark is not mandated by related trademark for cigars; each registration is separately evaluated – similar registrations are evidence of distinctiveness, but do not provide an *ipso facto* right to expand trademark into very similar products
- “Primarily merely a surname”: Lanham Act §2(e) bars registration of marks that are primarily an individual's surname, on the theory that competitors having the same surname shouldn't be barred from the field – *Ex parte Rivera Watch Corp.* (1955): words that are primarily surnames, like “Reeves,” “Higgins,” and “Wayne,” can't be trademarked; whereas names like “King” that have a secondary meaning can be trademarked – however, the USPTO may permit trademarks on such items if sufficient degree of secondary meaning has been created (Lanham Act §2(f)) – applicants sometimes offer customer surveys, and Lanham Act also authorizes trademark if applicant has had five years of “substantially exclusive and continuous” use
 - Supplemental register: Trademarks failing to meet criteria for registration may nevertheless be entered on the Supplemental Register if they are “capable of distinguishing applicant's goods or services” – this allows recognition of commercial insignia on labels, packages, phrases, slogans, etc. – much smaller set of rights afforded to such marks
 - Concurrent registration: Two companies that intend to use the mark simultaneously may enter into an agreement permitting such sharing – Trademark Law Revision Act of 1988 allowed the USPTO to issue concurrent-use registrations – Lanham Act as originally written did not allow this, but this arrangement forced parties to litigate that might have been able to settle dispute amicably – however, concurrent use is only allowed where no likelihood of confusion exists, and USPTO may condition concurrent-use registration appropriately for the circumstances
 - Suggestive marks: A company seeking a suggestive trademark must sometimes choose between choosing a descriptive mark (unprotectible) and a deceptively misdescriptive mark (also unprotectible) – *Clinton E. Worden & Co. v. California Fig Syrup Co.* (1903): “Syrup of Figs” trademark owner for laxative could not enforce trademark against competitor using “Fig Syrup” term, which was simply descriptive; however, since π 's product used only trace amounts of fig syrup, its

trademark was invalidated as deceptive – compare *The Coca-Cola Co. v. The Koke Co. of America* (1920): π 's product contained only trace amounts of coca leaf and cola nut, but had attained sufficient secondary meaning to overcome inference that trademark described ingredients

- “Deceptive” and “Deceptively Misdescriptive” marks: Deceptive marks can never be registered (Lanham Act §2(a)); deceptively misdescriptive marks can be registered only after proof of secondary meaning (Lanham Act §2(f)) – key difference: both factors require showing that trademark misdescribes goods and is likely to mislead customers, but “deceptive” if this confusion is likely to alter consumers’ purchasing decisions, and “deceptively misdescriptive” if not – thus, the critical question is whether the misleading will affect purchases – NAFTA characterizes “geographically deceptive misdescriptive marks” as deceptive marks
- Scandalous matter: Lanham Act §2(a) allows USPTO to reject trademarks that claim “scandalous matter” (if it “gives offense to the conscience or moral feelings; excites reprobation, calls out condemnation”) – no First Amendment right to such trademarks, since trademark rejection does not censor expression in any way

3. Statutory Subject Matter

- *In re Carson* (1977): π , Johnny Carson, filed for service mark on the use of his name – examiner rejected claim, indicating that he was merely using his name to identify himself, not the service he provided – π submitted evidence of advertisement with “The Johnny Carson Show,” and examiner offered to register “The Johnny Carson Show” but not just “Johnny Carson” – Trademark Appeal Board found for π : the public clearly associates “Johnny Carson” with π 's show; in fact, adding “The Show” would not clarify the meaning of the trademark – π presented other evidence that was dispositive of secondary meaning (“Johnny Carson in concert,” “3 Big Performances – Johnny Carson,...”); these clearly show association with π 's performance, not with π personally
- *Ex parte Handmacher-Vogel, Inc.* (1953): π produced a line of women’s golf accessories, trademarked and marketed under the name and insignia Weathervane – π began running women’s golf tournaments, which achieved professional interest and involved well-known professional female golfers – π sought to trademark the term Weathervane for its service of hosting golf tournaments; examiner rejected, characterizing the tournaments as merely a vehicle for selling its Weathervane merchandise – Trademark Appeal Board found for π : examiner’s general statement that “services which constitute operations involved in the designing, production, sale, advertising or build-up of good-will of one’s own goods do not constitute services within the purview of the Act” and cannot be trademarked – however, substantial evidence exists that π 's hosting services are respected and recognized, and not merely advertising vehicles – π is entitled to have its service evaluated on its own merits, and shouldn’t have its participation in a related product line under the same trademark held against it – of course, the service must be bona fide, i.e., not just the act of displaying or using trademarked goods; but facts support protectibility of π 's service

- In re Florida Citrus Comm'n* (1968): π is a corporate body, organized under the state government of Florida, charged with standards on the quality of citrus fruit grown in Florida, and for promoting sales of such products, including via distinctive and suggestive trade name – π applied for and obtained registration of a logo, “O.J. – The Real Thing – From Florida,” as a service mark for the creation of such standards, and then filed for the same mark as a certification mark, seeking to allow use of the mark only in packages and advertising quality-approved by π – examiner rejected application, noting that Lanham Act § 14(e)(2) requires the USPTO to cancel any certification mark if the registrant appears to be engaged in the production or marketing of the same service – Trademark Appeal Board affirmed rejection: π argues on appeal that the 14(e)(2) restriction bars “the making or selling of the goods and services on or in connection with which the mark is used” in an *inter partes* proceeding, but for an *ex parte* registration hearing, as here, the proper standard is “marketing and sale of any goods or services to which the certification mark is applied” – π therefore contends that its general promotion of the industry violates the “in connection with” portion of an *inter partes* bar, but that it does not market or sell a specific good or service on which the certification is applied – while true, the whole point is that certification marks can’t be allowed for bodies engaged in the marketing of products, which π is tasked with performing – the presence of two standards is confusing and creates a discrepancy in the substantive body of law of trademarks – a certification mark is “created for a purpose uniquely different from that of an ordinary service mark or trademark... it is a mark owned by one person and used by one or more parties on or in connection with their goods or services to certify quality, regional or other origin, and the like” – while π shows no ill intent in its application, the legislative intent is clear that certification marks should not simultaneously identify a service also provided to or by the industry, but strictly to certify the associated standards – Leach dissent: the “sales and marketing” qualification restricts sale or marketing of a specific good, e.g., specific juice product; π does neither, so it should be entitled to use mark both as service mark and as certification mark
- Breitenfeld, “Collective Marks – Should They Be Abolished?” (1957): Trademark law used to allow “collective marks,” trademarks used by a group of producers to identify their collective goods – however, the distinction between collective marks and certification marks is unclear – it is thought that collective marks identify the group of producers, while certification marks identify the source or quality of goods; but this distinction breaks down when a group of producers may impose some prerequisites on admittance that ensure that the entrant produces high-quality products – moreover, certification marks can be canceled if the USPTO finds that they are being applied unfairly, i.e., admitting shoddy goods or being denied to competing goods that fairly meet the imposed standards – for this reason, many certification standards are held as collective marks, which can be arbitrarily applied – one proposal for fixing this system: create a new body of “membership marks” designed solely to indicate membership in a union
- Qualitex Co. v. Jacobson Products Co., Inc.* (1995): π , a manufacturer of pads for dry-cleaning presses, trademarked a distinctive green-gold color for

distinguishing its products – Δ , competitor, marketed similarly-colored pads in the same field; π sued for trademark infringement – appellate ct invalidated π 's patent, holding that specific colors were not subject matter amenable to trademark – Supreme Ct found for π and upheld trademark: Lanham Act allows trademarks on “any word, name, symbol or device, or any combination thereof”; this is very broad language, with no indication that a specific color doesn't qualify – for this same reason, other registrants have trademarked shapes (the Coca-Cola bottle), sounds (the NBC chimes), and scents, once such items have acquired secondary meaning – the color must be used “to identify and distinguish goods, including a unique product, from those manufactured or sold by others and to indicate the source of those goods”; π 's use of distinctive color was intended for this purpose – while not as obvious as an arbitrary set of words, a color may come to distinguish a product, particularly if the color is unusual in context (e.g., a bright red color for an industrial bolt) – this use furthers all of the normal goals of the trademark system, i.e., to aid shoppers in identifying source of goods as an indication of quality – of course, color can't be trademarked if it is functional, i.e., “if its exclusive use would put competitors at a significant non-reputation-related disadvantage” (*Inwood Laboratories, Inc.*) – this is the case with medication, where colors identify the medication; here, it is important that these dry-cleaning pads have *some* color to hide chemical stains, but no reason why π 's color is especially useful (functional) – Δ contends that colors are harder to distinguish than shades, and that protection will be very hard to enforce, but courts have developed strong standards for making such judgment calls – Δ contends that colors are in limited supply, and that some industries may experience “color depletion” where all appealing shades are taken; however, this specific problem is unlikely to arise often, and can be resolved on a case-by-case basis – this finding is supported by USPTO trademark practice, which allows registration of specific colors as trademarks in specific industries

- Fragrance: *In re Clark* (1990): USPTO granted trademark for a distinctive fragrance: “applicant has demonstrated that customers, dealers and distributors of her scented yarns and threads have come to recognize applicant as the source of these goods”
- Location of mark: *In Application of Kotzin* (1960): USPTO denied trademark for a distinctive placement of a mark on goods (“a woven rectangular tag distinctively located by being vertically disposed and having one longitudinal edge inserted beneath and permanently attached by a seam or pleat across the waistband of the trousers”) – CCPA affirmed rejection, characterizing mark as a tag on which a trademark would be imprinted, but left open the general principle: “we do not see why the mark sought to be registered could not be considered to be either a symbol or device”; may be trademarked if secondary meaning exists – *In re Levi Strauss & Co.*(1970): Levi's successfully trademarked its “Tab” trademark for identifying jeans
- Ingredients: Two inconsistent views arose regarding trademarks identifying an ingredient – resolved in *Winthrop-Stearns, Inc. v. Milner Products Co.* (1955): if ingredient is an additive (not an essential component), and if it distinguishes the product from competing products, it is can be included in a trademark (here,

- USPTO allowed trademark on “KoCal” as a distinguishing whitening additive to Pine-Sol)
- Corporate and firm names: Businesses generally can’t trademark their business names to place on a label along with goods – trademarking the business name does not help to identify the source of any goods – however, they can be registered as a service mark
 - Slogans: USPTO used to refuse these on the grounds that product slogans are merely an advertising feature used to supplement actual trademarks – this view was reversed in *American Enka Corp. v. Marzall* (1952): ct allowed trademark on “The Fate of a Fabric Hangs by a Thread” because it “functioned as a trademark” – slogan trademarks often fall into a descriptive vs. suggestive analysis
 - Packages, buildings, industrial design: USPTO has been less receptive to trademarks on product-related items – traditional position that packages aren’t trademarkable was reversed in *Ex parte Haig & Haig Ltd.* (1958), regarding a distinctive Scotch whiskey bottle design – factual question to be resolved in standard trademark manner, but here denied for lack of ability to request product by identifying design – Coca-Cola successfully registered its distinctive bottle two years later – even shape of building held trademarkable, as per *Fotomat’s* unique kiosks (*Fotomat Corp. v. Cochran* (1977))
 - Supplemental Register: Lanham Act §1091 allows any “trade-mark, symbol, label, package, configuration of goods, name, word, slogan, phrase, surname, geographical name, numeral or device or any combination of the foregoing” to be registered on the Supplemental Register if it is “capable of distinguishing applicant’s goods or services” – supplemental registration is not mutually exclusive with primary registration, and does not indicate that the mark is not distinctive – the supplemental register is intended as a quick, simple registration system to allow U.S. companies to take their products abroad; many foreign countries grant trademarks to foreigners only if they have has a certificate from their home country – these marks are not subject to interference or opposition, but only cancellation (e.g., deceptiveness) – however, supplementally registered marks are given much narrower rights: no presumptions of validity, ownership, or right of exclusive use

B. Administrative Procedures

- Ex parte proceedings: Typically, a prospective trademark applicant will first complete a trademark search to avoid infringement – it may be difficult to complete the search, since each state maintains its own register (e.g., NBC spent \$750k developing an “N” logo, only to learn that Nebraska Educational Television Network had gained priority for the mark for \$100 in fees) – the registration process involves prosecution before a trademark examiner, and owner must choose “in use” prosecution or “intent to use” prosecution – if rejected, applicant may amend or rebut by response, and may eventually appeal to the Trademark Trial and Appeal Board – if approved, the trademark appears in the Official Gazette, which begins an opposition period – if mark is not contested during this period, the examiner issues notice of allowance
- Inter partes proceedings: The following grounds for contesting a trademark are available: opposition: must be filed within 30 days of publication of Δ’s

mark in Gazette, and π must show that π 's business will suffer from Δ 's mark, and that the mark cannot be registered for some reason (not registrable matter, deceptive, confusingly similar to π 's mark, the mark is a descriptive term that will prevent π from describing its own product, etc.) – cancellation: within five years of registration, π must file claim and show that his business will be damaged by registration of mark (this is a balancing of Δ 's interest in securing the mark and π 's interest in being able to contest it within a reasonable time); cancellation claims filed after five years have more limited opportunities for relief – concurrent-use proceedings: π may request conversion of Δ 's application to concurrent use if their simultaneous use of similar marks would not cause market confusion – interference: π must show that Δ 's mark “so resembles a mark previously registered by another, or for the registration of which another has previously made application, as to be likely to cause confusion or mistake or to deceive,” yet π “would suffer irrevocable harm if his only recourse was to file an opposition or a petition for cancellation” (these are very rare and “virtually eliminated” by subsequent trademark law amendments)

- Renewal: Unlike patents, trademarks have unlimited lifespans – a successful trademark application results in a certificate of registration, which is good for ten years; the registrant may renew the registration for an additional ten years, and may do so continuously – however, six years after initial registration, registrant must prove use by filing a verified statement along with a facsimile or specimen of the trademarked product, or at least that non-use is due to special and temporary circumstances – similar certification must be made in every ten-year renewal request
- Appeals: The Trademark Trial and Appeal Board hears all appeals from registration rejections, all oppositions, all cancellations, and all interferences – the Commissioner hears a few selected claims, e.g., denial of renewal request – decisions of both groups can be appealed via one of two routes: 1) to a district court, then to regional appellate ct, then to Supreme Court; or 2) to the CAFC, and then the Supreme Court
- Incontestability: After significant amount of use (i.e., five years), a trademark earns limited immunity from challenge – Lanham Act §14 provides defense against a petition to cancel (can be cancelled only in cases of fraud, abandonment, genericide, or lack of statutory basis); §15 provides defense against an infringement action (can be revoked for infringement only on the same grounds as §14, or in cases of priority); and §33(b) provides defense against another's use of a confusingly similar mark (registration and use for five years are *prima facie* evidence of validity; i.e., Δ cannot raise defense that π 's mark is descriptive, etc.) – however, Δ , may still raise defenses of laches, estoppel, acquiescence, etc.

C. Rights and Remedies

1. Rights

a. Geographic Boundaries

- *United Drug Co. v. Theodore Rectanus Co.* (1918): An earlier (first) user of a trademark will have priority over a later (second) user, even in the case where the

- first user territorially expands into the second user's region – this may seem unfair, but it's better than prohibiting expansion of a business into new territories simply because a later user of the same trademark is operating there
- *Dawn Donut Co. v. Hart's Food Stores, Inc.* (1959): π , owner of trademarks "Dawn" and "Dawn Donut," regularly licensed the trademark to other companies for labeling products that used its supplies – π sought to enjoin Δ , commercial retailer of doughnuts and baked goods, from using the word "Dawn" in connection with its services in a six-county area surrounding Rochester – Δ defended on the grounds that π hadn't used the mark in this area for 30 years – Δ also counterclaimed for cancellation of π 's trademark on the grounds that it licensed its trademark without concern for the quality of the labeled goods – appellate ct denied both π 's injunction and Δ 's counterclaim: no likelihood of confusion, because there's no evidence that π plans to expand into this area – this market is naturally confined to a certain region, since doughnut products are perishable and are generally used within 25 miles of site of purchase – also, no evidence of bad faith: Δ chose the trademark based on a slogan, and did not know about π 's use (did not conduct a trademark search) – however, if π chooses to expand into the area in the future, π will have a right to enjoin Δ – this is premised on the goal of the Lanham Act to give constructive notice to people throughout the nation that a registrant has claimed a trademark, which cautions them that the registrant may eventually expand into their area and enforce the mark there – π 's failure to use the mark near Rochester for 30 years does not act as an abandonment; as long as the registrant is using the mark somewhere in the nation, it has not been abandoned – regarding cancellation counterclaim: prior to Lanham Act, some cts held that licensing of trademark away from registrant's business worked as an abandonment, because applying trademark to a good not produced by registrant would be misleading (*American Broadcasting Co. v. Wahl Co.*); others held that licensing away was okay as long as registrant policed the quality of trademark-bearing goods (*E.I. du Pont de Nemours v. Celanese Corporation of America*) – Lanham Act codified the later view in §55: allowing "related companies" to use the mark "shall not affect the validity of such mark or its registration, provided such mark is not used in such manner as to deceive the public" (§127: "related company" = "any person who legitimately controls or is controlled by registrant in respect to nature and quality of goods or services") – rationale: without policing, the trademarked goods are likely to vary in quality, defeating the purpose of the trademark – majority opinion: trial ct's finding that π exercised due quality control over trademarked goods was not clearly erroneous - Lombard dissent: record indicates that π licensed dough to many bakers under contracts with no provisions regarding quality, and aside from some sparse testimony of π 's sales agents that they regularly visited these licensees to police quality (and such testimony was suspect), no evidence of monitoring exists – sporadic policing by untrained personnel is insufficient to meet the requirements of the Lanham Act – proper result would be partial cancellation of trademark, such that mark is enforceable only on finished goods sold to the public
 - Priority: This is one of the most difficult tasks in trademark law, especially in cases of concurrent use – *Application of Beatrice Foods Co.* (1970): CCPA set

- forth general rule that in concurrent-use proceedings, the senior user has rights to everywhere in the U.S. except where junior user is using the mark – this doesn't mean that junior user can't expand, but only that this is a question of fact
- Constructive notice and constructive use: Constructive notice (presumptively created by registering the trademark) operates to prevent junior users (who start using the mark after the registration) from acquiring any rights to the mark, and confines senior, unregistered users to the territory outside the registrant's territory – constructive *use* operates the same way against junior users, but not against senior, unregistered users – this ruling overcame previous position, shown in *Sterling Brewing, Inc. v. Cold Spring Brewing Corp.* (1951): π trademarked "Rex" name for shampoo while operating on the east coast, and Δ started using mark earlier but registered mark later, while using it on the west coast – ct awarded π an injunction against Δ in west-coast states, even though π showed no inclination to begin marketing there
 - Trademark assignments and licenses: Lanham Act §10 provides that a trademark cannot be assigned apart from an assignment of the goodwill of the business, and any attempt to do so acts as an abandonment, for the same reasons as the quality-control requirement for licenses
- b. Products and Service Boundaries**
- *Scarves by Vera, Inc. v. Todo Imports Ltd.* (1976): π sold high-quality textiles under two "VERA" trademarks (one for women's scarves, neckties, blouses, etc., the other for apartment accessories and linens) – Δ was the sole distributor of a perfume manufacturer named Vera, S.A., a company located in Spain, and sold such products in the same stores as π – both companies ran extensive advertising claims (Δ 's under the term "VERA/Barcelona Spain"), though in different text script – Δ sought to register the "VERA" trademark for perfumes; π filed opposition claim – at trial, π introduced evidence that it had made a few attempts to enter the perfume field, without success, and that most top designers in its field also produced perfumes – trial ct denied injunction: found π 's mark to be weak because it was a common name, and was widely used by other companies, and so was unlikely to have developed secondary meaning – no evidence of passing-off, that π was likely to enter the field soon, or that the public was likely to be confused – appellate ct found for π : three interests of trademark law are relevant here: registrant's ability to enter a related field, registrant's protection of his reputation by inferior use of the trademark in related goods by a competitor, and public's interest in not being misled – many cases illustrate that trademarks also protect related fields (e.g., flashlights and locks, mechanical pencils and razor blades, floor cleaners and fabric cleaners, juices and meats, etc.) – π persuasively asserts that trial ct erred in finding "VERA" a weak mark, and that markets were unrelated – "VERA" is a strong mark, having achieved significant commercial success evidencing secondary meaning; its dual use as a common name is not relevant, even if an infringer is drawing it from his/her surname – the use of "VERA" in other forms and unrelated markets ("Vera Stewart" cosmetics, "Vera Smart" hosiery, "Vera Horn" for women's apparel, "Vera" for food) is also irrelevant, as they were unlikely to cause market confusion – π 's intention to enter market is irrelevant: the markets are so closely related that enforcement is

- warranted (Learned Hand, *Yale Electric Corp. v. Robertson*: “unless the borrower’s use is so foreign to the owner’s as to insure against any identification of the two, it is unlawful”) – on this point, the fact that many designers also sell perfumes is relevant, and suggests high probability of market confusion – injunction should be granted, and crafted such that Δ may use “Vera, S.A.” to identify his company, and may use “Vera” in conjunction with other words that reduce likelihood of confusion (“Vera y Cosmetica, S.A.”) – however, π is not due damages, due to no evidence of profit diversion or bad faith
- Notes: Can *Vera* be reconciled with *Dawn Donut* to find an abandonment of a market segment into which the registrant has failed to expand? – do market boundaries work differently than geographic boundaries?
 - Trademark dilution amendments: Federal Trademark Dilution Act of 1995: enhances enforcement of “famous” marks against unauthorized use after the trademark becomes “famous,” even if unregistered (§43(c)) – also, §45 defines dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods and services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception” – no guidance yet on what makes a mark “famous” or what uses constitute “dilution” – three categories exempted as protected under the First Amendment: fair use in comparing advertising or promotion to identify competing goods and services, noncommercial use, and all news reporting or commentary – *San Francisco Arts & Athletics, Inc. v. United States Olympic Commission* (1987): Supreme Ct enjoined Δ ’s use of the phrase “Gay Olympic Games,” rejecting Δ ’s arguments that “Olympic” was a generic term, or that the Federal Trademark Dilution Act violated the First Amendment by enjoining this use in the absence of confusion – Court rejection: although not confusing, Δ ’s use could “lessen the distinctiveness and thus the commercial value of the marks” – Brennan dissent: regulation should be limited to commercial speech
 - Families of marks: *Servo Corp. v. America v. Servo-Tek Products Co.* (1961): Owner of “Servo,” “Servoscope,” “Servosync,” “Servoflight,” “Servotherm,” “Servoflex,” and “Servoboard” trademarks cannot prevent another company’s registration of “Servotorque” or “Servospeed” – similarly, *Bissel, Inc. v. Easy Day Mfg. Co.* (1961): Owner of “Clean-Master,” “Sweep-Master,” “Dust-Master,” and “Dirt-Master” trademarks cannot prevent another company’s registration of “Squeez-Master” for sponge mops – contrasting opinion: *The Frito Co. v. Buckeye Foods, Inc.* (1961): Owner of “Fritos,” “Chilitos,” “Fritatos,” “Ta-Tos,” “Chee-Tos,” “Corntos, and “Tos” can prevent another company’s registration of “Prontos” – these are examples of families of trademarks, e.g., Kodak’s ownership of a wide number of Koda__ trademarks – USPTO has been reluctant to recognize a family of trademarks, and only do so for strong marks registered in a wide variety of related uses
 - Fair use: Even if a registrant obtains a trademark on a descriptive term, competitors may fairly use the trademark in a non-trademark sense as a product descriptor – *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.* (1983): π ’s registration of “Fish-Fri” could not block Δ ’s use of the term “Fish Fry” on its

fried-foods packages – owner of such marks “has no legal claim to an exclusive use in the original, descriptive sense of the term” – this is even a defense to an uncontestable mark (Lanham Act §33(b)(4))

- Collateral use: Can merchants use a manufacturer’s trademark to sell goods? (especially in the context of resellers, who may be selling used merchandise in degraded form) – *Prestonettes, Inc. v. Coty* (1924): Δ regularly purchased cosmetic powder manufactured by Δ , reconstituted it with some additives, and sold it with the label: “Prestonettes, Inc., not connected with Coty, states that the powder was independently compounded from Coty’s powder,” providing accurate list of ingredients – appellate ct granted π granted an absolute injunction use against Δ ’s trademark use, since π has no quality control; Supreme Ct reversed and denied injunction: Δ ’s use was truthful and did not deceive public, and any resulting damage to π ’s reputation was unpreventable – similarly, *Champion Spark Plug Co. v. Sanders* (1947): Δ permitted to use π ’s trademark in resale of reconditioned spark plugs originally manufactured by π , but only as long as Δ included “used” or “repaired” with the trademark use
- Parody and satire: *Reddy Communications, Inc. v. Environmental Action Foundation* (1979): court denied π ’s request to enjoin Δ from using a caricature of its trademark, Reddy Kilowatt, in an article criticizing the energy industry; π ’s complaint alleged that “casting Reddy in a negative light as the ‘villainous utility company’ reduced Reddy’s attractiveness to investor utilities as a public relations tool” – however, ct limited its holding to uses “incidental” with Δ ’s commercial purposes (subscription sales), and by noting the sophistication of Δ ’s subscribers – other ostensibly satirical uses have been rejected on the basis that they created market confusion (*General Electric Co. v. Alumpa Coal Co.* (1979): injunction granted against sale of T-shirts reading “Genital Electric”; *Coca-Cola Co. v. Gemini Rising, Inc.* (1972): injunction granted against Δ ’s sale of inflatable reproduction of coke bottle with “Enjoy Cocaine” tagline) – Eight Circuit Court of Appeals has been particularly intolerant of satire (has enjoined satirical publications of “Michelob Oily” and “Mutant of Omaha”) – other cts have found satire not to be a defense, but a relevant factor in likelihood of consumer confusion (*Hormel Foods Co. v. Jim Henson Productions, Inc.* (1996): Muppet movie permitted to use a character named “Spa’am”, and to sell associated merchandise, in light of widespread familiarity with Δ ’s Muppet parodies) – high-watermark case: injunction against use of “4711” trademark, owned by a perfume manufacturer, by a manure collector who had 4711 as his telephone number and painted it in big letters on the sides of his fertilizer wagon

2. Remedies

- *Maltina Corp. v. Cawy Bottling Co.* (1980): π ’s founder previously owned Δ , a Cuban company that manufactured and sold Cristal (under trademark) in Cuba and Canada – Cuba government seized Δ , and π ’s founder fled to America, started a company, registered the trademark “Cristal,” and assigned the interests in the trademark to π – Δ attempted to trademark the term “Cristal,” but was rejected due to π ’s valid conveyance; nevertheless, Δ continued selling Cristal under this name – π successfully sued for trademark infringement, and ct awarded injunction, ordered an accounting, and assessed damages of \$35,000 in reputation

damage + \$55,050 in gross profits – Δ appealed, contesting the appropriateness of the accounting was the award to π all of Δ 's gross profits, and the award of reputation damage in the absence of evidence of this – appellate ct affirmed accounting and profits damages but vacated reputation damages: the accounting was appropriate under Lanham Act §117, where damaged registrant may recover profits earned from infringement, and *W.E. Bassett Co. v. Revlon, Inc.* (1970): an accounting is appropriate when Δ is unjustly enriched, when π sustained damages, or when accounting is necessary to deter willful infringer from continuing infringement – here, Δ 's willful infringement warrants an accounting both for compensating unjust enrichment and for deterrence purposes – trial ct also properly awarded gross profits, because Δ did not properly evidence its claims to overhead and costs specific to its manufacturing and sale of Cristal (it's possible/likely that these costs were attributable to production of Δ 's other beverages) – however, award of reputation damage is improper in the absence of evidence, and π presented no evidence that his own Cristal business suffered as a result of Δ 's infringement

- Damage assessment: *Minnesota Pet Breeders, Inc. v. Schell & Kampeter, Inc.* (1994): Willful infringement may justify an accounting for 1) determining the extent of unjust enrichment, 2) assessing damages, or 3) deterring continued infringement – however, no opportunity for compensatory or punitive damages under Lanham Act §35(a), so an accounting isn't appropriate here if an injunction will cure the infringement – damages can be measured by loss of sales and profits of infringer's use, or by consequent economic injury to registrant's reputation and goodwill – profits earned, in turn, can be measured as the profits lost by the registrant, or as unjust enrichment – these are mutually exclusive remedies, since applying both of them would amount to double recovery
- Marking: In order to recover anything, the owner has to establish Δ 's knowledge of trademark (either actual knowledge, or constructive knowledge, which can be inferred from π 's use of the ® symbol in conjunction with its trademark) – on the other hand, π 's false notice (use of ® mark) will bar injunctive remedy as per equity principles
- Attorney's fees: *Fleischmann Distilling Corp. v. Maier Brewing Co.* (1967): Supreme Ct ruled that π may not recover attorney's even if Δ 's infringement was willful – Congress reversed this trend in 1975: Lanham Act §117 provides that “the court in exceptional cases may award reasonable attorney fees to the prevailing party,” on the grounds that this would encourage enforcement and deter infringement, and noting that treble damages were insufficient since many of these cases involved injunctions, not damages
- Injunctive relief: Of course, injunctions are the preferred means of remedying infringement – however, these are applied much more starkly in trademark cases (absolutely or not at all) than in unfair competition cases (many possibilities, context and circumstances are relevant) – the only frequently-applied intermediate injunction is in the case of a weak trademark, where ct may only require Δ to label its products with a disclaimer of association with π
- Compulsory licensing: *In Borden, Inc.* (1976): FTC administrative judge found that Borden's “ReaLemon” trademark posed a barrier to market entry by

competitors, and ordered Borden to offer 10-year licenses to competitors – United States Trademark Association objected, claiming that compulsory licensing is a recipe for trademark dilution by spreading the mark across several producers – FTC rescinded order, commenting that this is only appropriate when less severe means are available

- Counterfeiting remedies: Counterfeiters are hard to deter: injunctions are ineffective when they're willfully breaking the law, and money is sketchy and hard to track down to enforce a judgment – Trademark Counterfeiting Act of 1984 added criminal penalties to available civil penalties, and Lanham Act amendments (§116(d), 117(b)) permit seizure and destruction of counterfeit goods and treble damages – intentionally trafficking in counterfeit goods is punishable by fines of \$250k (individuals first-offenders), \$1MM (individual recidivists and corporate first-offenders), or \$5MM (corporate recidivists) and 5-15 years of prison

3. Secondary Liability

- *Hard Rock Café Licensing Corp. v. Concession Services, Inc.* (1992): Δ owns and operates flea market facilities, on the usual business model (Δ charges vendors for space and reservations, charges customers for entrance, and runs a few booths there) – Δ 's oversight of auctions for legality was negligible (posted lists of banned paraphernalia, like live animals and weapons), and though Δ had a policy of assisting trademark holders in eliminating counterfeit goods, it had never had a chance to apply it – π discovered sale of counterfeit Hard Rock Café merchandise at two of Δ 's flea markets, and filed suit – ct found for π , awarded treble damages, and permanently enjoined Δ s from selling further counterfeit merchandise (though not clear whether ct found Δ s guilty of “willful blindness” or simple negligence) – appellate ct vacated verdict against Δ and remanded for further trial: Lanham Act is intended not only to prevent market confusion, but to protect intellectual property and business reputations for high-quality goods – this includes secondary liability for infringement for manufacturers or distributors: “intentionally inducing another to infringe a trademark, or continuing to supply its product to one whom it knows or has reason to know is engaged in trademark infringement” (*Inwood Laboratories, Inc. v. Ives Laboratories, Inc.* (1982)) – this is not directly applicable against Δ , which neither manufactures nor distributes products, and so common-law concepts must be examined – Δ analogizes its relationship to the infringing sellers as landlord-tenant; π characterizes this relationship as licensor-licensee; either way, the standard is “knowing or having reason to know that the other is acting or will act tortiously” (*Restatement of Torts*) – district ct's finding that Δ was willfully blind is not supported by the facts: Δ did not have reason to suspect wrongdoing and then fail to investigate (trial ct never addressed Δ 's apparent state of mind) – at worst, Δ was negligent, but it has no affirmative duty to prevent counterfeiting – since ruling is unclear, judgment against Δ is vacated, and case is remanded for further factual proceedings (which may or may not support willful blindness finding) – π also contends that Δ should be held vicariously liable, but this requires a partnership between the principal and the agent, and no such relationship existed between Δ and the counterfeit seller – finally, Δ argues that the standard for copyright vicarious liability should be

applied, which applies to punish those who have “the right and ability to supervise the infringing activity and also has a direct financial interest in such matter,” but Supreme Ct has stated that trademark vicarious liability should be narrower than copyright vicarious liability

- Notes: The penalties of trademark law are designed to permit practical enforcement: it’s too difficult to police and take action against all retailers and distributors, but the manufacturer can be targeted as a central source of wrongdoing – the cited case, *Inwood Laboratories*, involved a generic knockoff of the patented drug Cyclospasmol that was designed to look like the real drug, and that retailers subsequently repackaged and sold as the real drug – Supreme Ct issued the following statement as dicta: “liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another; even if a manufacturer does not directly control others in the chain of distribution, it can be held responsible for their infringing activities under certain circumstances – thus, if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its products to one who it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible” – Justice White proposed the following test in a concurring opinion: could Δ “reasonably anticipate that their generic drug product would by a substantial number of druggists be substituted illegally?” – i.e., did Δ “provide the opportunity to engage in such misconduct?”
- Publishers: Lanham Act §32(1) imposes liability on those who use a registered mark in the sale of goods or services without the owners consent, and also extend this liability to printers and newspaper publishers who reproduce the unauthorized use – however, “innocent” infringers can only be enjoined (no damages), and those for whom the injunction would delay a timely publication of a questionable work can’t be enjoined (§32(2))

D. Infringement

- *Pikle-Rite Co. v. Chicago Pickle Co.* (1959): π sold bottles of pickles in grocery stores under the registered trademark “Polka,” labeled with a “fresh pack” moniker and showing polka dancers and musical notes – Δ later started selling pickles in grocery stores under the name “Pol-Pak,” with a different label – π sought injunction, damages, and accounting against Δ for willful trademark infringement – trial ct granted injunction against Δ : an infringement exists if the two marks are “so like another in form, spelling, or sound that one, with a not very definite or clear recollection as to the real trademark, is likely to become confused or misled,” i.e., potential for confusion (*Northam Warren Corp. v. Universal Cosmetic Co.* (1927)) – this is not a precise analysis based on a side-by-side comparison of names; it is proper to consider the names as a whole, but an infringement can exist by appropriating only part of a distinctive name – relevant factors: spelling, sound, target market, and conditions of purchase – here, “Pol” constitutes 3/5ths of the trademark, and customers naturally pay more attention to the beginning of the name than the end – also, both customers sell in the same market – Δ argues that “Pol” is an abbreviation of the descriptive term “Polish,” but this is not dispositive: the court in *Northam Warren Corp. v. Universal Cosmetic Co.* found that “Cuticlean” infringed the registered trademark “Cutex”

- for nail products, even though both stem from “cuticle” – Δ correctly asserts that the labels of the products are distinctively different, but precedent differs on whether label appearances have value (*John Morrell & Co. v. Doyle* (1938): “Red Heart” trademark for dog food not infringed by “Strong Heart” competing product that featured a picture of a famous dog named Strong Heart: ct found that Δ ’s trade name was basically the photo of the dog, and the name was of little additional value; by contrast, “Pol-Pak” is the most distinguishing feature on Δ ’s label – also, the names of these products sound the same, and this case involves “neither an unusual product which requires discriminating purchase nor with a purchasing public which is discriminating” – thus, Δ ’s use of “Pol-Pak” enjoined – geographic extent of injunction: includes all states in which π sells his product – however, π is not due any relief beyond injunction: *Square D Co. v. Sorenson* (1955): in the absence of fraud, palming off, or a verdict of unfair competition, neither an accounting nor resulting damages are appropriate
- *McGregor-Doniger, Inc. v. Drizzler, Inc.* (1979): π sold golf jackets under the trademark "Drizzler" in the \$25-\$50 range - brought suit against δ , who used the mark Drizzler to sell women's coats in the \$100-\$900 range - π brought suit for injunction; trial ct dismissed complaint - appellate ct found for δ : the legal test was set forth in *Polaroid Corp. v. Polaroid Electronics Corp.* (1961): factors include strength of the mark, similarity of the two marks, proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, δ 's intention in using the mark, the quality of δ 's products, and the sophistication of the buyers - (ct reviews generic/descriptive/suggestive/arbitrary standards; ct notes that any analysis of secondary meaning invariably works in favor of the registrant) - strength: USPTO granted the Drizzler trademark without asking π for evidence of secondary meaning, and this creates a rebuttable presumption that the mark is more than descriptive; thus, this mark is suggestive - similarity: "similarity in and of itself is not the acid test; whether the similarity is likely to provoke confusion is the crucial question" (*Callman*) - thus, the comparison test is not performed in the abstract, but in the context of how they're presented to the customer - π 's jackets always have the MacGregor prominently imprinted on each jacket, and always uses the Drizzler trademark in conjunction with the MacGregor trademark; thus, although "Drizzler" and "Drizzle" are close enough to "approach identity," π 's presentation to the customer is easily distinguishable from δ 's - proximity and quality: district ct considered the appearances, styles, functions, fashion appeal, advertising orientation, and price of each coat, and found plenty of differences to distinguish them; this was not clearly erroneous - "customers shopping for an inexpensive golf jacket are not likely to become confused by the similarity of the marks and mistakenly purchase a fashionable and expensive woman's coat" - bridging the gap: how likely is it that π will enter δ 's market? - here, π has shown no indication that it intends to do so, but consumers could presume that it has done so (i.e., market confusion) - actual confusion: not a single instance of consumer confusion shown - although not required (registrant could show a strong likelihood of confusion, e.g., in intent-to-use trademark application interference hearings), the facts suggest neither actual nor likely confusion - good faith: π contends that δ continued to sell its goods after π

notified them of the presence of the mark, but this is not proof of bad faith; δ may well have assumed that the marks were distinguishable - more tellingly, δ presented uncontested testimony that it had chosen the mark without knowledge of π 's use - purchaser sophistication: π contends that trial ct considered only "sophisticated" users, without regard to "unsophisticated" users - on the contrary, trial ct properly evaluated the level of sophistication of the *typical* purchaser - *Taylor Wine Co. v. Bully Hill Vineyards, Inc.* (1978): "every product has its own separate threshold for confusion of origin" - this factor is less important; high sophistication can't offset the concurrent use of identical trademarks, but more than a *de minimis* number of confused consumers must be shown to prove that purchasers are not adequately sophisticated to distinguish them - integrated analysis: despite similarity of the marks, enough other factors favor δ to support trial ct's verdict - of course, no single factor is dispositive; must be considered in light of the rest

- *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd.* (1994): NFL's Colts sued the Baltimore CFL Colts for trademark infringement (Canadian Football League) - trial ct enjoined δ from use of Colts name - appellate ct found for π : in general, "it would be undesirable to impoverish the lexicon of trade names merely to protect the most gullible fringe of the consuming public" - a few people might buy CFL Colts merchandise and tickets rather than NFL Colts stuff, but this is likely to be minimal - however, both parties presented experts in marketing (this practice is "particularly unedifying," given the high flexibility of the non-scientific assertions expressed by such experts between cases); π 's much more reliable study showed a surprising amount of confusion not attributable solely to the "Baltimore" similarity (i.e., the Baltimore CFL Colts vs. the Indianapolis Colts, formerly the Baltimore Colts), and few recognized the meaning of "CFL" - thus, district ct did not err in enjoining δ 's use of the trademark
- Analysis: Cts frequently conduct this analytic test by first dissecting the trademarks and then considering the context, despite the general rule that the contextual analysis is all that matters - *Flintkote Co. v. Tizer* (1959): ct considered simultaneous use of "Tile-Text" and "Tile-Tone" noted that "tile" is a generic part of each trademark, and that this similarity is of no value in the analysis (*Pikle-Rite's* δ raised the same argument regarding "Polish" pickles, but failed to persuade ct)
- Confusion: The original Lanham Act stated that infringement exists where similarity will cause confusion among purchases as to the source of the products - a 1962 revision expanded this concept by truncating the definition: not just among purchasers, and not just as to source of goods (*Syntex Laboratories, Inc. v. Norwich Pharmacal Co.* (1971): δ appealed injunction of "Vagestrol" feminine care product in favor of π 's "Vagitrol" similar product, with the argument that trial ct should have looked to confusion by patients, not pharmacists and doctors - trial ct relied on 1962 amendment to affirm decision) - as for *who* would be confused: in older cases, both parties tried to convince the judge that *he* would be confused; this shifted to a test of whether an "appreciable number of consumers" would be confused (*Henri's Food Products Co. v. Kraft, Inc.* (1983): trial ct found, and

appellate ct affirmed, that injunction not warranted if only 7.6% of customers confused π 's "Yogowhip" trademark with δ 's "Miracle Whip" trademark)

- Similarity: Most cases will involve π 's trademarked words vs. δ 's trademarked words, or π 's trademarked image vs. δ 's trademarked image - *Mobil Oil Corp. v. Pegasus Petroleum Corp.* (1987): ct enjoined δ 's use of a picture of a flying horse as an infringement of π 's trademarked term "Pegasus"; ct held that pictures and images should not be considered equivalent, but that likelihood of confusion was a factual matter

E. Federal Unfair Competition Law: Lanham Act §43(a)

- *Two Pesos, Inc. v. Taco Cabana, Inc.* (1992): π , Taco Cabana, and Δ , Two Pesos, operated Mexican food chains in Texas – π 's restaurants opened in 1978-1985 and featured “a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings, murals, bright awnings, and umbrellas” – Δ opened stores in late 1985 with decorations similar to those of π 's restaurants – π sued for trade dress infringement; ct found that π 's trade dress had not acquired secondary meaning, but nevertheless found that Δ had intentionally and deliberately infringed π 's trade dress and damaged π 's business – Supreme Ct found for π : Lanham Act §43(a), covering unfair competition, addresses “a broader range of practice than does §32” for trademark violations (*Inwood Laboratories, Inc. v. Ives Laboratories, Inc.* (1982) – a trademark is defined as “any word, name, symbol or device or any combination thereof” used “to identify and distinguish his or her goods from those manufactured or sold by others” – the distinguishing power of the trademark can stem from one of two factors: its inherent distinctiveness, or through acquired secondary meaning – both lower cts found that π 's trade dress had no secondary meaning, but was inherently distinctive (and non-functional); therefore, π is not required to show secondary meaning – as appellate ct noted, “the legal recognition of an inherently distinctive trademark or trade dress acknowledges the owner’s legitimate proprietary interest in its unique and valuable information device, regardless of whether substantial customer association yet bestows the additional empirical protection of secondary meaning” – Δ argues that unless trade dress acquires secondary meaning over time, it should lose its protective status; but this would allow businesses to infringe upon a competitor’s distinguishing and valuable but secondary-meaning-devoid trade dress – π also relies on an appellate ct decision apparently denying protection to unregistered secondary marks without proof of secondary meaning; however, this clearly violates the tenets of the Lanham Act to recognize rights accruing to unregistered marks – denying such rights would undermine the purposes of the Lanham Act “to secure to the owners of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing products” – this would also undermine start-up and small companies that are trying to create secondary meaning using a distinctive trade dress, and even for large companies breaking into new markets – of course, this interpretation of §43(a) only applies to non-functional, distinctive trade dress; functional designs that are amenable to patent protection are not covered by this ruling – Stevens concurrence: Majority conclusion correct, but incorrect discussion of Lanham Act treatment of trade dress, which more appropriately

arises from federal ct transformation of Lanham Act interpretation – originally, §43(a) definition of “false description or representation” was narrowly construed, i.e., only prohibited false advertising and “passing-off” (provable by secondary meaning) – then, circuit cts expanded these categories to “false description or representation” and “false designation of origin” (including geographic origin) – next, “false designation of origin” was expanded past “palming-off” to encompass all kinds of unfair competition, and formulated the broadly applicable test of “likelihood of confusion” (*New West Corp. v. NYM Co. of California, Inc.* (1979)) – in parallel with this, cts established a precedent that secondary meaning need not be established in cases of “inherent distinctiveness,” particularly for trade dress – though lower cts may not have been authorized to craft such interpretation expansions, the results are consistent with the goals of the Lanham Act to promote commerce, protect consumers, and unify the conflicting piecemeal legislation of state cts – Congress’s amendments implicitly affirm this expansion, e.g., by broadening §43(a) to prevent “any word, term, name, symbol, or device, or any combination thereof, that is likely to cause confusion, mistake, or to deceive as to the affiliation, connection, to association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person” (clearly no requirement of secondary meaning) – Thomas concurrence: This verdict can be supported solely on the text of §43(a), which prohibits “any false description or representation, including words or other symbols tending falsely to describe or represent, when used in connection with any goods or services” – when such description includes words or symbols, then either they have inherent distinctiveness, or they don’t, in which case the registrant must show secondary meaning evidence – however, cts used to assume that trade dress, packaging, etc. that constitute the “description” can never have inherent distinctiveness, and must be proven by secondary meaning evidence – over time, cts dropped this ruling, so trade dress can be inherently distinctive – trial ct’s finding that this was the case is not clearly erroneous and should be affirmed

- *White v. Samsung Electronics America, Inc.* (1992): Continuation of Vanna White/Samsung satirical commercial case, for part of opinion dealing with Lanham Act: Δ ’s ads constituted unfair competition under the Lanham Act – applying the typical eight-factor test from *AMF, Inc. v. Sleekcraft Boats* (1979): strength: π ’s “mark” (her reputation) is strong – goods: the “goods” at sale include π ’s TV fame and Δ ’s VCR products, which had at least some rational connection – similarity: can be read either way (either a robotic version of Vanna White, or a robotic satire of Vanna White) – actual confusion: no evidence presented by π – proximity: fairly strong; robot appears in the same stance as π in her trademark pose – sophistication: consumers are not likely to make sophisticated purchases about VCRs, so potential for confusion is substantial – intent: while Δ clearly intended a spoof, it may also have intended to imply endorsement (and payment to π) of Δ ’s products – bridging the gap: not applicable – since at least some factors favor π , trial ct erred in throwing out Lanham Act claim

- Lanham Act expansion: *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.* (1954) was the first case to permit a federal cause of action against trademark infringers – this was finally cemented by the 1988 amendments to the Lanham Act – *Taco Cabana* may represent the next expansion, raising trade dress to the level of federally-registered trademark; this drew the novel conclusion that “distinctive” is the opposite of “descriptive” (but note that trade dress will rarely be “descriptive” of the food offered by the restaurant) – most extreme example of this expansion: *Hartford House, Inc. v. Hallmark Cards, Inc.* (1988), in which Supreme Ct allowed trade-dress claim for copying of π 's greeting card design (two-fold cards, calligraphy, rough-edge design, and illustration wrapping around the card – however, §43(a) is not a salve for all competitive injuries: *Societe Comptoir De L'Industrie Cotonniere Etablissements Boussac v. Alexander's Dept. Stores* (1962): appellate ct denied injunction against Δ for truthfully claiming that its perfumes were inexpensive copies of π 's
- Misrepresentation of quality: Early quality misrepresentation cases focused on passing off shoddy goods as those of a higher-quality competitor – more recent cases have involved “reverse passing-off” (taking an artist's work in a film and substituting the name of another actor) (*Smith v. Montoro* (1981)) and inaccurate disparagement of a competitor's product (original Lanham Act only permitted claim that Δ wrongly asserts that its products are better than π 's; 1988 amendments made disparagement actionable under §43(a) (*Skil Corp. v. Rockwell Int'l Corp.* (1974))
- Standing: *Thorn v. Reliance Van Co.* (1984): “Any person who believes that he is or is likely to be damaged” has standing to sue – however, cts are split on which consumers have the right to sue: *Colligan v. Activities Club of New York, Ltd.* (1971): skiers denied standing to sue ski resort for ski resort's deceptive descriptions of ski tours; ct reasoned that “the Act's purpose is exclusively to protect the interests of a purely commercial class against unscrupulous commercial conduct”
- Titles: Titles of copyrighted works can't be copyrighted, but may be the subject of passing-off suits if misleading – e.g., *Gone with the Wind* movie is deceptively derived from the book of the same name – cts have applied a particularly rigorous test for passing-off: *Twin Peaks Products, Inc. v. Publications Int'l, Ltd.* (1993): “in light of author's significant First Amendment interest in choosing an appropriate title for his or her work, literary titles do not violate the Lanham Act ‘unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of work”
- Remedies: Original Lanham Act limited recovery to profits, damages, costs, and attorney's fees to cases involving registered trademarks, but cts have granted such remedies for unfair competition under §43(a) – 1998 amendments explicitly allowed this

II. Patent Law

- Early history: First known patent system was in Venice in mid-1400s, which rewarded the introduction of inventions (either by invention or importation) with

- 10- to 50-year monopolies – infringers were fined 1,000 ducats and had infringing devices destroyed – early English patent practice followed the Venice model, but overzealous awards by the monarchy compelled Parliament to pass the Statute of Monopolies in 1624, which abolished monopolies “for the sole buying, selling, making, working, or suing of anything within this Realm” except as defined by the statute: 14-year monopoly for “the true and first inventor for the sole working or making of any manner of new manufactures,” as long as this was “not contrary to the law nor mischievous to the state, by raising prices of commodities at home, or hurt of trade, or generally inconvenient”
- U.S. patent system: American colonies and early federal government issued patents on an ad-hoc basis (disorganized, awarded by statute) – first federal patent law, Act of 1790, allowed 14-year monopolies “for any useful art, manufacture, engine, machine, or device, or any improvement therein not before known or used” for inventions “sufficiently useful and important” – this was created as an examination system, with applicants petitioning a patent board comprising the Secretary of State, Secretary of War, and Attorney General – however, the examination quickly proved cumbersome, and was replaced in 1793 with a registration system that dropped the proof element – this also proved untenable, so examination system reinstated in 1836, resulting in a patent system that has been virtually unchanged in almost 200 years – last major revision (1952) changed little about the system, but piecemeal amendments have occasionally been made
 - Court of Appeals for the Federal Circuit (CAFC): This federal appellate ct was created in 1982 to unify patent law cases, thereby resolving persistent inconsistencies in interpretation among the regional federal cts – CAFC has exclusive appellate jurisdiction from federal district cts, and discretionary jurisdiction from Board of Patent Appeals and Interferences; overseen only by Supreme Ct – this organization has considerably improved the value and validity presumption of issued patents
 - Patent claims: Patent Act § 112 requires every patent application to have a “specification” that describes the invention and “the manner and process of making and using it,” which should “conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention” – the claim “defines the limits of that exclusive use which is secured to the inventor by the patent... the statutes require not only that the inventor fully *describe* his invention in the specification, so that any person skilled in the art can practice it, but also particularly point out and distinctively claim the part, improvement, or combination which he claims as his invention or discovery” (Prof. William Robinson, *The Law of Patents for Useful Inventions*) – thus, while the patented invention is more easily thought of as the specific device, it is more accurately seen as the abstract inventive concept (not the telephone, but “the method of, and apparatus for, transmitting vocal or other sounds telegraphically, as herein described, by causing electrical undulations, similar in form to the vibrations of the air accompanying the said vocal or other sounds, substantially as set forth”

- **Components:** The overall patent system exists in several distinct aspects: statutory subject matter: although the patent laws allow patents only for discretely defined kinds of technology, new technologies constantly raise new questions about these boundaries – standards: the struggle between the prior art and a new invention – patent prosecution: the “invisible tug of war” between the patent applicant and the patent examiner assigned to the case over the breadth of the resulting patent – infringement: analysis of issued patent vs. others’ uses of similar or identical technologies, and the central question of whether a competitor’s use and usage fall within the literal or implied scope of the patent – public policy: patents represent a balance between the public domain and the rights of inventors; erring on either side can reduce the incentive for invention – each of these sections will be covered below in turn

A. Requirements for Protection

1. Statutory Subject Matter

- **Overview:** 35 USCA §101 states that patents are only allowed for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof” – as a less common alternative, patents are also allowed for novel plants and ornamental designs – one area of much current interest is patentability of computer programs
- *Diamond v. Chakrabarty* (1980): π , Chakrabarty, attempted filed a patent application for “a bacterium from the genus *Pseudomonas* containing therein at least two stale energy-generating plasmids, each of said plasmids providing a separate hydrocarbon degradative pathway” (a genetically-engineered bacterium capable of metabolizing oil to clean up oil spills) – π presented three kinds of claims: process (method of making the bacterium), an inoculum comprising a carrier material plus a colony of the bacteria; and a bacterium itself – patent examiner rejected on two grounds: that microorganisms are “products of nature,” and that living organisms are not patentable subject matter under §101 – BPAI affirmed rejection, relying on legislative history of 1930 Plant Patent Act, in which Congress declined to limit protection to asexually-producing plants – Court of Customs and Patent Appeals reversed, holding that the living nature of microorganisms is “without legal significance” for patent law – Supreme Ct affirmed verdict for π : the question is whether a microorganism is patentable under §101 – the term “manufacture” is defined in the dictionary as “the production of articles for use from raw materials prepared by giving to these materials new forms, qualities, properties, or combinations whether by hand labor or by machinery” (previously used in *American Fruit Growers, Inc. v. Brogdex Co.* (1931)); “composition of matter” is defined as “all compositions of two or more substances and all composite articles, whether they be the result of chemical union, or of mechanical mixture, or whether they be gases, fluids, powders, or solids” (*Shell dev. Co. v. Watson* (1957)) – these are expansive definitions, prefaced by the term “any” in §101, implying that Congress intended wide scope – Jefferson’s definition of statutory subject matter (“any new and useful art, machine, manufacture, or composition of matter, or any new or useful improvement thereof”), mostly intact today, also implies broad latitude - §101 is not unlimited: laws of nature, physical phenomena, and abstract ideas are not

patentable – in this light, π 's microorganism “plainly qualifies as patentable subject matter,” as it is “a product of human ingenuity, having a distinctive name, character, and use” (*Hartranft v. Wiegmann* (1887)) – Δ (patent commissioner) offers two opposing arguments: first, that 1930 Plant Patent Act suggests that “manufacture” and “composition” exclude living items – however, Congress’s allowance of patents on plants rested on change in belief that all plants were products of nature (overcome by better genetic manipulation techniques; patentable plants are “unique, isolated, and not repeated by nature, nor can be reproduced by nature unaided by man”) – also, this isn’t the first claim for microorganisms; previous patents have been issued for novel yeast – second, Δ argues that microorganism patents require the express consent of Congress, but “once Congress has spoken, it is the province and duty of the judicial department to say what the law is” (*Marbury v. Madison* (1803)); thus, Supreme Ct can properly apply previous laws to new circumstances – in cases of ambiguity, the legislative history and purpose of a congressional act may be taken into account, but no real ambiguity exists here – Δ relies on *Parker v. Flook* statement that the judiciary “must proceed cautiously when asked to extend patent rights into areas wholly unforeseen by Congress,” but that case involved a request for a fundamentally different kind of patent (a patent on a formula, which is unpatentable as an idea under §101) – this case involves the application of known patent principles to a new area of technology; declining to consider this would create “a rule that unanticipated inventions are without protection, which would conflict with the core concept of the patent law that anticipation undermines patentability” – Δ also presents a parade of horrors, arguing that genetic engineering is dangerous and that patents will encourage this; however, the amount of genetic engineering research that has already occurred absent patent protection indicates that withholding patenting will not really deter the field – moreover, the fact that technology is dangerous is irrelevant to whether or not it should be patentable, absent a restriction by Congress (e.g., nuclear weapon technologies are expressly denied patentability) – Brennan dissent: Absent legislative direction, the courts should decline decisions to extend patent privileges to formerly unpatentable technologies – this area does not represent a legislative vacuum; Congress has previously extended protection to certain well-defined kinds of plants, and its inaction regarding patents on organisms is not without meaning – if living organisms were presumably patentable under the statutory classes, Congress wouldn’t have needed to create new plant patent legislation – the plant patent acts did not merely clarify the preexisting scope of the patent act; legislative history reveals exuberance over the prospect of extending patents into new territories – bacteria are expressly withheld from 7 USCA §2402(a) patent acts, and though legislative history does not mention the basis for the exclusion, this does not give the judiciary license to explain why not – the majority opinion usurps the authority of Congress to define the scope of patent laws

- Natural principles: Observations about nature, in the abstract, are not patentable (too important to be subject to private control)

- Living organisms: Patenting of animals has expanded rapidly since *Chakrabarty*: in *In re Allen* (1987), BPAI confirmed patentability of manmade, polyploid oysters – soon thereafter, USPTO announced the intention to treat “nonnaturally occurring non-human multicellular organisms, including animals, as patentable subject matter” – this resulted in a voluntary eight-month moratorium (requested by Congress), and when this ended, the USPTO announced its first animal patent to Harvard University for a genetically engineered mouse (U.S. Patent No. 4,736,866) – the debate centers on both moral and economic reasons, but the issue has largely been resolved
- Biotechnology: Continued biotech research constantly poses new questions for patent law – *Amgen, Inc. v. Chugai Pharmaceutical Co.* (1991): If a researcher purifies and isolates a DNA sequence, and a method for synthesizing it, but only conceives the exact sequence after it’s synthesized, when do conception and reduction to practice occur? – holding: both are only created after the sequence is known (after isolation) – this case also raised the question whether the “best mode” requirement obligates one who claims a DNA sequence to deposit a sample, or whether simply describing it is sufficient – holding: deposit *is* required if invention is incapable of being practiced without access to the creating microorganism, but when the material can be created from generally available sources without undue experimentation, a description will suffice
- “New use” patents: 1952 amendment replaced the term “art” with “process,” defined as “process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material” (35 USCA §101(b)) – this confirms the patentability of new uses of known materials, e.g., using ether as a surgical anesthetic – however, questions of scope and enforcement exist: when can a patentee of a new method of using a known compound bring a contributory infringement action against a manufacturer of that old material?
- Plant patents: Few cases exist for defining scope of Plant Patent Act, and most guidance arises from legislative history – *Ex parte Foster* (1951) involved the question whether plants must be “new in fact in the sense that the plant did not exist before,” or merely “old and has existed before but merely newly found” – BPAI relied on legislative history to deny patent: the bill that gave rise to the Plant Patent Act stated that “any person who has invented or discovered and asexually produced (1) any distinct and new variety of plant or (2) any distinct and newly found variety of plant may obtain a patent”; however, the second class was stricken from the bill before it was enacted, and this action was intended to “eliminate from the scope of the bill patents for varieties of plants which exist in an uncultivated or wild state, but are newly found by plant explorers” – *Application of LeGrice* (1962): does the depiction of a new kind of roses, more than a year before filing a plant patent application, preclude patentability? – holding: CCPA confirmed that plant patents were held to the same rules as utility patents unless otherwise stated, and that depictions of plants could violate novelty requirement; however, the depiction has to be enabling, and π ’s depiction of roses could not be used to recreate them – thus, §102(b) bar that inventions are not patentable if “described in a printed publication in this or a foreign country more than one year prior to the date of the application for patent in the United States” –

it is true that the specifications of patent patents are similarly non-enabling, but Congress has specifically dictated the kind of non-enabling specification that will permit a plant patent; no similar exemption that a non-enabling description creates a publication bar for plant patents

- Plant Variety Protection Act: The original Plant Patent Act allowed patents only for asexually-reproducing plants – this 1970 act permits protection for plants that reproduce sexually through seeds; though not patentable, the Department of Agriculture will issue a certificate of plant variety protection if all patentability requirements are met – goal: to “allow our government agriculture experiment stations to increase their efforts on needed basic research” – however, after *Chakrabarty*, most plant creators forego plant variety protection via certificate in favor of basic utility patents for the same subject matter

2. Statutory Standards

a. Section 102: Novelty and the Statutory Bars

- *Application of Borst* (1965): π applied for a patent on an improvement in the safety of nuclear reactors via a monitoring system that prevents a chain reaction – USPTO rejected, citing a document published by “Samsel” in 1947 and held secret by the Atomic Energy Commission until 1957, describing the same process – USPTO cited this not as prior art, but as evidence of “prior knowledge” by another in this country as per §102(a); some claims rejected as anticipated, and others as obvious in light of the reference – π does not deny that publication anticipates some of the subject matter, but that the Samsel document should not be available as evidence of prior knowledge under §102(a) and §103 – CCPA found against π and affirmed rejection of application: *In re Schlittler* involved a submission of a manuscript to a publishing journal that occurred prior to the filing of a patent application – in this case, CCPA reversed USPTO’s rejection of application, based on the concept that “prior knowledge of a patented invention would not invalidate a claim of the patent unless such knowledge was available to the public” – in this case, the document was unavailable to π during the period of creation, but whether or not the declassification made the document available to the public is an interesting question (but need not be resolved here) – π ’s application must be rejected in light of Atomic Energy Act of 1954 §155 (42 USCA §2185): “In connection with applications of patents covered by this subchapter, the fact that the invention or discovery was known or used before shall be a bar to the patenting of such invention or discovery even though such prior knowledge or use was under secrecy within the atomic energy program of the United States” – *Schlittler* also created a rule that the submission of an article to a journal constitutes “conception,” and that this cannot constitute “known” information for §102(a) unless it has been reduced to practice – this rule is expressly vacated: any evidence of a public disclosure “sufficient to enable one skilled in the art to reduce the disclosed invention to practice” renders the invention “known” for the purpose of §102(a), even if the disclosed invention has not been actually or constructively reduced to practice
- *TP Laboratories, Inc. v. Professional Positioners, Inc.* (1984): π developed an orthodontic positioning device, and used it in three patients before applying for a patent in 1965 – the first patient used the device for two months in 1958; this

- device was returned to π , which was kept (and submitted in discovery) in a box labeled “experimental wires” – the second patient was given a device in 1959, with follow-up entries on patient record marked “results fair,” “results better,” and “results good” – the third patient used the device for three months in 1960 – none of the patients were charged for the device, and no other uses were made prior to filing of patent (afterwards, 28 positioners were used) – π eventually obtained a patent and sued Δ for infringement, and Δ countered that the public patient use invalidated the patent – district ct applied a two-step test: 1) was there a public use? (yes: device was visible to the public; patients were not held to confidentiality); 2) was this public use experimental? (no: notes were kept sporadically and with little monitoring, and π did not apply for a patent until several years after such testing was proven successful; π failed to meet its burden of proof) – applying such test, trial ct found for Δ and invalidated π ’s patent – CCPA found for π : relevant passage is 35 USC §102: “A person shall be entitled to a patent unless (b) the invention was in public use in this country, more than one year prior to the date of the application for patent in the United States” – factors to be used in assessing §102(b) public use bar: 1) protecting the public in its use of invention when such use began prior to filing of application; 2) encouraging prompt disclosure of information; and 3) discouraging attempts to extend the period of protection by delaying filing considerably beyond the initiation of commercial use – first, trial ct applied an improper test: there’s no two-step analysis, only one step asking whether there was a public use – Δ bears burden throughout: must show a *prima facie* case of public use, and if successful, π must rebut by demonstration that this use was experimental – π ’s use was experimental: “public use” is not the same as “public knowledge”; merely using a device in public view is not sufficient to prove that it was a public use – *City of Elizabeth v. American Nicholson Pavement Co.* (1877): use of road cement in a public toll road for three years was dubbed experimental – the nature of road cement is that it can only be tested by use in a public highway, since one of its primary qualities is durability – “use is not a public use so long as the inventor is engaged, in good faith, in testing its operation... so long as he does not voluntarily allow others to make and use it, and so long as it is not on sale for general use” – e.g., a machine can be used publicly in another’s business, in order to see whether it is useful for its intended purpose and to find and make improvements, without being a public use – however, allowing others to use it, with or without compensation, or put on sale for such use, constitutes public use – here, testing of the device *had* to be public; some confidentiality can be implied by doctor-patient relationship – also, π ’s delay in filing patent application was not improper; π had to demonstrate usefulness in more than one patient, and three is not an “obviously excessive number” – also, in this pre-filing period, π had the resources to start using it commercially, but did not – it’s apparent that π ’s use was intended to test the *device*, and not the *market* – thus, not a public use
- *Paulik v. Rizkalla* (1985): U.S. patents are granted to the first inventor, not the first filer – the “mere lapse of time” by itself will not preclude the issuance of a patent, but this is relevant in §102(g) priority (“In determining priority of invention there shall be considered not only the respective dates of conception and

reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other”) – however, in this context, a long period of inactivity in development by an inventor will not constitute abandonment if he resumed work before a competitor entered the field – “invention is not a neat process; the value of early work may not be recognized or, for many reasons, it may not become practically useful, until months or years later” – at some point, this delay will become fatal to establishing an earlier date; and evidence of intentional suppression will be held against the inventor (e.g., evidence that the first inventor was spurred back into action by another’s interest in the field) – but regardless of the length, resuming work on an invention (in good faith) before another enters the field will claim priority

- *Scott v. Finney* (1994): This action is an interference between senior applicant, Finney (π), and junior applicants, Scott and Burton (Δ) – both parties’ invention comprised a penile implant consisting of a self-contained unit involving two reservoirs connected by a valve; triggering the device forced liquid from one reservoir into the other to simulate an erection – prior devices involved flexible rods (painful, non-collapsible) and inflatable reservoirs with external controls – π has filing priority, while Δ has conception and reduction-to-practice priority – Δ ’s evidence of reduction-to-practice comprised a videotape showing a surgeon implanting the prototype in a patient and successfully testing it, as well as evidence of leakage tests, and expert who testified that Δ ’s evidence indicated a device with practical functionality – BPAI held that Δ ’s evidence did not show utility, i.e., that device would be functionally useful, requiring “testing of an implantable medical device under actual use conditions or testing under conditions that simulated actual use conditions for an appropriate period of time,” and rejected Δ ’s conception priority – CAFC found for Δ : π enjoys filing priority, which creates a burden for Δ to show earlier conception and reduction to practice, i.e., that device is “suitable for its intended purpose” (*Steinberg v. Seitz* (1975)) – this standard is a factual issue: “some devices are so simple and their purpose and efficacy so obvious that their complete construction is sufficient to demonstrate workability” (*King Instrument Corp. v. Otari Corp.* (1985)); moderately complex devices require *some* testing (*Sellner v. Solloway* (1959): exercise chair was sufficiently tested by presenting and having unsophisticated users operate it at a birthday party); complex inventions require laboratory testing – in any case, reduction-to-practice does not require “that the invention, when tested, be in a commercially satisfactory stage of development,” or demonstrate fail-proof utility (but does require proof of “utility beyond a probability of failure”) – thus, “the character of the testing varies with the character of the invention and the problem it solves” – thus, “the inquiry is not what kind of test was conducted, but whether the test conducted showed that the invention would work as intended in its contemplated use” (*Eastern Rotorcraft Corp. v. U.S.* (1967)) – in this case, the materials and prosthesis mechanism were old and proven; only the insertion and hydraulics were new, and Δ ’s testing met its burden to show that these features worked as expected – BPAI’s ruling sets the testing requirement too high; actual use is not required, and applicant must only show that the device overcomes the

- subject problem – of course, the testing requirement for actually using the device in patients is much higher, but that is the province of the FDA
- The novelty requirement and statutory bars: §102's novelty requirement ensures that issued patents provide some social good by providing new information; i.e., if the public already knows about the invention, the monopoly reward for disclosure is not justified – §102 makes a distinction between the actions of the inventor and the actions of others: public sale or disclosure is a bar regardless of the source, whereas “knowledge” of the invention is only “by others” (the inventor’s knowledge never bars him from patenting the invention) – of course, public disclosure or external knowledge must be detailed enough to be enabling – §102(g) sets forth an abandonment standard that’s not only a bar to patenting, but a strategy for overcoming other patents in interference
 - Anticipation: §102 bars only apply if the prior art is identical to the invention being patented, which is different from the obviousness standard applied by §103: “the defense of lack of novelty (i.e., ‘anticipation’) can only be established by a single prior art reference which discloses each and every element of the claimed invention... while the teaching in the prior reference need not be *ipsissimis verbis*, nevertheless, there must be a teaching with respect to the entirety of the claimed invention” (*Structural Rubber Products Co. v. Park Rubber Co.* (1984)) – this must be an intentional creation; an accidental prior creation, or one with unrecognized utility, has no impact (*Tilghman v. Proctor* (1880))
 - Publication: What constitutes a “printed publication”? – cases are inconsistent on this issue – examples that are publications: typewritten thesis in a college library, scientific paper submitted for refereeing before publication, instruction sheet distributed in Japan, distributed trade circulars; examples that are not publications: handwritten manuscript deposited at public library; oral presentation to an audience; article in a Russian library – microfilm deposited in Library of Congress is a printed publication only if properly indexed – the key differentiating factor: the publication must be publicly accessible – printing and publishing the information is conclusive evidence of a printed publication
 - Public use: *Egbert v. Lippmann* (1881): π designed some corset springs and gave a set to his fiancée, who used them for eleven years (though they weren’t in “public use,” having naturally been concealed) – Supreme Ct affirmed denial of patent by π , claiming that π “slept on his rights for eleven years – thus, use in public, even concealed use, of a single device by a single person is enough to create a public use that defeats patentability
 - Foreign use: §102 establishes two foreign kinds of events that can impact U.S. patentability – typical issues: what kinds of foreign documents constitute a foreign patent, and to what extent does the foreign document make a public disclosure? – *Carter Products Inc. v. Colgate-Palmolive Co.* (1956): “patented” involves subject to protection; for an Argentine patent that disclosed some subject matter but only claimed a small part of it, “patented” only means “covered by the claims”
 - Experimental use: This exception is narrow and carefully defined, as evidenced by *TP Laboratories*; does not include tests of marketability or commercial value – *In re Smith* (1983): applicant gave 76 consumers two different prototypes of

carpet and room deodorizing powder to use in their homes for two weeks without restrictions; ct refused to consider this experimental use, noting that π did not inspect use of the invention, retain control, etc., and also denied π 's claim that the commercial research was incidental to the experimentation – ct noted that π could have tested prototypes in its own labs, and that the type of research π was doing more appeared to be commercial testing (how well it would sell, not how well it worked)

- Conception and reduction to practice: “Conceived” vs. “reduced to practice” is a critical difference in §102 – priority adheres to first conception, but can be lost if the inventor does not diligently reduce it to practice – conception merely requires that the inventor had an idea of the useful result to be achieved and the specific method of achieving it – reduction to practice occurs (1) when the inventor first makes a working model in the target environment, rather than in some experimental setting (*Ocuppaugh v. Norton* (1905): a public voting machine was not reduced to practice by testing it in a private election of a corporate board of directors); (2) filing a patent application with an enabling disclosure (this was a critical factor in *The Telephone Cases* (1888), involving Alexander Graham Bell's telephone patents); (3) enabling public disclosure (see *Borst*)
 - First-to-invent vs. first-to-file: America's first-to-invent system dates back to 1836 Act, and is critical in applying §102 – many advocate a first-to-file system, which would simplify priority analysis and avoid very costly interference actions – a first-to-file system would also bring the American patent system into conformity with the rest of the world
- b. Section 103: Nonobviousness**
- *Graham v. John Deere Co.* (1966): (This case starts with a long discussion of the changes in 1952 revision; facts follow below) – 1952 Act added an obviousness test that formalizes and stems from judicial precedents derived from *Hotchkiss v. Greenwood* (1850) – Congress is under an obligation to limit patents to those that “promote the progress of the useful arts,” etc., against the backdrop of the Statute of Monopolies, which limited the Crown in granting monopolies as a political favor – Jefferson: patents should be limited to “the things which are worth to the public the embarrassment of an exclusive patent” – this obligation creates a standard of patentability that Congress may clarify by setting up tests that the USPTO will apply – *Hotchkiss* involved a patent application for a substitution of materials (making doorknobs made out of clay or porcelain instead of metal or wood), and the Court denied it, noting that “unless more ingenuity and skill were required than were possessed by an ordinary mechanic acquainted with the business, there was an absence of that degree of skill and ingenuity which constitute essential elements of every invention... the improvement is the work of the skilful mechanic, not that of an inventor” – this test set forth the functional approach to patentability questions, eventually crystallizing into the obviousness test of the new §103 (“a patent may not be obtained if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains” – this test replaces the “flash of creative genius” test in *Cuno Corp. v. Automatic*

Devices Corp. (1941) – the obviousness test involves three factors: 1) the combined teachings of the prior art, 2) the differences between the prior art and the claims at issue, and 3) the level of ordinary skill in the art – secondary considerations include commercial success, long-felt but unresolved needs, failure of others, etc. – facts of case: π 's device is a spring clamp for plow shanks, allowing them to raise up over obstacles – the component at issue is a hinge that allows the shank to compress upward over obstacles, and a spring that forces it back down after the obstacle is cleared – this avoids a problem with prior clamps used on rocky plains, in which hard obstacles would break the inflexible shanks – π designed and patented a spring claim design, and sold several such clamps; π then improved the design, patented the improvement, and later sued Δ for infringement of the improvement patent – trial ct invalidated π 's improvement patent as an obvious improvement of the earlier design – Supreme Ct affirmed invalidation of π 's improvement patent: (Ct engages in long discussion of features, and concludes that the improvement functioned in the same basic way as the original design, with no functional improvement) – “certainly a person having ordinary skill in the prior art, given the fact that the flex in the shank could be utilized more effectively if allowed to run the entire length of the shank, would immediately see that the thing to do was what Graham did, i.e., invert the shank and the hinge plate” – π argues that the improvement has some additional and crucial benefits that are not actually discussed in the patent – prior Ct decisions have called such post-hoc arguments “an afterthought... if this were so vital an element in the functioning of the apparatus it is strange that all mention of it was omitted” – though π 's arguments were sufficient to satisfy the examiner as to the prior art before him, some of the references raised by Δ render the improvement clearly obvious

- *Stratoflex, Inc. v. Aeroquip Corp.* (1983): π and Δ both manufacture polytetrafluoroethylene (PTFE, aka Teflon) tubing for the aircraft and missile industries, as an improvement over rubber and plastic fuel hoses – Δ patented a composite tubing design having an inner layer of electrically conductive PTFE surrounded by non-conductive PTFE, which prevented a problem in pure PTFE tubing of electrostatic buildup that causes pinholing and leakage – Δ 's engineers discovered this cause, and hired Raybestos, a PTFE hose manufacturer, to produce samples of composite PTFE; Raybestos's engineer, Slade, produced a composite design that he, Raybestos, and Δ patented – meanwhile, another company named Titeflex sought to patent the same thing; an interference proceeding between Titeflex and Raybestos, in which Raybestos was granted the patent and Titeflex was granted a non-exclusive license to it – π later bought PTFE hosing from Titeflex and sold it, and Δ protested; π filed suit for invalidation of Δ 's patent, and Δ counterclaimed for infringement – trial ct, examining prior art not considered by USPTO, invalidated several of Δ 's claims as clearly obvious, and refused to consider secondary factors; only left intact a manufacturing process claim that π hadn't used – CAFC affirmed verdict for π : the design elements used by Slade were not novel; in fact, Slade consulted guides on conductive tubing and incorporated a known design pattern – many other patents suggest a layer of carbon black to dissipate electrostatic buildup from fluid

flow in tubing – Δ contends that these prior designs are inapplicable because PTFE is a unique material, but none of the novel properties of PTFE are relevant to this design choice – “there is no basis for finding that a solution found for a problem experienced with one material would not be looked to when facing a problem with the other” – Δ correctly contends that no single reference taught a uniform distribution of carbon black, but it was known that spaces between carbon black cause arcing and pinholing, so an even distribution would have been an obvious design choice – Δ also contends that the particular design (extrusion of carbon black to form longitudinal strings of carbon particles) was not an obvious choice, but a particular prior art reference suggests this – Δ also argues that one of “ordinary skill” in this field would not have formulated this design – “ordinary skill” is a factual decision; while Δ’s patent counsel doesn’t find this an obvious design choice, he is but an “observer of, not a worker in, the relevant art” – Δ also presents evidence of secondary considerations, e.g., market success; trial judge’s decision not to consider these factors was error, since “it is jurisprudentially inappropriate to disregard any relevant evidence on any issue in any case, patent cases included” – however, Δ’s secondary-consideration evidence is inconclusive and insufficient to overcome primary findings (market adoption did exist, but was not an overwhelming response to the new design; no evidence that others in the field had tried to solve the problem but failed) – finally, Δ raises arguments about the “synergy” of the patent, but this is of no legal value: virtually every patent is a “combination” of two or more elements that present synergy; thus, concept of synergy or combination patents as a separate class is vacated

- §103 and the CAFC: Prior to CAFC, litigants engaged in forum-shopping among appellate cts; e.g., 4th and 5th circuits issued infringement verdicts in 40% of cases; 1st, 3rd, 6th, 7th, 9th, and 10th circuits found infringement in 20% of cases; 2nd and 8th circuits, 6%; and 2nd circuit, 4.8% - Supreme Ct also contributed to rapidly shifting standards by repeatedly revising the standards of inventorship; went through a distinctly anti-patent phase in the 1930s-1940s, including the “flash of genius” test, before regaining strength in 1950s – CAFC has added yet another spin to concepts like nonobviousness, but has at least improved consistency by unifying appeals under one body
- Secondary considerations of non-obviousness: Supreme Ct set forth several factors in *Deere* as secondary indicators of non-obviousness: “commercial success, long-felt but unsolved needs, failure of others, etc.” – commercial success is most often utilized, and this depends on the assumptions that the commercial success is due to the improvement – this can be shown not only by sales, but by competitors’ reactions to patenting: did they imply that patent was invalid (by ignoring it, infringing it, contesting it, etc.) or valid (by licensing it, inventing around it, etc.)? – long-felt demand is based on the premise that producers quickly correct defects, that a defect existed for a long time, and that competitors would have used the patented improvement to correct the defect had it been freely available – cts recognize that these secondary factors may have causes other than non-obviousness, e.g., long-felt need was not previously resolved because state of the art has only recently advanced to allow the improvement; licensing may just be a business decision not to contest an obvious

- patent – CAFC considers these factors important, and allows them to apply if there is a “nexus” between the commercial success and the non-obviousness (this is a relaxed standard; former cts required a “direct connection” between success and non-obviousness)
- “Combination” patents: CAFC’s decision to abandon synergy or combination patents as a distinct class stemmed from Supreme Ct’s restricted view of “combination” patents – *Sakraida v. Ag Pro, Inc.* (1976): Supreme Ct invalidated patent for a water flush “combination” system: “the combination of these old elements cannot properly be characterized as synergistic, that is, ‘resulting in an effect greater than the sum of its several effects taken separately’” – “combinations” are only patentable if they do have a synergy, i.e., if the combination is not an obvious combination of known element – that is, all patents are “combination” patents, and “synergy” = “non-obviousness”
 - “Prima facie” obviousness: This is a finding that the effect was expected in the prior art – previous standard: *prima facie* obviousness exists where (1) the new compound or composition is structurally similar to the reference compound or composition, and (2) there is some suggestion or expectation in the prior art that the new compound or composition will have the same or a similar utility as that discovered by the applicant” – in *In re Dillon* (1990), CAFC relaxed this burden: *prima facie* obviousness is sufficiently demonstrated by structural similarity (Newman dissent: resulting properties should also be considered)
 - Non-obviousness as a question of law or fact: This question determines procedural resolution of cases, and has important tactical significance (judge vs. jury?) – in *Deere*, Supreme Ct held that this was primarily a question of law, but with factual elements; CAFC responded that the many relevant facts (prior art, differences between prior art and claimed invention, functional effects of differences, secondary considerations) serve to create the image of the “person of ordinary skill in the art” (a “ghost in the law”) – thus, in light of all of this evidence, the critical question is a legal determination of whether the invention was obvious in light of the prior art
 - Hindsight: Since hindsight is 20/20, it’s easy to view a complicated invention as obvious in retrospect, but this is incorrect (*Loctite Corp. v. Ultraseal Ltd.* (1985): “the need for express *Graham* findings takes on an especially significant role because of an occasional tendency of district cts to depart from the *Graham* test, and from the statutory standard of unobviousness that it helps determine, to the tempting but forbidden zone of hindsight”)
 - “People having ordinary skill in the art”: This concept is a legal fiction, similar to tort law’s “reasonable person” – *Standard Oil Co. v. American Cyanamid Co.* (1985): this is a “hypothetical” person, and by definition differs from inventors, who presumably have stronger skills – thus, the skill of the patentee, and what he found to be obvious is not relevant to this determination – rather than speculating about the state of the art and what was obvious, cts usually rely on the parties’ experts in the field, and occasionally appoints its own as an independent witness (*Reeves Bros, Inc. v. United States Laminating Corp.* (1969))
 - The economics of non-obviousness: Some scholars have argued that the use of “secondary considerations” has lowered the §103 bar of patentability: “by relying

- on this objective evidence of patentability, the court threatens to transform patents into rewards for such nontechnical achievements as superior distribution systems, marketing decisions, and service networks” – courts are split on the heft of such evidence; Posner argues that “obviousness” is a determination that the invention is worth too little economic value to society to warrant patent protection
- Non-obviousness standard in the USPTO: Standards used by the USPTO differ from those used by the courts; for instance, the USPTO has no evidence of secondary considerations (market success, competitor reaction), but those facts are available at trial – thus, the USPTO implements a lower threshold of obviousness than courts – this may be because it’s economically wasteful to put all patents through detailed obviousness considerations, and to reserve those analyses for the few patents that enjoy commercial success
- c. Sections 102 and 103 in Concert: What Is Prior Art?**
- *Hazeltine Research, Inc. v. Brenner* (1965): π invented an improvement to a microwave switch and filed for a patent – examiner cited two prior patents: the first issued eight years before π filed (and is uncontested), but the second was filed before π conceived his invention, and issued after π ’s filing – on this basis, examiner rejected under §103 (“A patent may not be obtained if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art”) – π protested the use of the second patent as prior art, since at the time he made his invention, the application was secreted within the USPTO; π proposes that “prior art” includes only what is known to the public – BPAI affirmed rejection, relying on *Alexander Milburn Co. v. Davis-Bournonville Co.*, which established the rule that if a patent issues, its contents become prior art retroactive to the date of filing (rationale: CAFC noted in *Milburn* that “the delays of the patent office ought not cut down the effect of what has been done... the first applicant had taken steps that would make it public as soon as the Patent Office did its work; we see no reason in the words or policy of the law for allowing the second applicant to profit by the delay” – Supreme Ct affirmed: according to 35 USCA §102(e), an anticipation rejection can be supported by reference to an application pending at the time the second applicant invented the invention, so long as the first application subsequently issues as a patent – though this rejection was under §103, not §102, the concept of defining a pending application as prior art (if it later issues in a patent) is clearly present – the processing time of the USPTO should have no impact on what is patentable
 - Loss of patent rights: *Application of Foster* (1965): §101, §102, and §103 set forth two standards: what is patentable (must fit a statutory class, must be novel and non-obvious) and what actions will destroy the right to patent patentable subject matter (public uses, publication) – these latter rights are intended to encourage diligence in filing a patent application, and to preclude the derogation of the rights of the public to publicly-known inventions – π contends that this applies only to §102(b) (where the inventor has revealed the whole invention to the public), and not to §103 (where the parts revealed by the inventor + another reference together form an obviousness rejection) – this contention is against the public policy of prior art rejections, which encourages inventors to file diligently after inventing –

no real indication of this position prior to 1953 (since the concept of “obviousness” did not exist under this title), but there was an implicit rejection on the basis of “no invention” in light of prior references + the state of the art – where a statutory time bar is at issue, the actual date of creation of the invention is of no legal value (though it is generally relevant in §103 analysis) – Smith dissent: the majority’s use of §102(b) to define §103 is tantamount to conflation – from a policy perspective, this conflation vacates the principle that §103 strictly determines what is patentable, and not how patent rights are lost

- §102 vs. §103: Do the effects of *Hazeltine* and *Foster* together muddy the distinction between §102 and §103? – *Application of Bass* (1973): Judge Rich stated that §102 is fairly clear, setting forth many straightforward rules: (a), (e), and (g) deal with the prior art at the time of invention; (b) deals with the prior art at the time of filing; and (c), (d), and (f) don’t deal with prior art – the prior art §102 subsections may have some crossover to clarifying what is and is not prior art under §103 (*Sutter Products Co. v. Pettibone Mulliken Corp.* (1970): §102(g) interpretation of prior art is also useful for §103, since “the considerations expressed are equally applicable to prior inventions under section 102(g)”); *Dale Elecs, Inc. v. R.C.L. Elecs.* (1973): similar crossover use for §102(f) – however, the Patent Law Amendments Act of 1984 modified §103 to note that §102(f) and (g) were not applicable in §103 if the subject matter and claimed invention were owned by the same person

d. Utility

- Standard of utility: *Lowell v. Lewis* (1817): π sued Δ for infringement of his patent for a new pump design – at trial, Δ asserted that π bore an obligation to show that his patent was valid, in particular, that its utility superseded the prior art – Circuit Justice Story rejected this interpretation: “useful” here means the opposite of “mischievous or immoral” – of course, if it is not practically useful, the patented invention will simply be not used; but “patentable utility” is not the same as “practical utility”
- *Brenner v. Manson* (1966): π invented and attempted to patent a new method of making a known compound, but failed to show that the new compound was in any way useful – USPTO rejected on the grounds that “it was never intended that a patent be granted upon a product, or a process producing a product, unless such product be useful” (a concept stemming from *Application of Brenner*) – CCPA reversed, having exhibited a trend of reduced resistance to patents of unknown utility (a trend beginning with *Application of Nelson*, where CCPA overruled USPTO rejection of a patent for a process used in researching steroids); here, CCPA took the position that π ’s compound should be patentable simply because the process is efficacious and the end product is not “detrimental” – Supreme Ct affirmed rejection of patent: first, π argues that his process is useful because its product is similar to a homologue that has anti-tumor properties; however, this is contradicted by statements of research experts that these compounds exhibit “a greater known unpredictability of compounds in that field,” thereby defeating the inference that π ’s compound has the same effect as its analogues – second, π argues that his chemical process is “useful” because it works (citing Justice Story: “useful” = “one which may be applied to a beneficial use in society, in

- contradistinction to an invention injurious to the morals, health, or good order of society, or frivolous or insignificant” – however, this merely redirects the question to whether π 's invention is “frivolous or insignificant” – “useful” cannot be so expanded to everything that is not injurious – from a public policy viewpoint, society has no interest in encouraging disclosure of (and rewarding) inventions without demonstrable utility, and corporations have no interest in keeping them secret – third, π argues that “utility” arises from the fact that the end product is currently the subject of much scientific investigation; however, this is only likely to discourage others from further research to find uses for them, which would only add value to (π 's) preexisting patents – basically, π 's position would create a monopoly on knowledge, which is not intended by the patent system, and may block off research in areas of science while not benefiting the public – while compounds considered useless today may have some value tomorrow, a patent is not a “hunting license”; it's intended to reward not the search for utility, but the successful finding of it – Harlan dissent: π 's claimed method has some contribution to chemistry, and this alone satisfies “utility” – the Constitution compels patents for “discoveries,” but the current Patent Act is limited to “useful” inventions; hence, this issue must be resolved by policy – majority's assertions merely beg the question whether π 's process is useful because it advances this field of science – chemistry will be furthered by encouraging people to elucidate steps of unknown utility, because these may lead to additional steps that *are* “useful”; like many other sciences, chemistry is highly interrelated, and steps of unknown utility today may well have great value tomorrow – until *Bremner*, chemical processes were assumed to have inherent utility and to be patentable even without showing specific usefulness; the USPTO shifted its stance without provocation, and the CCPA should be supported in returning to the prior position – such policy shifts should be initiated only by Congress, and would likely be based on empirical data that this Ct does not have
- Utility as articulated by Story: Justice Story's decision in *Lowell* and following opinions was based on the Statute of Monopolies, which allowed patents if “they be not contrary to the law, nor mischievous to the state, by raising prices of commodities at home, or hurt of trade, or generally inconvenient” – *Rickard v. Du Bon* (1900): Δ was accused of infringing π 's patented process of making tobacco leaves speckled, which furthered the baseless public view that speckled tobacco leaves were somehow better – Story accepted this argument and invalidated π 's patent as being intended primarily for mischief, i.e., to deceive the public – much has been subsequently written about the courts' powers to delineate “beneficial” uses from “mischievous” uses
 - Operability: This requirement is to ensure that patented inventions have been reduced to practice – operability is met if the invention is capable of being used “by procedures that would naturally occur to a worker ordinarily skilled in the relevant art,” i.e., without “undue experimentation” (*Bennett v. Halahan* (1961)) – operability is also met if it “substantially achieves its avowed purpose”; need not be perfected (*Hildreth v. Mastoras* (1921), and *Coffee v. Guerrant* (1894), featuring a tobacco-stemming device with 70% efficiency) – however, operability is not met for imperfect inventions in contexts where the invention *must* work

perfectly to have any value (*McKenzie v. Cummings* (1904): voting machine invention rejected as not “useful” because it failed to register 1% of votes) – in cases where the USPTO has serious doubts about the operability of an invention (e.g., perpetual motion machines), the examiner may require the inventor to produce a working model

- **Pharmaceuticals:** Some have argued for a requirement that applicants claiming pharmaceuticals show their safe and effective use in humans, since some members of the public may interpret a patent as approval of this drug by the federal government (*Isenstead v. Watson* (1957)) – the modern view is more liberal: *In re Krimmel* (1961): CCPA affirmed patentability of a drug shown to cure eye disease in rabbits – *Application of Hartop* (1962): CCPA affirmed patentability of drug shown to be effective on animals, but claimed as useful in humans; this conclusion is apparently true from π 's tests, though not tested as such – CCPA generally held that safety in humans was to be determined by the FDA, not the USPTO (*In re Anthony* (1969))

e. Inventorship

- **Inventorship standard:** Every patent must name the actual inventors of the idea – *International Carrier-Call & Television Corp. v. Radio Corp. of America* (1944): π 's patent named an inventor who merely asked an engineer to build a device that performed more efficiently – CCPA invalidated patent: “it is one thing for an employer to suggest improvements of a device with sufficient elaboration to enable a person skilled in the art to make a machine embodying the employer’s conception; it is another to suggest merely a desired result without any disclosure of the means by which it is to be attained”
- **Joint inventions:** Today’s complex inventions are almost always created by many inventors – what about the patent attorney who, in advising on prior art, suggests important, patentable alterations to an invention? – what about members of a research team that produces the invention? – court decisions offer only broad, vague guidelines about inventorship – classic statement: *Worden v. Fisher* (1882): “If an idea is suggested to one, and he even goes so far as to construct a machine embodying this idea, but it is not a completed and working machine, and another person takes hold of it, and by their joint labors, one suggesting one thing and the other another, a perfect machine is made, a joint patent may properly issue to them... if, upon the other hand, one person invents a distinct part of a machine, and another person invents another distinct and independent part of the same machine, then each should obtain a patent for his own invention” – later restatement: “Joint inventorship exists where parties working in a cooperative effort to solve a problem make a mental contribution to the final conception of the solution. All of the parties need not have participated in each contribution nor need the contribution of each party have occurred simultaneously while working proximately with others. The contributions of each need not be equal either qualitatively or quantitatively. The contributors need not personally have performed the actual reduction to practice of the inventive concept.” – this standard was formalized in the 1984 amendments (35 USC §116): “Inventors may apply for a patent jointly even though (1) they did not physically work together or at the same time, (2) each did not make the same type or amount of contribution,

or (3) each did not make a contribution to the subject matter of every claim of the patent” – regardless, cts are reluctant to invalidate patents on these grounds, and Congress has created procedures allowing patentees to correct misjoinder and nonjoinder in the absence of an intent to deceive – these procedures are available even in cases of 100% error (*A.F. Stoddard & Co., Ltd. V. Dann* (1977))

f. Enabling Disclosure

- *W.L. Gore & Associates v. Garlock, Inc.* (1984): π patented some methods of developing PTFE tape by quickly stretching PTFE rods (in contradiction to the current teaching, which recommended slow stretching) – in subsequent infringement action, trial ct invalidated patent as non-enabling for not defining the terms “stretch rate,” “matrix tensile strength,” or “specific gravity of the solid polymer” – CAFC found for π : trial ct misinterpreted §112 ¶1 by requiring all terms to be understandable to the common man, instead of the person of ordinary skill in the art – trial ct drew its inference of ambiguity from the opinion of an “expert” who was still in school at the time – all of these terms are actually well-defined in the art, and so the patent is enabling – district ct’s finding that the phrase “stretching at a rate exceeding about 10% per second” was too indefinite for an infringement assessment is incorrect: all one need do is measure the stretch proportion with a stopwatch – trial ct also indicated that the patent required some experimentation to apply, but this is not a basis for invalidation; only *undue* experimentation supports a finding of non-enablement – regarding “matrix tensile strength,” trial ct admitted that it was well-defined in the specification but not defined in the claims; however, this finding confuses the purposes of the specification and the claims: defining a term in the specification is sufficient to impart meaning on the same term in the claims
- Enablement and best mode: §112’s enablement requirement dates back to the Patent Act of 1790, and reflects the view that the public patent reward should only apply to disclosures that the public can practice – §112 also (separately) requires the disclosure of the “best mode,” i.e., the inventor must disclose the best method he knows of making and using the invention – while enablement is objectively assessed, this is subjective, “best mode” only on the inventor’s understanding of the invention, and is only unsatisfied if the inventor conceals a better mode of using the invention (*Hybritech, Inc. v. Monoclonal Antibodies, Inc.* (1986))

B. Administrative Procedures

- This section illustrates the patenting of an invention for a pump-style liquid sprayer, along with some ensuing litigation – this is actually U.S. Patent No. 2,870,943, awarded to Baxter I. Scoggin, Jr., and was litigated in *Calmar, Inc. v. Cook Chem. Co.* (1966)

1. Application

- Once an inventor has completed the invention and a preliminary search of the prior art is complete, the inventor submits an application to the USPTO, consisting of the specification and claims, drawings, and an information disclosure statement, as well as a signed oath or declaration, a power of attorney document, the filing fee, a receipt postcard, a transmittal letter, an executed assignment if appropriate

a. Claims

- Claims set forth the boundaries of the patentee's exclusive rights – each claim must be one sentence, and in the case of a device, describes the essential structural elements of the invention – generally, the first claim sets forth the broadest description, and ensuing claims further define it with more specific elements; thus, if the broadest claim is stricken during prosecution, some of the narrower ones may succeed

b. Specification

- The specification is the dictionary for the claims; all technical terms used in the claims have to be defined in the specification – the sole purpose of the specification and drawings is to support the claims – the Scoggin specification featured the following sections: title; statement of the field of invention; background description of the prior art; series of objects to which the claims should respond; brief description of the drawings; and detailed description of the preferred embodiment (heavily referencing the drawings)

2. Prosecution

- The Scoggin patent involved some typical back-and-forth negotiation, leading to a minor amendment of the specification and a complete rewriting of the claims – the application was filed March 4, 1957 with 15 claims – the first Office Action, received November 5, 1957, rejected claims 1-15 as being vague and indefinite, and as being met by Patent No. 2,119,884 (the Lohse patent) – Scoggin amended by canceling all claims, offering new claims 16 and 17, and argued that the new claims were distinguishable – second office action offered two new references and rejected claims 16-17 as obvious in light of the Lohse patent + one of these references – Scoggin canceled claims 16-17 and offered new claims 18-24, along with detailed arguments – this was followed by an interview between Scoggin's attorney and the examiner, where they finally agreed to allowable claim limitations – Scoggin then deleted claims 18-24 and offered new claims 25-28 – this was followed by a notice of allowance, and after Scoggin paid the issue fee, the patent issued on January 27, 1959, after two years of prosecution

3. Judicial Review

- Scoggin perfected his shipper-sprayer, and assigned the rights to Cook Chemical – meanwhile, Calmar hired two engineers to create a device very similar to Scoggin's and started marketing it – when the patent issued, Calmar filed for declaratory judgment of invalidity and/or non-infringement by Calmar – trial court granted verdict for Cook Chemical by upholding claims, finding infringement by Calmar, permanently enjoining Calmar, and awarding Cook Chemical damages and an accounting – Calmar appealed to the Eighth Circuit, which affirmed – Calmar then appealed to the Supreme Court
- *Calmar, Inc. v. Cook Chem. Co.* (1966): Δ Cook Chemical asserts validity of its patent for a spray bottle for household chemicals, and produces evidence of market success, long-felt need, and the inability of others to solve the problems that the patented device solves – π contends that the improvements are inconsequential, and that the device as a whole was obvious to one of ordinary skill in light of the prior art – appellate court found that the elements were not novel per se, but that nothing in the prior art suggested combining these old features to solve problems which had plagued the industry for years – however, Δ 's claims

rested on a sealing mechanism that is strikingly similar to a feature of a prior patent (U.S. Patent No. 2,715,480) that the examiner did not consider – this patent functions very similarly in its mechanical closure mechanism (the push-down cap sprayer) to Δ 's, and taken together with the prior art, leave no non-obvious invention – Δ points to other advantages and features offered by its design, but the prosecution history indicates that patentability hinged on the sealing mechanism, so that is the sole basis of novelty (which is not present here) – Δ 's evidence of secondary considerations was given undue weight to lower courts that did not understand the technical issues, and here, they cannot outweigh the technical analysis – Δ 's device rests on “exceedingly small and quite nontechnical mechanical differences in a device which was old in the art” – thus, Δ 's patent fails §103 and is hereby invalidated

- Reissue and reexamination: Issued patents can be modified in two ways: reissue (35 USCA §251: a defect in the specification, claims, or drawings that renders the patent invalid can be amended upon payment of a fee, correction of the defect, and a demonstration by the patentee that the error occurred without deceptive intent – of course, new matter cannot be added) and reexamination (35 USCA §302: any person can file a request for reexamination by the USPTO of any claim of a patent in light of previously unconsidered prior art – Pres. Carter summarized this as “the most significant improvement in our patent laws in more than a century – this makes it possible to focus extra attention on the most commercially significant patents, improving the reliability of reexamined patents, and reducing the costs and uncertainties of testing patent validity in the courts”)
- Statutory invention registration: 1984 amendments to 35 USCA introduced a “statutory invention registration” system, which enables inventors to register inventions solely for defensive purposes – this does not grant a monopoly or permit others to use the invention, but acts as prior art to prevent others from patenting the invention – examination is required only in the case of an interference proceeding to determine priority
- Fraud on the USPTO: Every patent applicant has a duty of not making fraudulent misrepresentations to the USPTO to induce a patent issuance – this can prompt the USPTO to cancel the patent, give accused infringers a defense, and even result in antitrust liability – typical example of fraud: failure to disclose relevant prior art: *FMC Corp. v. Manitowoc Co.* (1987): the test for inequitable conduct requires evidence of 1) relevant prior art or information, 2) knowledge by the applicant of the prior art and its relevance, and 3) failure of the applicant to disclose the art to the USPTO with an intent to mislead – defenses (which require evidence) include a) the prior art was not material, b) applicant did not know of the prior art, c) applicant knew of prior art but did not recognize its relevance, or d) failure to disclose to the USPTO was not based on intent to mislead – this is an intent crime; even gross negligence in not finding or recognizing relevance of prior art is inadequate (*Kingsdown Medical Consultants, Ltd. V. Hollister Inc.* (1988)) – however, case law is unhelpful in clarifying, since most cases are very fact-specific

C. Rights and Remedies

1. Rights

- Paper Converting Machine Co. v. Magna-Graphics Corp.* (1984): π invented and patented a toilet paper winding device – Δ produced an infringing machine and sold two items, one to Fort Howard Paper Co. and one to Scott Paper Company – π sued for infringement, and trial ct found willful infringement and awarded compensation for each of Δ 's sales, trebled damages, and awarded prejudgment interest on untrebled award – Δ asserted that there should be no relief for Fort Howard sale: it had won the contract for the machine (by outbidding π), and had manufactured and shipped the machine to Fort Howard in pieces, with instructions not to assemble it until two days after π 's patent expired – CAFC affirmed verdict for π : a patent conveys the right to prevent others from making, using, and selling an invention, but no more (*Van Kannell Revolving Door Co. v. Revolving Door & Fixture Co.* (1920)) – Δ relies on *Deepsouth Packing Co. v. Laitram Corp.* (1972), in which a manufacturer assembled parts of a patented device and shipped them overseas, so that overseas purchases could assemble them in an hour into a patented device; ct allowed that use because the combination would not be infringed until assembly, and also because an attempt to enforce this patent constituted an extension of patent to overseas enforcement – however, this case was intended to apply only to the issue of extraterritoriality, and that concern is not present here – whether or not this constitutes infringement is an issue for the trial ct, and its decision is not clear error – Nies dissent: majority holding extends the patentee's enforcement rights of preventing "making, using, and selling the patented invention" to the making of incomplete assemblies, testing of subassemblies, and sale of an unassembled machine, on the basis that preventing this would limit the patent term – another view of this holding is that allowing such extension extends the patent term – *Deepsouth's* extraterritoriality did not limit its application to foreign uses, but only that Δ in that case could not be a contributory infringer; the holding that the sale of an unassembled device is not the sale of an assembled, patentable device still applies ("many courts have often held that a combination patent can be infringed only by a combination") – that rationale applies equally well here, as Δ never made, used, or sold the complete invention – *Deepsouth's* bright-line test furthers predictability in infringement analysis, and helps competitors determine whether an action constitutes infringement; the majority opinion, on the other hand, promotes uncertainty
- Wilbur-Ellis Co. v. Kuther* (1964): π , Kuther, patented a canning machine and had a few working machines manufactured – later, π sold the machines, in a corroded and inoperative state, to a few companies, including Δ , Wilbur-Ellis – Δ hired a company to make the machines operable for Δ 's purposes, including replacing 6 out of 35 components to accommodate smaller cans – π sued Δ for patent infringement – Supreme Ct found for Δ : This dispute centers on the difference between reconstruction, which qualifies as "making" an invention and falls within a patentee's exclusive-use rights, vs. repair or restoration, which does not – as a factual matter, "repair" is more often associated with curing partial wearing or injury, e.g., replacing worn-out knives in a cutting machine – *Aro Mfg. Co. v. Convertible Top Replacement Co.*: selling fabric for reupholstering automobile convertible tops was held to be reconstruction, not repair – here, the machines at

- issue had years of usefulness left, if only they received proper maintenance – the adaptation made the machine more useful, and Δ 's actions were “doing more than repair in the customary sense; but was kin to repair for it bore on the useful capacity of the old combination” – π contends that the implicit license accompanying the machines was only for use with 1-pound cans, but the sale of the machines was outright and unlimited – *Adams v. Burke*: “when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use”
- Repair or reconstruction?: *Aro Mfg. Co. v. Convertible Top Replacement Co.* is cited by *Wilbur-Ellis Co.* for the holding that replacement of fabric in a convertible top does not constitute infringement of the patented convertible mechanism – the majority opinion characterized this decision somewhat differently: “whether the owner of a combination patent, comprised entirely of unpatented elements, has a patent monopoly on the manufacture, sale or use of the several unpatented components of the patented combination” - majority then defined “reconstruction” that creates infringement as “such a true reconstruction of the entity as to ‘in fact make it a new article’ after the entity, viewed as a whole, becomes spent” – dissenting and concurring opinions suggested using several factors, including: “the life of the useful part replaced in relation to the useful life of the whole combination, the importance of the replaced element to the inventive concept, the cost of the component relative to the cost of the combination, [and] the common sense understanding and intention of the patent owner and the buyer of the combination as to its perishable components, whether the purchased component replaces a worn-out part or is bought for some other purpose”
 - Experimental use: A very limited and rarely-used exception to patent law exists for experimental use (*Whittemore v. Cutter* (1813), *Sawin v. Guild* (1813)) – two kinds of experiments are permitted under this doctrine: (1) ascertaining the verity and exactness of the specification, and (2) philosophical experiment – the experiment must not be for profit, but this is given a little latitude: testing for adaptation to the experimenter’s business is permitted if it is truly “not for profit” – *Roche Products, Inc. v. Bolar Pharmaceutical Co.* (1984): CAFC found that pharmaceutical company had violated patent by testing and investigation it for testing in anticipation of FDA approval; ct held that this was “solely for business reasons” – Congress responded by creating an exception: 35 USC §271(e)(1): “It shall not be an act of infringement to make, use, or sell a patented invention solely for uses reasonably related to the development and submission of information under a federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products” – this holding also applies to devices: *Eli Lilly & Co. v. Medtronic, Inc.* (1990)
 - Liability in the U.S. for foreign acts: 1984 patent law amendments helped curtail two patent avoidance strategies: selling components of patented machine to an overseas dealer, and conducting a patented process outside the U.S. and shipping the finished (unpatented) products here – amendments plugged this whole via 35 USC §271(f): “Whoever without authority supplies or causes to be supplied in or

- from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be an infringer”, and 35 USC §271(g): “Whoever without authority imports into the United States or sells or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, sale, or use of the product occurs during the term of such process patent”
- Inducement of infringement: 35 USC §271(b) creates liability for inducement of infringement, e.g., advertising the sale of infringing equipment, advertising instructions for using a patented process, purchasing an article made by an infringing process, indemnifying an infringer, or encouraging a licensee to breach a patent license agreement – treble damages can be awarded if inducement is willful
 - Contributory infringement and patent misuse: Patents have long been used for unfair competition, e.g., tying (sale of patented refrigerator, where the license obligates the purchaser to buy all dry ice from the patent owner; buying from a third party gives rise to license violation, and seller of such ice is a contributory infringer) – 35 USC §271(c) limits this extension of contributory infringement: “Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer” – 35 USC §271(d) implies that patent owners may be found to be abusing their patent if asserted in this way: “No patent owner shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent...” – where the item is not a “staple,” contributory infringement may exist and can be asserted without fear of patent abuse – *Dawson Chem. Co. v. Rohm & Haas Co.* (1980): Δ found guilty of contributory infringement for selling propanil, an unpatented herbicide, implicitly for use in π 's patented process: π 's patent allows it to enjoin others from selling “non-staple” goods, and “Congress granted to patent holders a statutory right to control nonstaple goods that are capable only in infringing use in a patented invention, and that are essential to that invention’s advance over prior art” – dissent: majority holding allows owner of process patent to extend patent to cover an unpatented material product or component – subsequent decisions are bitterly divided on this use of a patent
 - Patent misuse in licensing: *Brulotte v. Thys Co.* (1964): π licensed his patented hop-picking machine to Δ under a contract requiring Δ to pay royalties for use – the term of the contract substantially exceeded the life of the patent, and Δ defended nonpayment after the patent expired on grounds of patent abuse – Supreme Ct found for Δ : π 's license constituted an attempt to extend the term of

- the patent beyond the “limited times” permitted by the Constitution – if permitted, “the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there”
- Licensee estoppel: Patent licensees are permitted to escape license obligations if a third party successfully challenges the patent – however, cts used to preclude licensees from raising this defense, on a theory of “licensee estoppel” (see *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.* (1950)) – Supreme Ct later overruled this preclusion: *Adkins v. Lear* (1967): the doctrine of licensee estoppel conflicts with the intention of the patent system to promote free use of all ideas not protected by *valid* patents – the patent owner already enjoys a presumption of patent validity; it would be unfair to enforce this as unassailable validity in a license dispute – also, the licensee may be the only party with enough incentive to undertake the financial difficulty of invalidating a patent
 - Patentee estoppel: A patentee who fully assigns the rights of a patent to an assignee, and is then accused of infringement by the licensee, is estopped from denying the validity of the patent – *Diamond Scientific Co. v. Ambico, Inc.* (1988): this doctrine was enforced to preclude such a defense, based on the plain equities of contract law
 - Suppression of patents: Can a patentee simply suppress the use of the patented invention to arrest the pace of innovation, efficiency, competition, etc.? – *Special Equipment Co. v. Coe* (1945): Justice Douglas’s dissent rhetorically asked whether the exclusive right to “make, use, and sell” is the same as a right “not to make, not to use, and not to sell” – usual remedy: compulsory licensing: if a patent owner fails to exploit an invention within a certain period, anyone can use it by paying reasonable royalty – some countries codify this, dictating the period of non-use and preassigning a royalty rate – while this seems to be rarely used, this is more an indication that the parties prefer to negotiate a license than to resort to compulsory terms
 - Patent term: Act of 1790 prescribed a 14-year patent term, modeled after the Statute of Monopolies of 1623 (based on the theory that an invention comes into general use after the inventor trains two consecutive sets of apprentices, where an apprenticeship typically lasted for seven years) – Act of 1836 allowed a 7-year extension of the 14-year term, which was originally simplified into a 17-year term – upon signing the Uruguay Round Agreements Act in 1994, Congress extended the date of all patents issuing after that date to 20 years in order to conform with international practice – the defined period was also changed: calculated not from the issuance of the patent, but from the earliest filing date – however, this fixed, 20-year term for all inventions may “unduly reward some inventions and inadequately compensate others; surely, all inventions cannot be exploited in exactly the same length of time”

2. Remedies

- *Rite-Hite Corp. v. Kelley Company, Inc.* (1995): π patented a mechanism for locking delivery trucks to docking platforms, called the “Dok-Lok” – π invented two different models (automatic, “ADL,” and manual, “MDL”), patented them under two sets of patents, and licensed both to many independent sales organizations (ISOs) – subsequently, π sued Δ for infringement of the MDL

locking mechanism (but not the ADL model); trial ct found patent valid and infringed, and this case focuses on relief – π asserted that Δ 's sales of MDL competing device had caused it to lose sales of both MDL and ADL devices – trial ct measured relief based on π 's lost sales of both models (based on wholesale price), π 's lost sales of an unpatented “dock leveler” that usually accompanied the sale of the docking mechanism, and the reasonable royalty rates for all sales that Δ made (plus prejudgment interest) – Δ appealed on four grounds: (1) relief was inappropriate for sales lost for the ADL, which Δ hadn't infringed; (2) relief was inappropriate for profits lost on the unpatented dock leveler devices; (3) ISOs have no standing to sue for patent infringement; and (4) ct improperly calculated “reasonable rates” – π also appealed, contesting trial ct's reliance on wholesale profits rather than retail profits – CAFC affirmed in part, reversed in part: First, the basis for all of these rulings is 35 USC §284: “the court shall award damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court” – cts have interpreted “adequately” to mean “fully,” i.e., all profit lost because of the infringement (see *Aro Mfg. Co. v. Convertible Top Replacement Co.* (1964) – specific rulings: (1) relief for ADL sales affirmed: a patentee is entitled to all product profits that would not have been lost “but for” infringement – *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.* (1978) illustrates a four-part test for “but-for” lost profit recovery: patentee must show (1) demand for the patented product, (2) absence of acceptable non-infringing substitutes, (3) manufacturing and marketing capability to exploit the demand, and (4) the amount of profit it would have made – here, π has demonstrated “but-for” losses of the ADL model as well as the MDL model – Δ argues that it hasn't infringed the ADL patent, but these lost sales were both “but-for” and proximate, i.e., Δ “could have reasonably foreseen that its infringement of the '847 patent [for the MDL] would make it liable for lost ADL sales in addition to lost MDL sales” – though not expressly allowed by the statute, such recovery is necessary to effectuate “adequate” (“full”) recovery for the infringement – (2) relief for unpatented leveler sales vacated: courts apply an “entire market value rule” to determine whether unpatented components ordinarily sold with a patented device should be figured into infringement damages – initially, this test was formulated as follows: for a patented improvement of an unpatented machine, profits lost from the sale of the improved machine were only allowed if the entire value of the machine was “properly and legally attributable” to the patented improvement – this test has been refined and relaxed: the patented feature must be “of such paramount importance that it substantially created the value of the component parts” (*Marconi Wireless Telegraph Co. v. U.S.* (1942)), or simply put, the patented feature must be “the basis for customer demand” – however, the patented and unpatented features must be part of “a single assembly or parts of a complete machine, or together constitute a functional unit” – although π 's dock-locking device and the unpatented leveler were used together, they did not function together to accomplish the same result; their bundling is more for marketing purposes – this is different from the MDL/ADL holding: ADLs and MDLs inherently compete

- against each other, but the leveling device constitutes a separate market – (3) royalty calculation affirmed: trial ct assessed verdict as 50% of the net profits from Δ 's sales – ct's calculation was not clearly erroneous; it found that π 's device was covered by a “pioneer patent” with commercial success, and that Δ 's status as a large competitor of π would have made for higher-than-average licensing terms – Nies dissent: majority holding awards relief for a patent that is not infringed, which constitutes an expansion of the patent right – Newman concur/dissent: sale of “collateral” items should be compensated; majority limitation to “inseparable” items is legally ambivalent and economically unsound
- Injunctions: Infringement verdicts almost always result in injunctions for the life of the patent – this can be limited or denied in light of patentee laches or disproportionate public harm, or, in rare cases, where the infringer is comparatively innocent and will be hugely harmed (*Electric Smelting & Aluminum Co. v. Carborundum Co.* (1900)) – however, cts have been open to awarding preliminary injunctions only in extreme cases, where the infringement is “without reasonable doubt,” and where π can show irreparable harm from continuing infringement – this reluctance stems from judicial skepticism about the presumption of validity for issued patents, and from the fact that if Δ is later found not infringing, the injunction will have caused serious harm to it in the several intervening years
 - Damages: Before 1952, wronged patentees were allowed to choose damages measurement as either Δ 's unfair profits or π 's unfair losses – 1952 revision eliminates Δ 's profits as a basis for relief, but this is still relevant to setting a “reasonable” royalty rate, which 35 USC §284 declares to be the minimum level of relief for infringement
 - Increased damages; attorney fees: 35 USC §284 allows treble damages for infringement, and §285 allows an award of attorney's fees “in exceptional cases” – the usual basis for increased damages is willful infringement, which demonstrates that Δ was put on notice as to existing patent obligations – attorney's fees were intended to punish/deter not only flagrant infringers, but also vexatious litigators, in cases where they really have no claim (but see *Union Carbide Corp. v. Graver Tank & Mfg. Co.* (1965): Δ prevailed on 24 out of 29 claims of patent at issue, but appellate ct vacated trial ct's order that π pay Δ 's attorney's fees, on the grounds that Δ hadn't “prevailed” at trial)
 - Marking: 35 USC §287 places a duty on the patentee to notify potential infringers of the patent, and damages for patent infringement are conditioned on the fulfillment of this duty – this is usually done by marking patented products as “Patent” or “Pat.” plus the patent number, and of course, the patentee can directly notify the alleged infringer of the patent – 35 USC §292 makes “false marking” a federal criminal offense, and allows *qui tam* actions by “disinterested” members of the public to have false markings removed (but such parties are almost never truly “disinterested”; usually they're competitors)
 - Laches and equitable estoppel: The great expense of patent litigation may compel patentees to postpone, but this may jeopardize the right to file a claim and receive relief – one tactic is to sue the smaller defendants first, with the hope that they can't afford litigation either and will quickly settle – the defenses of laches and

equitable estoppel are set forth in 35 USC §282, and requires (a) an unreasonable and inexcusable delay in bringing suit and (b) evidence that Δ has unduly suffered from the delay – a presumption of laches exists for any delay longer than six years, measured from when the patentee became aware of the infringement – this section also sets forth the basis for an equitable estoppel defense, with the following elements: (a) the patentee led the infringer to believe that the patentee will not enforce its patent against the infringer (may be implied by silence where the patentee had an obligation to come forward); (b) infringer's reliance on patentee's conduct; and (c) material prejudice to the infringer by patentee's misrepresentation

D. Infringement

- Crews, *Patent Claims and Infringement* (1960): Patent infringement analysis is very difficult – the most basic approach involves comparing the accused device with the claims of the patent – however, this is overly simplistic; the actual process also includes (a) considering the prior art, (b) considering the differences between the patent and the prior art, and (c) considering the differences between the accused device and the prior art – only then can an informed statement on infringement exist – such opinions are always vulnerable to attack, e.g., with a patent that hadn't been known or considered, and so much uncertainty remains in this field – the prosecution history is also relevant; a patentee who narrows the construction of the patent to avoid the prior art cannot ask a court for an expansion of interpretation that extends back into the disclaimed subject matter (“file wrapper estoppel”) – in theory, this doctrine shouldn't be needed, since prior art available during prosecution is also available later at trial, and the same arguments are likely to arise; but in practice, prosecution practice has a very large impact on subsequent enforcement of the patent
- Breadth of construction: Comments from *Eibel Process Co. v. Minnesota & Ontario Paper Co.* (1923): Infringement analysis includes the question of how substantially the invention furthered the field of art – significantly worthwhile patents are given broader latitude than incremental improvements – of course, this analysis is qualitative; an invention that is less than a “pioneer” will still be given breadth if it makes significant progress, etc.
- *Graver Tank & Mfg. Co. v. Linde Air Products Co.* (1950): In brief, π 's welding composition patent suggested (among other ingredients) the alkaline earth metal calcium fluoride, but its actual product contained calcium and magnesium (an alkaline earth metal) - Δ 's product was basically the same, but contained calcium and manganese (not an alkaline earth metal) - after several rounds of litigation, the parties arrive at Supreme Ct contesting Δ 's accused infringement of four of the claims in π 's patent for an electric welding process and for fluxes used therewith - of course, no contest exists if an accused product is fully described by the words of the claim, but such “outright and forthright” copying is rare - infringers are expected to make minor and superficial changes in an attempt to conceal the copying - thus, to restrict a patent to the exact wording “would be to convert the protection of the patent grant into a hollow and useless thing” - instead, cts apply the doctrine of equivalents, as recited in *Winans v. Denmead*: a device infringes a patent “if it performs substantially the same function in substantially the same

- way to obtain the same result" - this doctrine can also be applied against a patentee in the interest of fairness, for inventions that literally fall within the claims but in reality achieve a different purpose in a different manner - this is a very fact-specific and -heavy inquiry; every component of the invention must be considered in light of its purpose, its qualities in combination with other components, and how the similar functions were performed in the prior art - one important factor in this per-component inquiry: would one of ordinary skill in the art have recognized it as interchangeable with different components? - here, the components chosen for π 's and Δ 's compositions function in exactly the same way and produce exactly the same result - π produced many expert witnesses who testified that magnesium and manganese were interchangeable in this context - the purpose of this appeal is not a *de novo* review of the factual evidence presented at trial, but a decision whether clear error has occurred, and here it has not; trial judge's opinion seems well-supported by evidence and his own research - Black dissent: trial ct admitted that Δ 's composition did not literally infringe (since it did not use an alkaline earth metal), but proffered the doctrine of equivalents to extend the phrase "alkaline earth metals" to cover manganese - this is inappropriate in cases of unambiguous language, especially in light of the requirement of the patent act: the patentee must "particularly point out and distinctly claim" his invention, and what is not so claimed is dedicated to the public - in cases where an issued patent might fail to claim all intended (equivalent) subject matter, the patent act provides reissue procedures, and while as a rule claims may not be broadened in a reissue patent, certain occasions require this (*Miller v. Bridgeport Brass Co.*) - the doctrine of equivalents certainly applies to cover differences between the accused device and a patent that are "de minimis, colorable only, and without substance"; however, this patent is clear about what is recommended, and Δ has not used this - π 's assignors experimented with manganese silicate at length, but did not include a claim for it; this is probably because it would have been anticipated by other patents that use manganese silicate for the same purpose - accordingly, the logic of *Sontag Stores Co. v. Nut Co.* should be applied: "the patentee might have included in the application claims broad enough to embrace petitioner's accused machine, but did not; this 'gave the public to understand' that whatever was not claimed 'did not come within his patent and might rightfully be made by anyone'" - the majority precedent increased uncertainty for businesses in patent claim construction
- *Townsend Engineering Co. v. Hitec Co.* (1987): π patented a machine for handling sausage casings that avoided problems in the prior art with rough handling of the delicate casings that caused tearing - the key difference, as illustrated in prosecution, was that other machines featured a rotating "horn" with some curvature, while the horn of π 's machine was "substantially straight and disposed at an angle" - limitations to this effect were written into the claims to distinguish the prior art - π later sued Δ over its competing machine design, which featured a horn having gradual curvature over its entire length - trial ct granted summary judgment to Δ , finding neither literal nor equivalent infringement - CAFC affirmed summary judgment for Δ : π 's patented horn had two distinctive features: it was substantially longer and substantially straighter than the horns of

the prior art - Δ 's device has neither quality, and so literal infringement is absent - also, π 's design cannot be extended under the doctrine of equivalents to reach a curved shape, since the patentee argued against that extension during prosecution to avoid the prior art - as per *Thomas & Betts Corp. v. Litton Systems, Inc.* (1983): "prosecution history estoppel limits a patentee's reliance on the doctrine of equivalents by preventing him from contending later in an infringement action that his claims should be interpreted as if limitations added by amendment were not present" - this estoppel also applies to arguments made to the examiner to obtain issuance

- Patent strength: One drawback to this system is that every patent is facially equivalent; nothing openly distinguishes a strong patent from a weak one - some have argued that verdicts of non-infringement should often invalidate the patent, since "weak" patents "are like zombies" that render the patentee "free to sue others as alleged infringers, putting them to the expense - notoriously great in patent suits - of defending themselves" (*Aero Spark Plug Co., Inc. v. B.G. Corp.* (1942))
- Roles of judge and jury: The jury's role has long been recognized as determining infringement, but it was unclear whether its job included interpreting the meaning of the patent language - *Markman v. Westview* (1996) placed this power solely with the court as a matter of law
- Doctrine of equivalents: The doctrine of equivalents arises from *Winans v. Denmead* (1853), which allowed some elastic interpretation of patents - this was needed because early patents were of the "as shown and described" variety, relying mainly on detailed drawings and including scant written descriptions that simply claimed what was shown - today's law requires the patentee to "particularly point out and distinctly claim" his invention in the claims, and so in most cases the doctrine of equivalents will be inapplicable - the doctrine balances two competing interests: the patentee's right to enforce the patent despite trivial changes that avoid the text of the claims, and competitors' rights to proceed with non-infringing alternatives without the fear of litigation - two different ways of applying the doctrine of equivalents advocated in *Pennwalt Corp. v. Durand-Wayland, Inc.* (1987): either compare every element (each step of a process patent, or the means, mode, and results of operation for a device) for equivalence or look at the "invention as a whole"
- "Reverse doctrine of equivalents": *Graver Tank* raises the possibility that an accused infringer may raise the defense that although its infringement fits the literal terms of a patent, it functions in a substantially different function and way to achieve a different result - *Mead Digital Systems, Inc. v. A.B. Dick Co.* (1983): ct held that a patent for an inkjet printer designed for printing letters could not be asserted against a printer designed to record electrical signal waveforms, admitting that the accused device relied on the "fundamental concept of ink jet charging and deflection" but incorporated much more sophisticated control systems - CAFC criticized other cts for limiting infringement analysis to a mechanical application of claim language
- Prosecution history estoppel: Three available theories: (1) common-law estoppel: competitors should be allowed to rely on the clarification of a patent in the file

- wrapper; (2) the concept of abandonment: the patentee can't reclaim from the public domain subject matter that was affirmatively surrendered during prosecution; (3) exhaustion of administrative remedies: the USPTO and patent system have no other way to ensure compliance of a patent with the arguments raised during prosecution - first successful use of prosecution history estoppel: *General Instrument Corp. v. Hughes Aircraft Co.* (1968)
- Collateral estoppel: Earlier, a patentee whose patent suffered an invalidity judgment could assert it anew in another case, and could essentially have its validity re-tried - this changed with *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation* (1971): an invalidity suit - the patentee will be permitted to argue that the invalidity verdict did not arise from a procedurally, substantively, and evidentially full and fair hearing - the patentee does not enjoy a similar power of estopping an infringer from contesting the validity of a patent previously held to be valid, unless comity exists

III. Copyright Law

- Early history: Copyright law, in the form of royalties for new printed works, was created within ten years of the creation of the printing press in 1476 – copyright was initially awarded by the king, but was transferred in 1557 to publishers, who formed the Stationers' Company to handle registration and enforcement – in 1709, Parliament passed the Statute of Anne, which prescribed a 14-year term (renewable once) from the date of publication, and which created statutory relief for infringement
- American history: The colonies adopted systems like that for English copyright – the Constitutional Congress created a federal system in 1783, and eventually included this right in the Constitution – the first copyright act was passed on May 31, 1790, closely mirroring the English system, but limited to charts and books – over the years, every other form of composition was added: photographs, photographic negatives, paintings, drawings, statuary, motion pictures, sound recordings, computer programs, and architecture – the most recent revision and standing act was passed in 1976, and came into effect on January 1, 1978

A. Requirements for Protection

1. Formalities

- a. Notice
- Marking requirement: Before March 1st, 1989, American copyright law required every copyrighted expression to bear a copyright symbol; all non-marked items were conclusively within the public domain – on March 1st, America agreed to abide by the Berne Convention for the Protection of Literary and Artistic Works, and accordingly dropped the marking requirement – older works may or may not be subject to this requirement; depends on the date of first publication (before 1978: the 1909 act controls; before 1989, the 1978 act controls; in or after 1989: the Berne Convention controls)
- *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.* (1985): Takara Co., a Japanese company, manufactured some molds for Transformer toys sold overseas – these molds did not contain a copyright notice because this isn't required in Japan, and Takara was unaware of the U.S. copyright requirement – Takara manufactured

213,000 unmarked toys between Dec. 1983 and Feb. 1984 – π acquired the rights to the molds from Takara in June 1984, and Takara modified all of its molds to bear copyright notices – π registered the trademark in November 1984, and began selling huge numbers of the marked toys in the U.S. in 1985 – meanwhile, Δ had copied some of the unmarked toys and began selling them in the U.S. – trial ct granted π a preliminary injunction for Δ 's sale of unmarked toys, and Δ appealed – appellate ct affirmed preliminary injunction against Δ : a preliminary injunction is granted when π can show (a) irreparable harm and (b) likelihood of winning at trial – copyright infringement cases presumptively involve irreparable harm, and a *prima facie* case (sufficient to sustain the preliminary injunction) is satisfied if π shows unauthorized copying of a valid copyright – in defense, Δ argues that copyright invalidity based on Takara's sale of unmarked items – it is true that Takara's creation was not amenable to Japanese trademark law, and its lack of marking initially excluded copyright protection (Copyright Act §401(a): "Wherever a work protected under this title is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright shall be placed on all publicly distributed copies from which the work can be visually perceived") – however, its goods were subsequently amended to qualify for American copyright, which was then registered and is valid – this after-the-fact registration is expressly permitted by Copyright Act §405(a) ("under the general scheme of the bill, statutory copyright protection is secured automatically when a work is created, and is not lost when the work is published, even if the copyright notice is omitted entirely"); it operates by allowing perfection of potential copyright by registering the work with the Copyright Office within five years of its first publication – Takara's omission is relevant to this time frame, but π adequately cured the defect in time to perfect the copyright – Sparkle contends that defects can only be cured if the initial publication was unintentional, relying on *Beacon Looms, Inc. v. S. Lichtenberg & Co.* (1982), which states that this period begins to run as soon as the copyright owner discovers the omission, and there can be no "discovery" if the omission was deliberate – however, this principle is inconsistent with the legislative history, which indicates that Congress intended to allow copyright defect curing for both deliberate and inadvertent omissions – this would also create inconsistencies, e.g., where an intentional omission by an assignor is discovered by the assignee, or an intentional omission by a subordinate is discovered by a supervisor in the same company – (these defects should be allowed to be cured, but Δ 's reading would not allow this) – finally, Δ argues that π was not make a "reasonable effort" by marking the unmarked toys – this may be a valid argument, but Δ has not yet produced evidence that any such toys were sold in the U.S. or that π failed to mark them; these issues are left open for the trial ct

- Berne amendments: The most dramatic change of the Berne amendment was to make copyright marking optional, rather than mandatory – of course, it's still a good idea to do so: copyright marking is sufficient to estop some defenses by accused infringers, and may better support some forms of damages
- Restoration of copyright: Foreign copyright owners occasionally lost rights to works by bringing them to America without copyright symbols – NAFTA began

- curing this problem by allowing motion picture copyright owners to cure defects in films first shown in Canada or Mexico – the following year, the Uruguay Round amendments entirely rewrote this requirement and relaxed many others (failure to renew copyright, failure to comply with domestic manufacturing requirements) – copyright restoration may work an injustice for creators of derivative works who (correctly) assumed that the work was in the public domain, but a settlement is available via compulsory licensing (the derivative work creator can continue using the original work if he pays the owner of the principal work a “reasonable” royalty)
- Content: The copyright marking must include the copyright symbol, the year of first publication, and “the name of the owner of copyright in the work, or an abbreviation by which the name can be recognized” (*Herbert Rosenthal Jewelry Corp. v. Grossbardt* (1970): copyright affirmed despite only using the symbol “HR” in the marking, because only because π had been using this trade name since 1945) – the date may be omitted “where a pictorial, graphic, or sculptural work, with accompanying text matter, is reproduced in or on greeting cards, postcard, stationery, (etc.)”
 - Position: The location of the copyright notice depends on the work: books and other printed publications had to include the mark on the title page or the pages immediately following it, and cts stringently upheld this requirement (*Booth v. Haggard* (1950): ct held copyright notice deficient for appearing on page 3 of textbook) – other works (periodicals and musical compositions) had more lenient rules
 - “Copying”: §401(a) requires copyright notice on “all publicly distributed copies from which the work can be visually perceived” – but the definition of “copy” has been inconsistently resolved: *Louis Dejonge & Co. v. Breuker & Kessler Co.* (1914): for a strip of wrapping paper containing 12 pictures, each picture had to be marked; it was inadequate just to mark the strip once – contrast with *H.M. Kolbe Co. v. Armigus Textile Co.* (1963), where fabric containing a checkerboard pattern of clusters of purple roses was properly marked by repeating a copyright notice down one side of the fabric; ct distinguished *Dejonge* by characterizing this fabric as having a “continuous nature” that made it difficult to demarcate one work from the next, and by noting that this fabric was customarily sold in bolts
 - Excused errors and omissions: 1909 copyright act set forth a few excuses for noncompliance – if the copyright owner instituted a proper marking scheme, the inadvertent failure to mark a particular copy would be excused – also, a licensor who requires licensees to affix notices does not automatically lose copyright if a licensee fails to do so – as noted above, 1976 act was much more lenient and forgiving, e.g., the five-year opportunity to cure defects by making “reasonable effort” to mark items after discovering the deficiency – “reasonable effort” is defined as “an expenditure of time and money over and above that required in the normal course of business” (e.g., *Beacon Looms, Inc. v. S. Lichtenberg & Co.* (1982): π properly cured defect in 900,000 unlabeled books by sending 50,000 labels to vendors and offering to ship them more if needed)
 - Consequences of publication: Under the 1909 act, publication demarcated a the transition from state protection (of unpublished works) to federal protection (of

published works), which had a 28-year term renewable once, subject to the absolute marking requirement – under the 1976 act, federal protection adhered at the moment of fixation in a tangible medium, and this eliminated the need for state copyright law, and extended copyright term: for copyright owned by an individual author, term = life of the author + 50 years; for copyright made as a work-for-hire or assigned to a company: the shorter of 75 years from first publication and 100 years from date of creation

- “Publication”: The 1909 act distinguished between “investitive” publications (which garnered copyright) and “divestitive” publication (which forfeited copyright) – “investitive” publications constituted disclosure to a discrete community of recipients, and with a primary purpose of perfecting the work – “divestitive” publications constituted distribution of authorized copies to the general public, without restriction, and for sale or profit (Martin Luther King retained rights to his “I Have a Dream” speech) – as an example of evolving law, courts split on whether phonographic records were “copies” of musical compositions that had to be marked (usually the answer was no) – the 1976 act (§101) defined “publication” as “the distribution of copies or phonorecords to the public by sale or other transfer of ownership, and the offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display” – public performances and displays are definitively excluded, as are distributions to limited groups for limited purposes (the “public” includes everyone “under no explicit or implicit restrictions with respect to disclosure of the work’s contents”)

b. Registration and Deposit

- B. Kaplan, *The Registration of Copyright* (1960): Copyright registration consists of filing a copy of the work with the Copyright Office, and a typical copyright examiner handles 40 registrations per day (strictly for compliance with registration requirements; only about 3% are rejected, usually for lack of copyright notice, uncopyrightable works, or late filing of renewal applications) – rejected registrants may contest the basis of rejection, and may informally appeal to the Chief of the Examining Division and then to the Copyright Register, each of whom is somewhat forgiving – borderline cases are usually approved with a comment from the examiner about the problem, and this is OK because registration implies only a very weak little presumption of validity
- Effect of errors in registration: *Original Appalachian Artworks, Inc. v. The Toy Loft, Inc.* (1982): π 's copyright failed to list one co-author and failed to complete the “Compilation or Derivative Work” section on the copyright registration form – Δ , accused of copyright infringement, raised these facts as evidence that π had committed fraud on the Copyright Office and asked for invalidation of copyright – trial ct upheld π 's copyright: while such instances *can* support invalidation of a copyright, there must be some element of intentional or purposeful concealment; this isn't presumed from errors or omissions on the form (and π presented a reasonable explanation of each: co-author left the business and disavowed the work, and the derivative works section was left blank after the Copyright Office indicated it was unnecessary in π 's case)

- Reasons to register: While not required, and while registration can be made at any point in the life of the copyright, the 1976 act provided incentives for registration: enhanced ability to cure errors in registration notices, and the ability to claim statutory damage and attorney's fees against infringers – registration is required before filing suit pertaining to works originating in the U.S. (but not for those originating overseas)
- Registration application: The registrant must indicate a class for the work (TX covers non-dramatic literary works; PA covers works "prepared for the purpose of being performed directly before an audience or indirectly by means of a device or process"; VA covers pictorial and sculptural works, SR covers all sound recordings; and SE covers "serials," including newspapers and periodicals) – copies or phonorecords of the work must be deposited along with the application
- "Secure tests": Although most copyrighted works are available to the public through the Copyright Office, an exception is made for standardized test questions, which may be re-used; the full copy will be returned to the registrant after registration, and only excerpts will be retained for archival purposes – *National Conference of Bar Examiners v. Multistate Legal Studies* (1982): bar association copyrighted test questions, and successfully sued a bar review program that reconstructed questions from copyright office records
- The Register's authority: The Register has some substantive control over the technical requirements of the registration process; may withhold or deny registration for facial noncompliance with registration requirements, e.g., failure to pay fees

2. Statutory Subject Matter

- Requirements: Legislative history of Copyright Law Revision (1976): The new copyright law hinges on the phrase "original works of authorship," which is purposely left undefined – no standards of novelty, ingenuity, or aesthetic merit – copyright has been gradually extended to cover new forms of works (as evidenced by the term "works," which replaces the term "writings" in the previous act) – protection of some forms was explicitly advocated by Congress; others had to be added for consistency and based on legislative intent – to garner protection, the work must be "fixed in a tangible medium of expression," such that the work "can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device" – this language is expansive, covering all artistic except unchoreographed, live performances, which are still protected under common-law copyright (but even this can be captured under federal copyright law by recording it, e.g., simultaneously with broadcasting), and even the performance can be covered by federal copyright if the embodiment is "sufficiently permanent or stable" – all such products are considered "copies" of the original, abstract work (even if the embodiment is the sole object) – thus, two conditions of copyright: an abstract work of original authorship, and at least one fixed embodiment
- Classes: Legislative history of Copyright Law Revision: Several classes of works are set forth in the copyright law: musical works, dramatic works, pantomimes and choreographic works, literary works (not a high standard; includes catalogs, directories, and factual references), pictorial/graphic/sculptural works (no

- criterion of intrinsic value), motion pictures (including the soundtracks of motion pictures; *excluding* unauthorized recordings of others' performances; unclear whether slideshow-style recordings that don't convey "motion" qualify here or as pictorial works), and sound recordings (this is not an exhaustive list) – "applied art" (commercial works, like advertisements) is equally as protected as non-commercial works: the requirement is that the works show "artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned" – "useful articles" (functional inventions) are patentable and not copyrightable, but may include a design that is copyrightable (test: "if such design can be identified separately from, and capable of existing independently of, the utilitarian aspects of the invention") – this draws a bright line between copyrightable and non-copyrightable aspects of an industrial article – sound recordings received their first favorable treatment under copyright in the 1971 act; the previous term of "phonorecord" is dropped, since this more closely describes the physical medium (and while sound recordings must be fixed in a tangible medium to be copyrightable, it need not be fixed as a phonorecord) – copyright does not cover the information contained in any work of art; anyone can use the themes, facts, inventions, etc. depicted in the copyrighted work – of particular interest are software programs, which are both copyrightable and patentable
- Compilations and derivative works (§103): Legislative history of Copyright Law Revision: These works are just as copyrightable as the underlying subject matter, and are subject only to the same requirements (fixed, tangible embodiment and original authorship) – a "compilation" is a selection, organization, and arrangement of preexisting material; a "derivative work" is a recasting, transformation, or adaptation of one or more preexisting works – neither form can be used to shield the author from copyright infringement of the underlying works; but as long as the copying isn't "unlawful," copyright will apply – "lawful" does not require authorization of the copyright owner; may be permitted under fair use, etc.
 - Characters: A fictional character that "possesses the same degree of original expression" as for other works can be copyrighted – *Nichols v. Universal Pictures Corp.* (1930): protection depends on the degree to which the character is distinguishable – law is unclear as to whether or not a character may be protected by other doctrines, e.g., unfair competition or trade secret (*Columbia Broadcasting System, Inc. v. DeCosta* (1967): unfair competition claims for fictional character are preempted by copyright law; *Frederick Warne & Co. v. Book Sales, Inc.* (1979): trademark law may be available if character has distinctive meaning)
 - Architecture: Architectural Works Copyright Protection Act of 1990 explicitly extended copyright to architecture: protects "the overall form as well as the arrangement and composition of spaces and elements in the design, but not individual standard features" – the work must constitute a "building," defined as "habitable structures, and structures that are used but not inhabited by human beings" (excludes bridges, dams, etc.)
 - Labels: Early copyright law rejected product labels as not copyrightable subject matter – currently, labels are copyrightable if they meet the statutory requirements

- (“the article must have by itself some value as a composition, at least to the extent of serving some purpose other than a mere advertisement or designation of the subject to which it is attached”) – *Alberto-Culver Co. v. Andrea Dumon, Inc.* (1972): copyright permitted on product label, but denied copyright for the factual, descriptive information on the back
- **Unlawful content:** For seditious, libelous, fraudulent, and obscene works, early courts rejected such works as contravening the goal of “promoting the progress of science” (*Martinetti v. Maguire* (obscenity), *Stone & McCarrick v. Dugan Piano Co.* (deceptive advertising)) – more recent cases overturned some rejections: *Mitchell Bros. Film Group v. Cinema Adult Theater* (1979): pornography ruled copyrightable; in light of the First Amendment, the omission of exceptions was not unintentional – also, Congress has occasionally added such exceptions, but later removed them – even falsehoods are copyrightable: *Belcher v. Tarbox* (1973): no indication that the courts are supposed to rule on truth or falsity in application of copyright
 - **U.S. government works:** Nothing created by the federal government can be copyrighted, but it can acquire copyright, e.g., by assignment – this applies to “any work prepared by an officer or employee of the U.S. government as part of that person’s official duties”
 - **Non-copyrightable material:** Copyright Office declaration withholds copyright from names, titles, slogans, fonts (“typographical ornamentation”), lists of ingredients or contents, patentable concepts, blank forms, or information that is common property (standard calendar layouts, rulers, height and weight charts, sporting event schedules, and excerpts from public documents)

3. Original Expression

a. The Originality Standard

- *Sheldon v. Metro-Goldwyn Picture Co.* (1936): Artistic works must be original, but not “new,” or “novel” as with patentable inventions – while the broad summary of a plot is not copyrightable, the details of a particular embodiment of the plot are copyrightable – of course, the claimant must be an author, not simply a plagiarist – while these details make copyrights less vulnerable than patents, they’re also narrower in scope
- *Bleistein v. Donaldson Lithographing Co.* (1903): π created some photolithograph advertisements depicting scenes from his circus and registered copyrights on them – π filed suit against Δ for copyright infringement, but before getting to the fact issues, ct dismissed complaint on the basis that photolithographs aren’t copyrightable subject matter – **Supreme Ct found for π :** Copyright Act of 1874 expanded copyright to any “author, inventor, designer, or proprietor of any engraving, cut, print, or chromo,” accompanied by dicta that these terms apply “only to pictorial illustrations or works connected with the fine arts” – as long as they are original works, photolithographs qualify for copyright as “illustrations” – the limitation (“only to pictorial illustrations or works connected with the fine arts”) simply states that labels and prints placed on other items cannot be copyrighted – also, the fact that the works are advertisements has no impact on copyrightability; “a picture is none the less a picture that it is used for an advertisement” – since public opinion of (commercial) value fluctuates, this can’t

- be a determinant of copyrightability - also, the inherent worth of the paintings is irrelevant; less meaningful works than these are equally copyrightable – Harlan dissent: advertisements do not “promote the arts” and have no intrinsic value, and thus should not be copyrightable – there is not a clear line between “labels” on goods and pictorial advertisements of services
- Notes: Learned Hand encountered many copyright works in the course of his tenure, but never found any work insufficiently original to garner copyrightability – *Alva Studios, Inc. v. Winninger* (1959): miniature-scale reproduction was held copyrightable over Δ 's arguments of non-originality, in light of the “great skill and originality” required in producing such a scaled model – contrast with *L. Batlin & Son, Inc. v. Snyder* (1976): plastic model of antique cast of “Uncle Sam” bank held unoriginal and not copyrightable; ct distinguished *Alva Studios* by stating that the earlier case focused on the remarkable skill in creating the reproduction, whereas the reproduction in *Batlin* was much simpler – *Alfred Bell & Co. v. Catalda Fine Arts, Inc.* (1951): any reproduction will involve some variation (based on style of painter, etc.) that gives rise to originality – even if the copying is obvious, the court will try to uphold the work on the basis of “novelty” (new matter, variation, etc.) – however, this novelty test isn't as rigorously defined or applied as in patent law cases – even this argument may be weakened; in *Lee v. Runge* (1971), Justice Douglas's dissent noted that there was no reason to limit copyright as patent law is so limited, and that the standard should be more lenient for copyright than for patent
 - Idea/expression distinction: Copyright Act §102(b): “In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery” – in fact, for ideas that are only expressible in a limited number of art forms, the work may not be copyrighted as this would claim ownership of the idea (the doctrine of “merger”) – *Herbert Rosenthal Jewelry Corp. v. Kalpakian* (1971): protection denied for a jeweled bee pin, since “the ‘idea’ and its ‘expression’ appear to be indistinguishable,” and thus copying the “idea” will not be barred merely because it also bars the “expression” – merger only applies if, at the time the work was created, alternative ways of expressing the idea are available – finally, protection is not available once the “idea” becomes generic (e.g., a Thermos)
 - Scène à Faire: Fictional representations of certain elements (incidents, character attributes, basic plot elements, character types, etc.) are not patentable – as long as the feature for which copyright is asserted is “inherent in the situation itself,” then it can't be copyrighted
- b. The Originality Standard Applied**
- Goldstein, *Copyright* §2.2.1 (1996): “Originality” is defined differently in the context of different works – fictional works have a very low threshold for originality, while factual works (maps, legal forms, photography, etc.) that can be seen as mirroring reality may more easily be construed as non-original – three factors for evaluating originality of factual works: novelty, quantitative measure, and expenditure of labor
 - *Feist Publications, Inc. v. Rural Telephone Service Co.* (1991): π , municipal telephone company, collected phone numbers and published a county phone book

- since it was the sole provider of phone service, it simply recorded which numbers were assigned to which customers – Δ sought to publish a region-wide phone book, including all of π 's phone numbers; π refused to allow Δ to copy it – Δ did so anyway, and π sued – Supreme Ct found for Δ : This case involves a conflict between the principle that facts are not copyrightable, but compilations are – the difference between such works is originality: one who collects facts is not an “author,” but one who selects key facts and assigns an ordering or arrangement might have created an original work – however, a copyright for a compilation does not prohibit copying of the facts contained in the compilation, but only the selection, ordering, and arrangement – indeed, compilations may not be copyrightable if the selection and arrangement of facts is “mechanical or routine” – thus, the copyright for a compilation is very narrow, which may seem unfair to one who has expended a lot of effort to compile these facts; however, originality is “the essence of copyright” and an absolute requirement to copyright protection – some ct decisions have created a “sweat of the brow doctrine” or the principle of “industrious collection,” awarding copyright to one who expends substantial effort in collecting facts, and hearing only the defense of independent discovery of the same facts – this doctrine eschews the definition of “compilation” in Copyright Act §101, as “a work formed by the collection and assembly of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship” – to allow copyright on facts would permit copyrighting of facts within the public domain – while Δ certainly copied π 's work, this was solely of facts in the public domain – in fact, π 's compilation has no valid copyright: its selection and arrangement were “entirely typical” of telephone books, with no hint of originality – in fact, π 's “selection” was dictated by state law, which required π to publish a complete list of numbers pursuant to its monopoly on telephone service – this is the clearest example of a work that cannot be copyrighted – as per *Baker v. Selden*: “great praise may be due to the plaintiffs for their industry and enterprise in publishing this paper, yet the law does not contemplate their being rewarded in this way”
- *Miller v. Universal City Studios, Inc.* (1981): π conducted some research into a historical kidnapping incident and published a novelization of the story – Δ negotiated with π for rights to the book for a made-for-TV movie, but the deal fell through; Δ made the movie anyway, instructing its screenwriter to develop a new story based on the facts of the case – π sued for copyright infringement – ct instructed jury that facts are not patentable, but that “if an author, in writing a book concerning factual matters, engages in research on those matters, his research is copyrightable” – jury found for π – appellate ct found for Δ (reversed and remanded): Δ 's screenplay may or may not infringe π 's novel, but trial ct's instruction was wrong and prejudicial – ct's reasoning: “in the age of television ‘docudrama,’ to hold other than that research is copyrightable is to violate the spirit of the copyright law and to provide to those persons and corporations lacking in requisite diligence and ingenuity a license to steal” – however, it's well-settled that facts are not copyrightable, although an original selection and arrangement of facts in a compilation might be – similarly, in *International News*

Service v. The Associated Press (1918), the Supreme Ct held that a news story (as a selection and arrangement of facts) is copyrightable, but the actual facts aren't; the Constitution does not "confer upon one who might happen to be the first to report a historic event the exclusive right for any period to spread the knowledge of it" – π cites *Toksvig v. Bruce Publishing Co.* (1950), in which copyright infringement was found where π conducted research on Danish sources and printed some facts, and Δ copied 24 pages of π 's text because Δ couldn't read Danish – however, this didn't stem from Δ 's copying of facts in π 's text that were unavailable to those who don't understand Danish, but in copying a large portion of the actual text – contrast with *Hoehling v. Universal City Studios, Inc.* (1980) (no copyright infringement where π 's play theorized that the Hindenberg disaster was caused by sabotage, and Δ adopted this theory for a later work) – all of these cases indicate that historical facts are not copyrightable merely because one found them through research; copyright is for authors, not fact-finders, and has never been extended to cover historical facts – although the offending jury charge was one sentence in a 12-page instruction, it was the keystone of π 's case, and π stressed the cost of the research throughout the trial; thus, remand is appropriate and necessary

- Research: Subsequent decisions have not been as stark as *Miller*; often, research will be included as a factor the "selection" of facts, and have been conservative in defining potential statements as "facts" (*CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.* (1995): a book of values for used cars does not merely contain pre-existing facts that the authors discovered, but predictions of future prices of certain models in selected regions; this data is copyrightable and not barred by the unavailability of copyright for "facts" – contrast with *Mid America Title Co. v. Kirk* (1995): data about title (ownership) of property is not copyrightable, since the selection of data "was not a matter of discretion based on Mid America's personal judgment or taste, but instead it was a matter of convention and strict industry standards")
- Directories: The *Feist* rationale was extended to yellow-pages listings in *BellSouth Advertising & Publishing Corp. v. Donnelley Information Publishing, Inc.* (1993) – unpersuasive features offered by π include the alphabetical selection of categories (which were suggested by industry standards and self-selected by business customers), the geographic and cutoff time for the listings (which are inherent in every collection of facts), and the creative means used to collect the data (the originality requirement isn't about the method of making, but the actual work)
- Maps: These have long been difficult grounds for copyright – *Amsterdam v. Triangle Publications, Inc.* (1951): ct ruled that maps were categorically uncopyrightable, since they only contained information that is freely available by direct observation – contrast *U.S. v. Hamilton* (1978): maps may also have original elements of selection, design, and synthesis, and those elements are copyrightable; but the actual facts are not – thus, "elements of compilation which amount to more than a matter of trivial selection may support a finding that a map is sufficiently original to merit copyright protection"

- Case reporters: While these contain only public documents that aren't copyrightable, but "the order of arrangement of cases, the division of the reports into volumes, the numbering and paging of the volumes, the table of contents cited in the opinions, and the subdivision of the index into appropriate condensed titles" may warrant protection – *West Publishing Co. v. Mead Data Central, Inc.* (1986): Westlaw's database was found copyrightable based on its pagination (the insertion of page numbers into competitor's legal research system would violate West's copyright); ct also placed emphasis on the "considerable labor, talent, and judgment" required to compile the work (though this sounds like a "sweat of the brow" argument)
- Functional works: Functional works are aimed primarily at efficiency, and thus have little room for expressive statements – need not be patentable to qualify under this doctrine (*Morrissey v. Procter & Gamble Co.* (1967): copyright denied for π 's list of fact, despite the effort taken to compile them) – the question remains whether computer programs should qualify for copyright under this doctrine

B. Ownership

1. Works for Hire and Joint Works

- Legislative history of Copyright Law Revision (1976): Ownership of copyright stems from authorship – joint authors are also joint copyright owners – "joint works" occur in three cases: (a) where the authors collaborated, (b) where the authors prepared parts of a work that are "inseparable parts of a unitary whole" (e.g., a novel or painting), and (c) where the authors prepared parts of a work that are "interdependent" (e.g., a motion picture, an opera, or the words vs. the music of a song) – joint works are different from *collective* works, which are compilations of separate and independent works, lacking in merger and unity – derivative works do not include the author of the original work as a co-author (e.g., a movie based on the book), since these were independently created – "works made for hire" are presumptively owned by the employer, absent an agreement otherwise (by statute, this must be written and signed by both parties) – this departs from the standard urged by many authors, where the employer obtained shop-right-like rights to use the work while the author continued to own it, but is more consistent with the history of copyrights – regarding commissioned works, the copyright act sets forth categories of commissioned works that are "made for hire," and leaves the rest with the authors
- *Community for Creative Non-Violence v. Reid* (1985): π , a nonprofit group dedicated to eliminating homelessness, hired Δ , a sculptor, to sculpt a homelessness work themed on the nativity (no discussion of copyright ownership) – Δ created the work with π 's input about certain artistic issues (material, pose, components, etc.), and later registered a copyright for it – π sought a competing copyright and sued for ownership of the sculpture – trial ct found for π , finding Δ to be an employee – appellate ct reversed and found for Δ , noting that the statute sets forth criteria for employee vs. independent contractor, that Δ appeared to be the latter, and that the work-made-for-hire rules of commissioned works granted Δ ownership – Supreme Ct found for Δ : copyright for a work is normally owned by its authors, except for "works made for hire," which are owned by the hiring party – according to §101, "works made for hire" constitute (a) works created in

the scope of employment, and (b) works commissioned for “a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas” – a sculpture is obviously not within these categories – π argues that the work was created “in the scope of employment,” which is undefined – factors in determining “employment”: (1) hiring party’s retention of right to control, (2) actual control exerted by the hiring party, (3) common-law agency notions of employment, and/or (4) the work of “formal, salaried employees” – statutory construction principles require the application of the agency definition; the others conflict with other principles or the text of the copyright law (e.g., if “control” were the issue, many of the categories set forth are surplusage; the parties will have to guess at how much “control” must be exerted to impart copyright) – the structure of §101 suggests two mutually-exclusive categories for this consideration: employees and independent contractors – based on agency law, factors to consider include: skill required, who supplies the equipment and tools, terms of payment, hiring party’s role in hiring and paying assistants, hiring party’s control over author’s working conditions, employee benefits, tax treatment – here, Δ more closely approximates a contractor: although π provided some specifications for its work, all of the other factors weigh in Δ ’s favor (high skill, short retention period, Δ owned the tools and his own studio, etc.) – trial ct may determine that π is a coauthor, if its contributions substantially contributed to the work, but it can’t claim complete ownership as a work-for-hire

- *Erickson v. Trinity Theatre, Inc.* (1994): π , a playwright and one of the founders of Δ , wrote three plays that Δ later performed – several actors involved with Δ (and performing in the plays) helped edit the works and contributed ideas to each play, though π retained final control – π characterizes these interactions as suggestions, while Δ characterizes this as co-authorship (authorship by discussion and consensus) – π was solely credited with authorship, and Δ paid π royalties for the uses of the plays – π eventually left Δ , and Δ stopped paying royalties but kept performing the play; π sued for copyright infringement – main issue: whether the contributions of the actors rendered them “co-authors” such that Δ can keep performing the plays without authorization from π – appellate ct found for π : a joint work is one “prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole” – some congressional committee reports that attempt to clarify these terms focus on the “intent” element, and it seems likely that there must be an “intent to create a joint work,” which is more than an intent to collaborate – “contemporaneous input” is not the same as “intent to merge contributions into a unified work” – also, each contributor must qualify as an “author” to become a joint author – two tests of authorship: (a) “de minimis” test: as long as more than a line or snippet added, the contributor is an author; thus, a joint work exists between one author who contributes plot ideas and another who writes them up – this test is disfavored, since it extends copyright to “ideas and concepts” that aren’t copyrightable, and since this test is very ambiguous – (b) the “copyrightability” test: a contributor qualifies as an author if his contribution can

stand on its own as a separately copyrightable work, and if the parties intended to be joint authors; this test is more consistent with §101 (a joint work is by two or more authors, and an author is one who creates a copyrightable work) – here, Δ can't claim joint authorship: π retained control of included material throughout – on two plays, Δ 's contributions were minuscule; on the third, π collaborated with actors from Δ on a few scenes from one play – but in both cases, Δ 's contributions were too small to be separately copyrightable – further evidence: Δ 's payment of royalties, which it wouldn't have done if it already held joint authorship status

- Notes: *Childress v. Taylor* (1991) clarified that joint authors must intend that both/all will be regarded as joint inventors of the final work – thus, editorial contribution and control are never enough to create joint authorship, even if the revisions might constitute copyrightable expression: “very few editors and even fewer authors would expect the editor to be accorded the status of joint author” – all of these decisions purport to enhance the predictability of joint authorship, but none really help this; almost all copyright issues are explicitly resolved by contract or industry practice

2. Transfer and Term

- Legislative history of Copyright Law Revision (1976): §201(c) deals with ownership rights in contributions to collective works vs. those of the owner of the collection – these ownership rights are distinct and separate, and the concept of a “collection” differs from that of a “compilation” – in a collection, an author's rights to his separate piece are preserved, even if the collection does not identify him as the author, and the author is preserved to retain his individual rights in the absence of a written agreement transferring ownership – the only rights given to the owner of the collection are “reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series” (e.g., a magazine publisher could republish an article as part of a year-end edition) – §201(d) affirms the right to transfer ownership of copyright by assignment, license, mortgage, etc. – §202 restates the common-law principle that copyright is a property right distinct from any object (including any copy) embodying it, and ownership of each may be separately conveyed – §203 allows licenses and assignments to be canceled if the conveyor is not properly remunerated; this provision is intended to recognize an imbalance of leverage between individual authors and large, powerful downstream groups that serve as market gatekeepers; interestingly, this right is inalienable to the author - §§204-205 provide specifics about how copyright ownership is transferred (notary acknowledgement are not required but strengthen validity, transfers can be recorded with copyright office, etc.)
- Copyright term: 1976 copyright act revised the copyright term (previously 56 years from the date of publication) to “life of the author + 50 years” – in cases of joint works, the 50 years begins running when the last surviving author dies – for works owned by corporations and anonymous/pseudonymous works, the term is the shorter of 75 years from the date of first publication and 100 years from the date of creation (unless author is subsequently identified) – Congress has made efforts to extend this term (e.g., the Sonny Bono Copyright Term Extension Act), which is the subject of much controversy – also, some ambiguities exist regarding

copyright renewal (e.g., does an exclusive license to a work presumptively include the copyright period after renewal?) – the 1976 act maintained the preexisting requirement of filing a renewal registration (and many works fell into the public domain for failure to renew, including *It's a Wonderful Life*), but in 1992 Congress softened this requirement in order to conform with the Berne Convention

C. Rights and Remedies

1. Rights

a. The Nature of Copyright

- *Baker v. Selden* (1879): π published a book describing a new accounting system, based on the concept of a condensed ledger – Δ later published a different book teaching a modified version of the same concepts – π sued for copyright infringement – Supreme Ct found for Δ : copyright protects the expression of an idea, not the underlying idea itself, which is the domain of patent law (and these are usually mutually exclusive rights) – “where the truths of a science or the methods of an art are the common property of the whole world, any author has the right to express the one, or explain and use the other, in his own way” – the same rationale applies similarly to books describing new medicines, and books describing drawing techniques; the authors of such books cannot claim monopolies on the uses of the concepts described therein – however, this same rationale does not apply to ornamental designs or pictorial illustrations, for which “the production of pleasure in their contemplation is their final end” (and, thus, there can be no copying without also copying the expression) – here, no evidence that Δ borrowed the expression in π 's book, but merely the ideas and system described within, so no copyright infringement
- *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.* (1988): π sold books of art featuring the work of Patrick Nagel – Δ operated a business that consisted of purchasing art books, cutting out the illustrations, pasting them onto matted tiles with a transparent cover, and compiling and selling new books of art – π sued for copyright infringement; Δ raised a “first sale” defense – district ct found for π and enjoined Δ 's publications – appellate ct also found for π : copyright includes the right to exclusive production of derivative works, including “any form in which a work may be recast, transformed, or adapted” – Δ 's actions comprise the development of a “recasting” of π 's copyrighted works, and are thus a violation of this right – the “first sale” doctrine (§109(a)) permits “the owner of a particular copy or phonorecord lawfully made, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord” – this doctrine is based on the principle that when a copyright owner sells a copy of a copyrighted work, he loses the ability to control the further sale of that copy, but he retains all of the other rights of copyright – this includes the right to make derivative copies; i.e., the sale of a copy does not permit the purchaser to make derivative works out of that copy
- *Russell v. Price* (1979): π owned the copyright on George Bernard Shaw's play *Pygmalion* – π licensed the movie rights to MGM, which produced a movie but allowed the copyright to lapse (while the copyright on the play was renewed) – Δ began vending copies of the movie, believing it to be in the public domain, and π

sued for copyright infringement – trial ct found for π – appellate ct affirmed verdict for π : the movie version of the play is a derivative work, and the copyright only protects the novel adaptation of the play to the movie – however, the movie still includes the original play, which remains copyrighted; all that expired were the elements needed to adapt the play to the screen – Δ 's distribution of the film on videotape constitutes infringement of the unexpired copyright to the play, and Δ will be permitted such royalty- and license-free distribution once the copyright on the play expires

b. Statutory Rights

- Legislative history of Copyright Law Revision (1976): Copyright Law §106 grants authors the exclusive rights of reproduction, adaptation, publication, performance, and display – these rights are broad, cumulative, and overlapping, and may be licensed to separate entities, but they are subject to limitations set forth in §107-118 – reproduction: transmitting the work to any other medium from which it can be perceived, produced, or otherwise communicated for a period of more than transitory duration, either in whole or in part, directly or with the aid of a machine or device; includes duplication, imitation, and simulation; applies to all media forms – adaptation: preparation of derivative works; includes translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form of recasting, transforming, or adapting; applies to all media forms – publication: distribution of copyrighted work to the public by sale, gift, transfer of ownership, rental, lease, or loan; is limited by the “first sale” doctrine; applies to all media forms – performance: the right to public performance of “literary, musical, dramatic, or choreographic works, pantomimes, motion pictures, and other audiovisual works and sound recordings”; not limited to “for profit” performances – public display: simply as written; applies to “literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works” – terms used in copyright act: these terms are intended for broad interpretation: “public display” includes a live telecast of a copyrighted work, and also the later public broadcast of a recording of that work; “performance” includes both directly or via a machine, e.g., singing or playing a pre-recorded song; “public” means any place open to the public, or in which a substantial number of people outside of one’s family and acquaintances, and even includes “semipublic” places like clubs, lodges, summer camps, and schools
- Goldstein, *Preempted State Doctrines, Involuntary Transfers, and Compulsory Licenses: Testing the Limits of Copyright* (1977): Compulsory licensing seems to be a result of congressional consensus, not economic policy – legally, compulsory licensing descends from the equity principle that rights won’t be enforced if they cause harm disproportionate to the benefit – however, copyright compulsory licensing differs by setting a fixed rate open to all, instead of (as with patents) creating a license for a specific circumstance – one key problem this was meant to address: cable television importing of distant TV signals, which the FCC had inconsistently protected and punished – copyright law §111 grants cable operators compulsory licenses to certain TV signals, requiring that that “must carry” some local signals and “may carry” others; this section is regulatory in nature, and

- strikes a compromise between station operators and cable operators – §111 also sets forth exemptions and liability for secondary transmissions (e.g., sending over unlicensed use of broadcast spectrum) – §115 states that if anyone allows their work to be recorded (even once), anyone may record it under a compulsory licensing scheme at prescribed fees (the greater of \$0.275/work and \$0.005/minute) – §118 creates a Copyright Royalty Tribunal to set compulsory license fees for published music, pictures, graphics, and sculptures; such licenses must be registered with Copyright Office to be effective – this section originally included literary works and radio/TV broadcasts, but these were removed
- *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.* (1984): Δ operated a video store that (legally) sold tapes to customers – Δ 's stores also included viewing booths, whereby a small group of customers could rent a closed booth with a VCR and TV for viewing any of the tapes in Δ 's collection – π sued, alleging copyright violation based on public performance of their movies – district ct found for π – appellate ct also found for π : copyright owners possess rights to reproduction, adaptation, distribution, public performance, and public display – π 's sale of its movies nullified its right to control distribution of the videotapes, but it retained the other rights – the primary question is whether this constitutes a “public performance” – first, “public” means “a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered” – Δ 's booths qualify under the first category, in light of the legislative history: “a performance made available by transmission to the public at large is ‘public’ even though the recipients are not gathered in a single place; the same principles apply whenever the potential recipients of the transmission represent a limited segment of the public, such as the occupants of hotel rooms” – the key problem is that any tape that Δ owned could be viewed by a large number of people, albeit in serial; this fits with Nimmer's definition of “public performance” as including the case where “the same copy of a given work is repeatedly played by different members of the public, albeit at different times” – Δ contends that its service was exempted under the “first sale” doctrine (copyright act §109(a)), which allows “the owner of a particular copy or phonorecord or any person authorized by such owner to sell or otherwise dispose of the possession of that copy or phonorecord”; but Δ 's service didn't include a “sale” of the videotape to its customers, and Δ retained ownership of the tapes
 - *Cass County Music Co. v. Muedini* (1995): π , ASCAP, had licensed its works to a number of radio stations, under the proscription that they could not have their transmissions rebroadcast – for small businesses (e.g., restaurants) that wanted to broadcast radio to its customers, π offered an annual license of \$375 – Δ operated a large restaurant that refused to acquire a license; π sued, but even though Δ failed to appear, ct dismissed claim – appellate ct found for π : the main obstacle to π 's complaint is copyright act §110(5), which permits “communication of a transmission embodying a performance or display of a work by the public reception of reception on a single receiving apparatus of a kind commonly used in private homes, unless (a) a direct charge is made to see or hear the transmission, or (b) the transmission is further transmitted to the public” – legislative history

- includes an exemption to “allow the use of ordinary radios and television sets for the incidental entertainment of patrons in small businesses or other professional establishments,” based on the finding in *Twentieth Century Music Corp. v. Aiken* (1975) that prohibiting such conduct is “practically unenforceable” – however, *Aiken* imposed a four-part test for this exemption: “available only if (1) a single receiving apparatus is used, (2) the single receiving apparatus is of a kind commonly used in private homes, (3) the transmission is provided free of charge, and (4) the transmission is not ‘further transmitted’ to the public” – the size of the establishment was also considered relevant, and a business may be excluded from the exception by using non-“home-style” equipment – here, the problem with Δ 's conduct is the use of a large, professional-quality broadcast system with nine speakers and several amplifiers, which clearly is not a “home-style” device
- Follow-up cases to *Redd Horne*: *Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc.* (1989) held that rental of laserdiscs to hotel guests for use in hotel rooms was not a “public performance”: “while a hotel may indeed be ‘open to the public,’ a guest’s hotel room, once rented, is not” – however, *On Command Video Corp. v. Columbia Pictures Industries, Inc.* (1991) held that allowing customers to select a videotape and then broadcasting it to their hotel room *does* constitute “public performance”; court emphasized that “public performance” explicitly includes “precisely the sort of single-viewer system developed by [the broadcasting company]” – it’s difficult to reconcile these cases and delineate “rental” from “public performance”
 - Library photocopying: §108 creates exceptions for libraries to make copies for archival purposes and photocopying by users, so long as they don’t become sources of “systematic reproduction of copyrighted works” – libraries may also engage in photocopying for interlibrary loan purposes, so long as held below “aggregate quantities as to substitute for a subscription to or purchase of such work” – this limitation was clarified by putting specific limits on activity (no more than six copies of an article per year within the five years following publication)
 - Distribution rights and first-sale doctrine: §106(3) grants consumers a “first sale” right: “the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord” – however, under §109(b), no one can “rent, lend or lease” a phonorecord without permission; this was done out of concern about rental chains that also sold blank audio cassettes, tacitly (sometimes overtly) encouraging copying – similarly, Congress amended §109(b) to also ban the rental of computer software in 1990
 - Jukeboxes: 1909 Act completely excluded them from copyright law – 1976 Act §111 set up a compulsory licensing scheme, where jukebox owners pay copyright owners an annual fee – 1988 Berne Implementation Act amendments further encouraged jukebox owners to reach a voluntary licensing scheme with copyright owners, but permitted fallback to compulsory licensing
 - Rights in sound recordings: Copyrights for sound recordings were completely unavailable until 1972 Act, which allowed rights but withheld exclusive right of

- public performance (playing) of the recording – this was eventually allowed with the Digital Performance Right in Sound Recordings Act of 1995, which added §114(j) granting an exclusive right “to perform the copyrighted work publicly by means of a digital audio transmission”
- Display right: 1976 Act §106(5) created a right of public display of copyrighted works – this was not intended to prohibit people from publicly displaying purchased copies of such works, but to prevent “indirect” display of images in such a way that the public could copy the public display
 - Copyright arbitration royalty panels: 1976 Act created a five-member Copyright Royalty Tribunal to set terms for compulsory licenses (cable transmissions, mechanical reproduction of musical compositions, jukebox performances, and public broadcasting) – however, it became apparent that a full-time body for this task wasn’t needed, so Congress dissolved it in 1993 and created an *ad hoc* royalty determination process, with panels appointed by the Library of Congress and the Register of Copyrights
 - Legislation in the face of technological change: Copyright law has struggled to keep up with the explosion of new media types, and with the interplay between copyright principles and federal regulations (e.g., cable broadcasting) – the usual pattern of evolution consists of (a) a new technological development, (b) use of the development in the context of a copyrighted work, (c) filing of lawsuit by the copyright holder alleging infringement, (d) judgment that the copyright law doesn’t provide enough guidance to extend copyright to the new technology, and (e) congressional action to amend the copyright act – this puts congress in a compromising or arbitrating position, and accordingly the law is styled as a compromise (e.g., compulsory licensing)
 - Collecting societies: Copyright owners often cooperate as an industry by creating societies like the American Society of Composers, Authors and Publishers (ASCAP) – by 1995, ASCAP distributed \$300 million in royalties for music licenses to its 50,000 members (music publishers and composers) – both ASCAP and Broadcast Music, Inc. (BMI), a similar group of broadcasters, faced antitrust claims and formulated consent decrees with the federal government that impose some regulations – similarly, libraries and publishers cooperated to form the Copyright Clearance Center, which grants licenses for photocopying using two mechanisms: the Transactional Reporting System (the first page of each work contains a notice of CCC involvement and instructions for paying fees for copying) and the Annual Authorization Service (annual licensing fees based on CCC auditing of copying activity)
- c. Secondary Liability**
- *Sony Corporation of America v. Universal City Studios, Inc.* (1984): π , Universal City Studios, sued Δ , Sony, for manufacture of Betamax recording equipment, which it alleged was used to duplicate its copyrighted works, and therefore conducting secondary infringement – trial ct found for Δ ; appellate ct reversed and found for π – Supreme Ct found for Δ : most consumers appear to use Δ ’s equipment for “time shifting” of recordings to view television programming at more convenient times – granting π the right to enjoin Δ ’s work, collect royalties on equipment sales, etc. would substantially extend the rights inherent in

copyright – patent law allows claims against anyone who “actively induces infringement of a patent,” but no such secondary infringement right exists in copyright law – this does not preclude extending liability, e.g. vicarious liability, but this claim faces a more difficult test – π relies on *Kalem Co. v. Harper Bros.* (1911), which dealt with a company that produced an unauthorized movie adaptation of the book *Ben Hur* that was sold to others who publicly displayed the work; there, the Court affirmed vicarious liability for infringement of the producer for public display by others – however, in that case, the liability stemmed from the preparation of a work to be used solely for the infringing activity – π 's argument that Δ is liable for producing the “means” of copyright infringement must fail in the absence of more direct contribution to the infringement (e.g., under patent law, a device will be found to contribute to infringement only if the device “has no use except through practice of the patented method”) – hence, the critical question is whether an accused good is whether the accused device can be put to a “significant” number of non-infringing uses – Δ 's recorders are put to many uses: copying uncopyrightable works, copyrighted works where the copyright owner does not object, and copyrighted works where the copyright owner does object; this meets the test set forth above – in the absence of evidence that Congress intends to prohibit time-shifting (which it may do at a later date), this use can't be held as infringement – no evidence that Δ encouraged infringement with its equipment – this decision rests on the balance between a copyright owners' rights and the public interest in purchasing the accused device

- *Fonovisa, Inc. v. Cherry Auction, Inc.* (1996): Δ ran a flea-market business that was repeatedly raided for copyright violation by sellers, including sale of counterfeit copies of works – after several incidents, π sued Δ for secondary liability; ct relied on *Hard Rock Café* to dismiss claim – appellate ct allowed π 's claim: Δ is liable on three grounds: vicarious copyright infringement: *Hard Rock Café* dealt with the case where the flea market operator had no knowledge of Δ 's activity, but here, Δ was repeatedly busted for copyright infractions – *Shapiro, Bernstein & Co. v. H.L. Green Co.* (1963) is the leading case for secondary liability for trademark infringement, on which *Hard Rock Café* also relied – in *Shapiro*, the court considered two lines of analogous cases: landlord/tenant model (landlord can't be held accountable for infringement by tenant if landlord had no knowledge of it and exercised no control over tenant's use) vs. “dance hall cases” (dance hall owner was responsible for infringing performances even absent knowledge, because it controlled the premises and had a direct financial stake in the proceedings) – *Shapiro* applied the latter line to affirm liability of a department store for sale of counterfeit merchandise by one of its concessionaires, citing the store's ability to evict the concessionaire and its financial stake in the outcome – the test to be applied: “even in the absence of an employer-employee relationship, one may be vicariously liable if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities” (*Gershwin Publishing Corp. v. Columbia Artists Management, Inc.* (1971)) – trial ct applied this test in finding that Δ neither employed its sellers nor benefited from the transaction – however, “employment” isn't the key test; Δ

reserved an unrestricted right to evict sellers that breached policies (including copyright/patent infringement), and this is adequate “control” for vicarious liability – also, Δ benefited from food sales, parking and attendance charges, and rental fee by sellers; this is sufficiently direct to constitute “financial benefit” in infringement – contributory copyright infringement: as per *Geshwin*, “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer” – here, Δ obviously had knowledge of the activity, and “contributed” by providing all of the organization and support services of the swap meet – this is also demonstrated by Δ ’s failure to cooperate with police in gathering names of vendors – contributory trademark infringement: as per *Inwood Labs*, contributory trademark infringement exists where (a) Δ intentionally induced another to infringe trademark or (b) Δ continues to supply a product after learning that its recipient is using it for trademark infringement – this case differs from *Hard Rock Café* in that those swap meets had no knowledge of trademark infringement, whereas Δ in this case clearly did but kept renting flea-market booth space to the vendors – “a swap meet cannot disregard its vendors’ blatant trademark infringements with impunity”

- Patent law analogy: Justice Blackmun, in a *Sony* dissent, argued that patent law concepts should be “imported wholesale” into copyright law for contributory infringement – apparently suggested the same test (“if a significant portion of the product’s use is noninfringing, the manufacturers and sellers cannot be held contributorily liable for the product’s infringing uses”), but reached a different opinion on the facts – however, *Sony Ct* relied on an analogy to patent law for infringement analysis rather than trademark law, which would have been even more adverse to Universal’s claim
- Secondary liability and digital online services: Electronic transmission via computer has greatly lowered the barriers for copyright infringement, and copyright holders have sought to impose secondary liability on network service providers – *Religious Technology Center v. Netcom On-Line Communication Services, Inc.* (1995) considered “an issue of first impression regarding intellectual property rights in cyberspace,” involving secondary liability of Netcom, a large ISP, by hosting a bulletin board service containing copyrighted works to which other network users could subscribe – ct found for Δ on both claims of direct infringement (holding that “countless” ISPs would face liability) and vicarious infringement (although Δ had knowledge and control of infringer’s activity, it did not have a financial stake, since it just received a fixed fee for any use of its service)

d. Fair Use

- *Harper & Row Publishers, Inc. v. Nation Enterprises* (1985): π prepared a manuscript of Gerald Ford’s memoirs about Watergate and the Nixon pardon (no new facts presented, just “reflections” on the events) and granted Time Magazine an exclusive story on the memoirs – Δ obtained an unauthorized copy of the manuscript and “scooped” Time Magazine with its own article, and as a result, Time Magazine canceled its agreement – π sued Δ for infringement of its unpublished work, and Δ raised a fair-use defense – trial ct found infringement,

finding that Δ had pirated “the heart of a soon-to-be-published work” and caused direct and measurable economic harm – appellate ct reversed and found for Δ , finding that Ford’s verbatim statements were copyrightable “expressions,” but disagreed the “coupling with uncopyrightable facts transformed that information into a copyrighted ‘totality’”, and sought to avoid this “coupling” by limiting copyright to the “barest elements of expression – the ordering and choice of the words themselves” – thus, appellate ct concluded that Δ ’s article was primarily factual, and used verbatim quotations merely to “lend authenticity to this politically significant material, complementing the reporting of the facts” – Supreme Ct found for π : this case reflects the balance throughout copyright law between the rights of the public (including news reporters) and the “bundle of rights” extended to authors - §107 sets forth some “fair use” rights, including the free use of facts and ideas included in prior works, but nevertheless a nonfiction work as a whole is copyrightable – thus, the split of opinion in the lower cts reflects subjectivity over whether the use of factual elements in π ’s manuscript encroached on the expression as a whole – however, this subjective question need not be considered, since 13% of Δ ’s article arises verbatim from π ’s manuscript, and has seized (without compensation) the right of first publication, which doesn’t look like fair use – fair use stems from common-law principles creating “a privilege in others than the owner of the copyright to use the copyrighted material in a reasonable manner without his consent”; this stems from the question, “would the reasonable copyright owner have consented to the use?” (Professor Latman, preparing a report on fair use for *Sony Corp. v. Universal City Studios, Inc.*) – this concept dates back to *Folsom v. Marsh* (1841), regarding letters of George Washington: “a reviewer may fairly cite largely from the original work for the purposes of fair and reasonable criticism; on the other hand, if he thus cites the most important parts of the work, with a view not to criticize but to supersede the use of the original work, and substitute the review for hit, such a use will be deemed in law a piracy” – this reasonableness standard attaches to published works, but for *unpublished* works, the author holds absolute ownership, and fair use does not attach – Copyright Act of 1976 §106(3) first recognized a “right of first publication,” recognizing the value in being the first publisher of the work – while this right is subject to fair use, the “unpublished” nature of the work is important (a work that’s out of print or simply unavailable is subject to stronger fair-use rights, e.g. reproduction for classroom use, than one that is due to publish) – four elements identified by Congress in permitting fair use: (1) purpose and character of the use, (2) the nature of the copyrighted work, (3) the substantiality of the portion used in relation to the work as a whole, and (4) the effect on the market or value of the copyrighted work – analysis: (1) Δ ’s use is solely for news reporting, and is specially protected, but this is only one element; Δ had a right to seek first publication right, but not a right simply to seize it – also, Δ ’s use in a for-profit publication differed from nonprofit publication of news, thus creating a financial incentive in Δ for infringement; fair-use rights are always more limited for commercial uses than for noncommercial uses – (2) the copyrighted work sued was a set of Ford’s quotes taken verbatim – although in limited instances, his expressions are integrally tied to the underlying facts (e.g.,

- his characterization of the Watergate tapes as the “smoking gun” in the case), most of the used quotes are not so entwined – of course, the author of an unpublished work has very strong rights in the manner of the first publication of that expression (including the decision whether or not it should be published at all) – this proposition is evidenced by agreements between π and Gerald Ford to keep the manuscript confidential until publication by π , etc. – moreover, Δ ’s form of publication was riddled with errors and inaccuracies, and this is exactly the kind of “quality control” that the first-publication right protects – (3) although the quoted portions cited in Δ ’s work are only a small portion of the whole manuscript and of Δ ’s article, “no plagiarist can excuse the wrong by showing how much of his work he did not pirate” (*Sheldon v. Metro-Goldwyn Pictures Corp.* (1936)) – the appellate ct was correct in characterizing the quotes as “essentially the heart of the book” (and of course, this is why Δ chose them) – this factor is strengthened by Δ ’s testimony that it used quotes verbatim because they eloquently captured Ford’s view of these events – (4) the act focuses on “the effect of the use upon the potential market for or value of the copyrighted work” – this factor is intended to prevent harm to the potential market for an unreleased work: “a use that supplants any part of the normal market for a copyrighted work would ordinarily be considered an infringement” – Δ ’s article obviously damaged the market for the manuscript, as evidenced by Time Magazine’s reaction
- *Campbell v. Acuff-Rose Music, Inc.* (1994): π , Acuff-Rose Music, Inc., held rights to Roy Orbison’s “Pretty Woman” song – Δ , Two Live Crew, created a parody of the song and sent a copy to π with permission to release the parody and a request to license the song, both of which π declined – Δ released the song anyway, and π sued for copyright infringement – trial ct granted summary judgment to Δ , claiming that it fell within the bounds of fair use – appellate ct found for π , citing the commercial nature of the parody as a basis for withholding fair use, especially since Δ had “taken the heart of the original and made it the heart of a new work” – Supreme Ct found for Δ : absent a successful defense of fair use via parody, Δ ’s work unquestionably infringes π ’s – fair-use concepts stem from English court interpretation of the Statute of Anne, whereby the courts found that some “fair abridgments” of a copyright owner’s work would not infringe – though not mentioned in the Copyright Act of 1790, the 1976 Act §107 states that “the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other mean specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright,” and set forth four relevant factors: (1) the purpose and character of the use (does the new work mere “supersede” the original, or does it add something new?), (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole, and (4) the effect of use upon the potential market or value of the copyrighted work – Congress intended this section to codify jurisprudence of fair use without making fundamental changes – analysis: (1) parodies like Δ ’s clearly have a transformative quality that fair use seeks to protect – true parodies imitate a prior work in order to cast it in a critical light; thus, more than mere copying is involved (which differs from satire, which

stands completely on its own merits and cannot borrow from the previous work) – Δ’s work parodies the blandness of the original song and the naiveté of its lyrics, and even if it’s kind of tasteless, it nevertheless qualifies as a parody – appellate ct diminished this aspect in light of the commercial nature of the parody, but this is only one factor; if this were dispositive of the issue, many other fair uses could similarly be denied (news reporting, education, criticism, research, etc.) – (2) π’s copyright on its work is clear and undeniable, but this isn’t that helpful, since most fair uses will be uses of copyrighted works – (3) all parodies have to borrow enough from the original to be reminiscent of it; as long as the work adequately parodies what is borrowed, fair use protects a modicum of borrowing if it doesn’t take more than necessary to parody the original – Δ’s work took the musical bass line and the first few lines of lyrics, but quickly diverged to new (parody) lyrics and added distinctive noises to the characteristic music – (4) regarding the market effect, the appellate ct had relied on *Sony* to presume π’s market harmed by Δ’s use – this is proper when the infringing work is merely a duplication of the work, but is inadequate for transformative works like parody, which usually serves a different market – certainly parody may harm the original work by ridiculing it, but this is not the kind of harm cognizable under copyright law – this is the difference between derivative works that borrow for the purpose of market substitution, and parodies that borrow for the purpose of criticism – cts have recognized this by noting that there is no “derivative market” for criticism; few copyright owners are willing to create derivative works that criticize their other products – here, Δ’s work has no bearing on the market for rap derivatives of π’s original work – this should be determined in a full trial

- Fair use: As outlined above, fair-use rights must approximate the described uses (“criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research”) – *Sony* also included time-shifting via VCR as a fair-use right – in *Campbell v. Acuff-Rose Music*, Blackmun dissented to observe that these fair uses all constituted “productive” uses, not “ordinary” uses for purposes like entertainment – decisions are inconsistent on whether or not this diminishes fair-use rights; e.g., cts observe that for-profit companies regularly engage in all of these uses for commercial purposes – nature of the copyrighted work: the two most important observations in this factor are fictional vs. factual, and published vs. unpublished; in particular, authors have very strong rights in unpublished works – amount and substantiality of the portion used: cts look to both quantity and quality of the borrowed portion; e.g., using four notes and two words from a 100-measure musical work is not fair use – also, the context of the fair use affects the amount of permitted borrowing; more can be quoted in a critical book review or news report – e.g., *Harper & Row* noted: “with respect to the motivation for [Nixon’s pardon], Mr. Ford’s reflections and perceptions are so laden with emotion and deeply personal value judgments that full understanding is immeasurably enhanced by reproducing a limited portion of Mr. Ford’s own words” – market effect: this factor is very difficult to assess, especially if the fair use is in an altogether different market – it’s not always even relevant, since (as noted in *Campbell*) the harm is only inappropriate if the use is not a fair use

- Parody and satire: *Campbell v. Acuff-Rose* had much Ct opinion on satire vs. parody – some argue that satire should have no special fair-use rights, because satire seeks to make social commentary using a copyrighted work as a vehicle, which (a) the copyright owner may not be reluctant to license, and (b) should be interchangeable with other copyrighted works for the purpose of the satire
- Classroom photocopying: Congress declined to create a special exemption for photocopying articles for classroom use, but did recognize that teachers have greater fair-use rights for copyrighted works – thus, §504(c) sought “to provide innocent teachers and other nonprofit users of copyrighted material with broad insulation against unwarranted liability for infringement” – various groups of authors and educators subsequently cooperated to create the “Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions with Respect to Books and Periodicals,” which Congress approved as a good description of classroom fair-use rights
- Fair use and the problem of transaction costs: Prof. Wendy Gordon (Columbia Law Review) posited that fair use rights are extended by courts in cases where copyright owners can’t be relied upon to grant access to works for socially desirable uses – three main factors: the work is unavailable for licensing, the defendant’s use was socially desirable, and the copyright owner isn’t substantially and unfairly hurt by the use
- Fair use and the First Amendment: Several defendants, including Nation Enterprises in *Harper & Row v.*, have attempted to raise First Amendment rights to prop up fair-use claims – however, the courts have recognized that fair-use rights are balanced against the rights of “authors” as codified in Article 1 – much has subsequently been written about this juxtaposition

2. Remedies

- Legislative history of Copyright Law Revision (1976): Injunctions: §502 allows several kinds of injunctions (preliminary, temporary, interlocutory, permanent, final), and these are pretty typical – impounding and disposition of infringing articles: §503 allows courts to order accused works impounded, and if found to be infringements, the court can order them to be destroyed or otherwise disposed (the court has latitude in specifying how) – damages: §504 permits damages to be calculated as *either* actual damages + unjust profits (however, the actual damages and unjust profits must be demonstrated as “attributable to the infringement” to be recoverable, but the burden is usually on the defendant to prove that the profits or damage was unrelated), *or* statute-specified damages (between \$250 and \$10,000 for each incident of infringement) – this choice must be elected by π before final judgment of the court – cts still have freedom to fit the calculations to the circumstances of the case – costs and fees: the court can award costs and attorney’s fees to either party, but can’t be awarded for or against the U.S. government – criminal offenses: four criminal offenses created by court’s rationale: willful infringement for profit, fraudulent use of copyright notice, fraudulent removal of copyright notice, and false representation regarding a copyright application; maximum fine of \$10,000 + one year of imprisonment per incident (but increased for motion-picture copying) – statute also specifies some

- particulars about these cases (statutes of limitations, plaintiffs who may have standing, etc.)
- *Stevens Linen Associates v. Mastercraft Corp.* (1981): π and Δ , upholstery manufacturers, vied over π 's copyrighted design for one kind of fabric, which ct found Δ had violated – π elected to seek actual damages (no lost profits, since Δ had lost money on the sale of the infringing goods), and offered several different metrics of harm: (a) Δ 's increased sales, (b) π 's lost sales based on its diminished returns compared with predictive analysis, (c) evidence of how many of its customers also bought Δ 's infringing fabric, and (d) comparison of sales of its infringed design and sales of other kinds of fabrics – trial ct rejected all of these analyses as speculative – appellate ct reversed and awarded actual damages: of course some speculation is always necessary to determine actual damages, but the third and fourth calculi are good indicators of market behavior in light of the infringement, and thus good measures of damage
 - *Cream Records, Inc. v. Jos. Schlitz Brewing Co.* (1985): Δ approached π to license the theme song for Shaft for a television advertisement; π offered an exorbitant license fee, and Δ declined – Δ then sought the services of codefendant, advertising firm Benton & Bowles, who prepared an ad featuring ten notes (13%) of the theme song, and Δ ran the ad without π 's permission – π sued for copyright infringement, and ct entered verdict for π – in awarding damages, π showed that Δ made \$4.87MM during the advertisement period, reduced by 13% to account for the portion of the song used, and asserted that 10% of this profit was due to the song; thus, π sought damages of \$66,800 – ct awarded only \$17,000, arguing that Δ 's infringement was minor and that the amount of extra profit Δ probably earned was “minuscule” – π also sought damages against codefendant Benton & Bowles, but ct stated that this damages figure includes relief against it, and noted that Δ could shift some of the damage to Benton & Bowles – appellate ct affirmed in part, modified in part: of course, π is not entitled to all of Δ 's profits (as it acknowledges in its calculation) merely by showing infringement – thus, the district court must make speculative guesses about factors like “profit attributable to infringement,” and is afforded broad latitude in this speculation – this ct's determination was not clearly erroneous, and is thus upheld – however, ct erred in declining to award separate damages against Benton & Bowles, which separately profited from the infringement
 - Damages: Prior to 1976 Act, cts were split on whether damages and profits were alternative means of recovery or cumulative means – this was resolved by allowing all damages, and all profits that weren't already covered by damages – of course, §504(c) also creates opportunity for statutory damages – measure of damages depends on whether the infringer directly competes with the copyright owner: if so, damages = lost sales; if not, damages = reasonable royalty rates for having licensed the copyrighted expression for the infringer's use – profits are usually apportioned based on how much profit derived from the infringement, and how much derived from other (lawful) factors – in cases of indirect profits, as in *Cream Records* (e.g., infringement was for the purpose of advertising), cts must speculate on the contribution of the infringement to the infringer's extra profits

- Attorney's fees: cts may award these in cases of "bad faith": plaintiff's primary motive is harassment, or has no reasonable case; defendant refused to accept a reasonable settlement, or has no reasonable defense – old standard was that π was due damages whenever it won, but *Fogerty v. Fantasy, Inc.* (1994), in which Supreme Ct required cts to use the same standard for plaintiffs and defendants in awarding attorney's fees
- Injunctions: Copyright owners can usually obtain a preliminary injunction usually by showing validity and infringement; showing of irreparable harm not usually necessary (but can be helpful) – this low threshold may be due to the typical insolvency of infringing parties – permanent injunctions are also available, and the infringer may be enjoined either from removing the part of his work that contains the infringement, or from releasing any part of his work if all of it infringes – if the infringement is minor, an injunction may be withheld on equity grounds (it's unfair to cause great harm to Δ in order to grant π a small benefit)
- Criminal sanctions: Willful infringement (not only knowingly copying, but knowingly infringing the copyright) can create criminal penalties – see §506(c)-(e) for penalties for fraudulent placement or removal of copyright notices, false misrepresentation of material fact in a copyright registration application

D. Infringement

- Prima facie elements: *Arnstein v. Porter* (1946): Two elements of infringement claim are (a) proof of copying and (b) proof that copying constituted improper appropriation, i.e., infringement – the fact of copying is usually proven either by defendant's admission, or by circumstantial evidence (access to the copyrighted work and sufficient similarity to deduce copying) – proof of improper appropriation is usually shown simply by demonstrating a valid copyright
- Goldstein, *Copyright* (1996): Two elements of infringement claim are (a) proof of copying and (b) proof that copying constituted improper appropriation, i.e., infringement – the fact of copying may be proven either by showing evidence of actual copying or "that the defendant had plaintiff's work in mind when he composed the allegedly infringing work" – appropriation is shown by evidence that (a) at least some of the copied elements are protected by copyright, or (b) the audiences will find substantial similarity in the elements of each work – thus, similarity plays into both elements (proof of copying and proof that copying was improper), and near-identical copying will satisfy both elements – relief is proportional to findings of the amount and degree of copying, which in turn stems from the overall purpose of the copyright system to reward "original expressions" (if part of Δ 's expression is original and part taken from π , recovery will only be for the "un-original" part taken from π) – the hardest cases are those involving copying of structure or themes; cts are reluctant to find infringement in these cases, since this would grant π a monopoly on literary elements (the "ideas" contained in the expression) – even works that are identical in themes and structures will not be found to infringe, so long as neither author had access to the other's work and copying did not occur
- Improper appropriation: In *Sid & Marty Krofft Television Productions v. McDonald's Corp.* (1977), Ninth Circuit suggested two kinds of tests for determining appropriation: intrinsic tests (the reaction of the "ordinary reasonable

- person,” an issue of fact and not a topic for expert testimony) and extrinsic tests (dissection of the work to separate idea from expression, with analysis of the expressive elements using specific criteria; appropriate for expert testimony) – however, the intrinsic approach doesn’t separate ideas from expression, and this conflation is encouraged by the “overall similarity” audience test proposed by the court – these tests are used mostly in name, with no really substantive testing involved
- Copying: Proof of access lowers the bar for proving similarity in order to establish copying (*Morse v. Fields* (1954): “when access is established a lesser degree of similarity is required”) – conclusive proof of copying is the copying of errors in the source work to the destination work, and authors often plant such “watermark” errors in their works to trap copiers (especially useful in factual references)
 - Expert testimony: Experts in composition may be able to point to subtle structural similarities or dissimilarities that bear on copying, and to testify to elements that are and aren’t protectible – however, testimony inadmissible regarding audience reaction, which is an issue of fact
 - Strict liability: Prior to 1976 Act, courts imposed strict liability on copying (i.e., in the absence of knowledge that the source work was copyrighted) – *De Acosta v. Brown* (1944): “the protection accorded literary property would be of little value if it provided insulation from damages by a publisher by merely refraining from making inquiry” – 1976 Act reduced statutory damages where “the infringer was not aware and had no reason to believe that his or her acts constituted an infringement” – in working with publishers, authors are often asked to guarantee that their work does not infringe any other, and to indemnify and defend the publisher in case of infringement
 - Medium of work: The types of works at issue usually vary the degree of protection afforded – e.g., since fewer musical elements and themes are available in music than in literature, copyright is more limited (to prevent some common elements from being removed from the public domain) – stories are usually linear, and need to be handled as a series of portions; graphics, and even more so sculptures and architecture, are multi-dimensional works that need to be evaluated as a whole

1. Literature

- *Nichols v. Universal Pictures Corp.* (1930): π and Δ produced similar plays dealing with a feud between a Jewish parent and an Irish parent whose children secretly marry against their wishes – π ’s involved a wealthy, highly religious Jewish father who protested his son’s choice of a Catholic wife, and an Irish Catholic father who similarly protested his son’s choice of a Jewish daughter, with the feud resolved by mutual concern for their grandchildren – Δ ’s involved a non-religious poor Jewish father who inherited a great fortune and who protested his daughter’s choice of a poor Irish wife, and a largely indifferent Irish father, with the feud resolved when the Jewish father’s inheritance was found to belong partly to the Irish father – district ct dismissed π ’s copyright infringement suit – appellate ct (Learned Hand) affirmed verdict for Δ : certainly copyright for literature cannot be strictly limited to the literal expression; heavily borrowing

plot elements and characters can be grounds for infringement – the test is to produce the most detailed summary that matches both works: at one extreme, an identical copying of every plot element is infringement; a vague, general copying of a topic (a love story during WWII) is not infringement – this test is not easy to apply, but it focuses on whether the shared elements are merely common elements of such works, or were specifically developed and then copied – here, the commonality is limited to very common themes, even dating back to Romeo and Juliet, and differ in their particulars enough to warrant dismissal of claim (religious vs. financial motivations; different levels of detail; different personalities; etc.) – if Δ copied anything (which is not proven), he only copied elements that are not copyrightable

- Subspecialties within literature: Literature will be treated differently from instructional manuals (where a noticeable “style” actually detracts from the purpose of the work), and the scope of copyright is different (society has an interest in many pedagogical works teaching the same topic in different but similar manners – hence, narrower copyright – but less interest in very similar literature works – hence, broader copyright)

2. Music

- *Selle v. Gibb* (1984): π produced a song called “Let It End” in 1975, performed it a few times in Chicago with his band, and sent demo tapes and sheet music to eleven companies (most of which returned it) – later, Δ , the Bee Gees, produced “How Deep Is Your Love,” which π found “strikingly similar” to his own work – at trial, π relied on a professor of music at Northwestern University, who presented a detailed analysis of the two tunes showing identity or great similarity between most of each work, and who observed “such striking similarities that they could not have been written independent of one another” – Δ denied lack of access to π ’s song, and produced a long working tape of their sessions while they created the song, showing a step-by-step evolution from first notes to a fully-fleshed-out song – trial ct found for Δ , holding – appellate ct affirmed finding for Δ : this case hinges on proof of access – π ’s evidence boils down to similarity analysis, which is good circumstantial evidence of access, but which may be defeated by actual evidence of non-access – even if similarity is so striking that it permits an inference of access, π must show at least a reasonable mechanism for how that access occurred – as trial ct held, “to support a finding of access, plaintiffs’ evidence must extend beyond mere speculation or conjecture” – see *Twentieth Century-Fox Film Corp. v. Dieckhaus* (1946): π ’s claim for infringement of works with “striking similarity” dismissed because dissemination of π ’s book was very limited, and every person who received a copy of the book denied having given it to Δ – this test may be difficult where the predecessor work was widespread, leading to a presumptive conclusion of access (*ABKCO Music, inc. v. Harrisongs Music, Ltd* (1983): George Harrison’s song “My Sweet Lord” found to infringe a prior work that had been popular in the U.S. for five weeks at the time of Harrison’s authoring) – here, π ’s dissemination of his work was “virtually *de minimis*,” and trial ct properly found that possibility of access was extremely remote – this verdict is also reached by a traditional, “striking similarity” analysis: π ’s expert incorrectly focused on the number of notes

appearing in both compositions – correct test: “plaintiff must show that they are the sort of similarities that cannot satisfactorily be accounted for by a theory of coincidence, independent creation, prior common source, or any theory other than that of copying” – thus, a proper analysis includes the uniqueness of the sections allegedly copied, and evidence that the similarity is sufficiently unique or complex to suggest that the parties didn’t both copy it from a prior source – thus, π ’s expert should have testified about the uniqueness and complexity of the two compositions; failure to do so weakens the proposed conclusion – here, the shared portion is also similar to many disparate former works, including Beethoven’s 5th Symphony – thus, π ’s complaint fails due to lack of access, Δ ’s evidence of independent creation, and inadequate proof of “striking similarity”

3. Visual Arts

- *Steinberg v. Columbia Pictures Industries, Inc.* (1987): π created a distinctive drawing for the New Yorker magazine, depicting in sketch style a section of Manhattan with a large swath of the world shown beyond in bare detail, thereby illustrating New York’s myopic view of the world – a producer for Δ , who enjoyed this perspective, used basically the same drawing (with sketchy style, and even similar font) to advertise the movie *Moscow on the Hudson*, and π sued for copyright infringement (even admitted having a copy of π ’s picture on the wall, and directing the advertising artist to use it as inspiration) – district ct granted summary judgment to π : π has obviously shown copying and access, so the sole issue is whether the copying was “improper,” which is usually tied to a finding of “substantial similarity” – the crucial test is “whether an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work” (*Ideal Toy Corp. v. Fab-Lu Ltd.* (1966) – this test does not focus on elements, since “the copying work need not be of every detail so long as the copy is substantially similar to the copyrighted work” (*Comptone Co. v. Rayex Corp.* (1958)) – of course, copyright infringement does not cover the “idea” of a work, but its expression; certainly similar views of the city do not (without more) infringe each other, but may be relevant to the overall question – here, Δ ’s copying of the exact angle of view, the sketchy nature of the drawing, the use of a similar font, and the juxtaposition of detailed downtown with a sparse global view together render Δ ’s work “strikingly similar” to π ’s; some features are different, but the overall view is highly illustrative – Δ argues that the details of New York are *scenes a fair* (“incidents, characters, or settings which, as a practical matter, are indispensable or standard in the treatment of a given topic”); but Δ might have chosen to portray New York in any number of ways, and his choice of one that mimicked π ’s drawing violated π ’s copyright
- *Gross v. Seligman* (1914): An artist named Rochlitz created a painting involving a model in a particular pose and assigned it to π – two years later, Rochlitz created another painting involving the same model in the same pose from the same angle, but smiling and holding a rose, and assigned it to Δ – π sued Δ for copyright infringement, and trial ct found for π – appellate ct affirmed verdict for π : this isn’t simply a case of painting the same model, as any two artists may, or of painting a model in the same pose – even if the results were “strikingly similar,” no “copying” has occurred if one artist ends up reproducing an earlier work of

another (unless the artist set out to copy the earlier work) – this scenario looks like Rochlitz set about to copy his earlier expression in a new work, and it would be very difficult to distinguish the two based on these minor details

E. Rights Beyond Copyright: Moral Right

- Sarraute, *Current Theory on the Moral Right of Authors and Artists Under French Law* (1968): French law extends greater rights to authors by creating, separate from a literary right (equivalent to copyright), a “moral” right, which is closer to a right of publicity: the author holds a certain interest in the tie between the work and his personality – this right involves four factors: the right of disclosure, the right to withdraw or disavow, the right of paternity (to be properly acknowledged), and the right of integrity of the work of art (the right to have its expression and style preserved)
- *Gilliam v. American Broadcasting Companies, Inc.* (1976): π , the Monty Python acting troupe, licensed its series to the BBC under an agreement that required π 's review and approval of editorial changes – Δ subsequently licensed the show from the BBC (under a license permitting Δ to remove content inappropriate for American TV broadcasting), and without π 's consent, ran the show in heavily edited form that, according to π , “mutilated” the show (many commercials, much content removed) – π sued for copyright infringement, and trial ct denied injunction to stop the edited broadcasts (but granted lesser relief requiring Δ to run a disclaimer before the broadcast) – appellate ct authorized issuance of injunction against Δ : the broadcasting of a heavily edited version to American audiences (which were heretofore unfamiliar with Monty Python) could produce diminished interest in the show, causing irreparable harm to π – it also appears that π has a good chance of winning its case, since the license terms to the BBC are clear (and since the BBC can't sublicense to anyone, including Δ , greater rights than those it holds) – this is a case of copyright infringement, not breach of license, as is any use of a copyrighted work that is unauthorized (including by a license) – Δ raises several ineffective defenses: consent by silent ratification (π 's attorney didn't object to the concept of editing the works until they were already airing; however, Δ had reassured π that the works would “not be segmented” and would be shown in their entirety, so π had grounds to rely on that suit until it saw the actual editing), that the edited broadcast is a “joint work” (but current law defines this as “at the time of creation by the first author, the second author's contribution is envisaged as an integrated part of a single work” (*Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.* (1955))), and this doesn't appear to have occurred here), implied consent to edit in order to comply with decency standards (but much of the explicated content would have been acceptable under current broadcasting standards) – separately, π sued for violation of its “moral rights” in the work by the editing; while not explicitly recognized by the copyright act, “the economic incentive for artistic and intellectual creation that serves as the foundation for American copyright law cannot be reconciled with the inability of artists to obtain relief for mutilation or misrepresentation of their work to the public on which the artists are financially dependent” – this is a cognizable claim in the guise of unfair competition under the Lanham Act – Gurfein concurrence: majority opinion recognizes a right under the Lanham Act that is both novel and

- unnecessary, in light of the strong claim of copyright infringement – moreover, this is inconsistent, since the Lanham Act does not deal with artistic integrity but with competitive fairness (e.g., misdescription of authorship) – there’s no reason to deny this revised view of the Lanham Act, but this case fails to present sufficient grounds for this holding
- Moral rights: The Berne Convention (article 6*bis*) recognizes the moral rights of authors, and the U.S.’s failure to recognize this right is a large source of contention – the U.S. argues that the elements of the moral right are embodied by its specific views of copyright (derivative works, public performance, publicity, etc.) – nevertheless, some states and cts have recognized a “moral right” as a state law claim – *Lamothe v. Atlantic Recording Co.* (1988): ct essentially recognized a “right of paternity” under Lanham Act for failure to credit all authors with a work, as a kind of “reverse palming off” (refusing proper identification of the source of the goods of another)
 - Visual Artists Rights Act of 1990: This act grants visual artists the rights of attribution and integrity – however, these rights have many limitations: only apply to “visual works of fine art” (either existing as a single copy, or signed works in numbered editions totaling no more than 200 copies), all significant commercial use of such works is exempted, etc. – this right originally included resale royalty rights (drawing from the French right *droit de suite*), but this was dropped after consideration by the Register of Copyrights – nevertheless, many states have created broader and stronger moral rights through state law, including New York and California

F. Preemption of State Law

- Goldstein, *Copyright* (1996): §301 of the copyright act preempts state laws that purport to award similar rights, if three conditions exist: (a) the state right must be “equivalent to an exclusive right within the general scope of copyright,” (b) the right must be in a work of authorship fixed in a tangible medium of expression, and (c) the work must be subject to copyright – this doctrine can easily be applied regarding common-law copyright rights, but other rights (e.g., the right of privacy (first publication) are more difficult, especially in assessing equivalence – “equivalence” doesn’t just mean unity of purpose, or unity of effects, but rather “the nature of the state right involved and the elements required to make out a prima facie case for violation of the right” (including those claims either broader or narrower in scope) – however, this only applies to works in “fixed medium,” and to media types that copyright law protects; all others may be completely regulated by the state – of course, “ideas” are not protectible by state law even in the absence of federal law, for which doesn’t simply withhold protection but affirmatively denies protectibility
- §301 preemption: Few areas of law are untouched by the preemption doctrine, including contract law, trade secret law, unfair competition laws, rights of publicity, and moral rights – many preemption battles occurred prior to the 1976 copyright act, especially audio piracy by tape recording, which also prompted the 1971 Sound Recordings Act (subsumed into the 1976 copyright act)

IV. Intellectual Property Protection of Computer Programs

- Software, the newest class of intellectual property, has caught the attention of all forms of IP law, but no area is a good fit: trade secret law was primarily used in the early stages of commercial software, but is not compatible with widespread distribution and is vulnerable to reverse-engineering techniques; copyright is a popular form of cheap protection, but is very limited by not covering the functional aspects of the program; patent law is closest to the nature of software, but was ruled untenable by *Gottschalk v. Benson* (1972), moves too slowly to provide effective protection, and has a high standard of proof – many have argued for *sui generis* protection, and Japan almost created such a system, but no such proposal is currently pending

I. Copyright Law

A. Scope of Protection

1. Computer Code

- *Computer Associates International, Inc. v. Altai, Inc.* (1992): π created a software program called CA-SCHEDULER that served as a process scheduler – in order to port CA-SCHEDULER to a wide array of platforms, π created a submodule called ADAPTER that translated general steps into machine-specific instructions – Δ had created a competing package called OSCAR, and in hopes of porting it to a different system, Δ hired away one of π 's employees to write an adapter module – unbeknownst to Δ , the employee brought with him an unauthorized copy of π 's ADAPTER code, and used it while creating an ADAPTER-like module for OSCAR v3.4 – when this product was released to customers, π discovered 30% of its ADAPTER code built into OSCAR and sued for copyright infringement – Δ responded immediately by choosing a new set of programmers (none of whom had worked on the first ADAPTER module) to write a new ADAPTER module without reliance on the prior version or π 's code, and once done, released it to customers as OSCAR v3.5, billing it as a “free upgrade” – Δ conceded liability for v3.4 and agreed with π on damages, but π maintained a claim that v3.5 violated its copyright on the ADAPTER software – trial ct found for Δ on this issue and dismissed claim – appellate ct affirmed verdict for Δ : π 's claim requires proof (1) that Δ had proof of π 's copyrighted work and (2) that Δ 's work is substantially similar to π 's code – no literal infringement exists, since all of π 's code was purged before releasing v3.5 – π contends that software is literary work, that literary works are protected against non-literal infringement, and that the “strikingly similar” structure of v3.5 to that of ADAPTER constitutes non-literal infringement – although π 's work is “literary” in nature, the scope of the work can't be determined from this; the scope of protection against non-literal infringement is a novel question that can only be answered by reference to traditional copyright notions – at its core, copyright law distinguishes “ideas” from “expressions,” in particular (§102(b)) prohibiting copyrighting of “any idea, procedure, process, system, method of operation, concept, principle, or discovery” – in considering copyright protection for software, Congress commissioned a report by the National Commission on New Technological Uses of Copyrighted Works (“CONTU”) – this group recommended permitting copyright on the same basis as other literary works, and Congress accepted this program by adding

“computer programs” to 17 USC §101, but only “to the extent that they incorporate authorship in programmer’s expression of original ideas, as distinguished from the ideas themselves” – in attempting to resolve the difference, the court in *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.* (1986) suggested: “the purpose or function of a utilitarian work should be the work’s idea, and everything that is not necessary to that purpose or function would be part of the expression of the idea”; however, cts have subsequently rejected this formulation as overbroad – instead, an abstraction-filtration-comparison should be used, and is hereby created – abstraction: borrowing from *Nichols*, this step comprises identifying the levels of abstraction by which each program can be described (lowest level: a set of instructions; highest level: a vague description of its functional purpose), and choose the lowest level on which the programs overlap – filtration: remove all non-protectible elements from the copyrighted work, which are of three types: (a) those “dictated by considerations of efficiency so as to be necessarily incidental to that idea” (e.g., if something can be efficiently achieved in only one way, then “the idea and its expression are inseparable and copyright is no bar to copying that expression”); (b) those “required by factors external to the program itself,” which are *scenes a faire* (e.g., one cannot have a play about Nazi Germany without using some depiction of Adolf Hitler); (c) those “taken from the public domain” – what’s left is the expression protected by the copyright, and can be fed into the third step: comparison: this is where the fact and degree of infringement are determined – in this case, π warns that this test will have a chilling effect on development in the field, but as the Supreme Ct reasonably held in *Feist*, copyright is not intended to reward “sweat of the brow” – in carrying out this test, district ct first found the following levels of abstraction: object code, source code, parameter lists, services required, and general organization outline – in evaluating each layer, district ct found no similarity in object or source code; only passing similarity in parameter lists and services required, and only such as was dictated by “external factors” (hence unprotectible); and some similarity in organization outline, but of an “obvious” kind – thus, district ct found no infringement, and no clear error exists in this analysis

- Computer programs as copyrightable subject matter: A computer program is copyrightable as long as it is “original and sufficiently expressive” (*Apple Computer, Inc. v. Franklin Computer Corp.* (1983)) – infringement by copying into another product is determined by the same “striking similarity” standard as in other cases (*Midway Mfg. Co. v. Strohon* (1983): “striking similarity” found in identity of 89% of data in 16,000-byte program), and authors often embed “watermark” traps as in factual works (e.g., including the name of a programmer in the object code) – infringement by unlawful appropriation is determined by the *Computer Associates* test above
- Merger: As noted in *Computer Associates*, if a particular function can only be accomplished in a limited number of ways, the expression will be found to have “merged” with the expression and to fall outside the bounds of copyright – this was a critical issue in *Apple Computer, Inc. v. Microsoft Corp.* (1992) and *Apple Computer, Inc. v. Franklin Computer Corp.* (1984): in both cases, the parties

found themselves fighting over whether merger should be considered at the time when π created its subsequently-infringed product, or when Δ created its infringing product – in *Franklin*, the issue was whether (a) Apple could have chosen any other way to create its OS, or (b) Franklin could have chosen to create its OS in any way other than the way that Apple had chosen – similarly, in *Microsoft*, the merger issue was whether (a) Apple could have created its interface any other way, or (b) Microsoft had to use the same interface style in order to compete with Apple, since its efforts made this the *de facto* standard – these cases reach different results: *Franklin* applied merger at the time Apple wrote its OS, while *Microsoft* applied merger at the time Microsoft wrote its OS – the only way to reconcile these cases is to note that Franklin’s product was designed specifically for intercompatibility with Macintosh, while Windows was simply complying with the interface “standard” created by Apple’s great success

- Databases: Some have asked courts to recognize copyright protection of a database schema underlying a particular collection of data – courts have denied this protection via copyright, finding that the “arrangement and form in compilation protection becomes even more meaningless than in the past” (i.e., the schema isn’t usually visible, and thus isn’t part of the “expression”)
- International protection: European countries have recognized broad copyrights on both the source code and object code of software, but have carved out exceptions for research analysis and reverse-engineering in order to create interoperability

2. User Interfaces

- *Lotus Development Corp. v. Borland International, Inc.* (1996): π created the Lotus 1-2-3 spreadsheet package, which featured a particular menu interface that provided quick access to 469 commands grouped into 50 menus and submenus – Δ released the competing Borland spreadsheet package, and in order to entice users familiar with Lotus 1-2-3 to switch, included a “Lotus Emulation Interface” that offered the exact same menu structure with the same commands (and a few others) as in Lotus 1-2-3 – π sued for copyright infringement of its menu hierarchy; Δ admitted copying the entire menu structure, but asserted that this was not copyrightable – trial court found for π – appellate court found for Δ : π requests application of the *Altai* test, but this is for “nonliteral” copying, not a question of literal copying of the menu hierarchy as appears here (however, no infringement, literal or non-literal, of the source or object code) – §102(b) prohibits copyright protection of “any idea, procedure, process, system, method of operation, concept, principle, or discovery”; a menu system qualifies as a “method of operation,” as it is how a user interacts with the program, and is therefore functional – this is different from Lotus’s “screen displays,” with which the user does not interact, but which Δ has not copied – the district court found that π made certain “expressive” choices in arranging its menu system; this is correct, but “if specific words are essential to operating something, then they are part of a ‘method of operation’ and, as such, are unprotectible” – this determination should be made before considering the “expressive” quality of the feature, and if it is found to be a method of operation (etc.), then it is categorically unprotectible regardless of how “expressive” it may be – this holding arises from *Baker v. Selden*, and would similarly block copyright protection of “Record, Play, Reverse, Fast Forward,

- Pause, and Stop/Eject” buttons on a VCR, without which it would be impossible to operate – allowing a copyright on Lotus’s menu hierarchy would require users to learn a completely new menu system for every program they use (e.g., x different programs involve x ways to print a document) – moreover, macro functions that select a particular command (via the menu hierarchy) would need to be rewritten for every program (since each one has a different menu hierarchy) – π relies on *Autoskill, Inc. v. National Educ. Support Sys., Inc.* (1993), in which the 10th Circuit refused to hold that a question/response system requiring the user to press the “1, 2, or 3” keys to choose an answer was not copyrightable; however, “we fail to see how this can be anything but an unprotectable method of operation” – Boudin concurrence: close cases like this one involve a narrow balance between denying valid copyright rights and unduly restricting software development – this difficulty stems from the functional nature of computer programs, which alters some routine copyright considerations – since utility is not a typical attribute of copyrighted works, copyright law fits it imperfectly, and Congress hasn’t given clarification, so this area is entirely synthesized jurisprudence – the particular menu options chosen by Borland are routine program operations, so the only basis for copyright would be the particular grouping of commands – recognizing this as protectible would require all other programs to adopt a substantially different interface, thereby allowing Lotus 1-2-3 to rely on the menu system learning curve to maintain its user base – the majority’s finding that a menu system is a “method of operation” is valid, but as an alternative basis, it is relevant that Δ ’s motivation here is not to appropriate a particularly useful feature developed by Δ , but simply to allow users to rely on their prior learning investment in the Lotus menu system while using Δ ’s product
- Video games: *Stern Electronics, Inc. v. Kaufman* (1982) affirmed that videogames were copyrightable not only in the program that gave rise to them, but also in the audiovisual appearance that they created – ct ignored Δ ’s argument that the game wasn’t embedded in a “fixed medium” by noting that many aspects of the appearance of the game remained constant (same sprites and sound effects used, etc.) – both aspects are due all of the rights of other kinds of copyrighted works (*Atari, Inc. v. North American Philips Consumer Electronics Corp.* (1982): ct allowed injunction for infringement of Pac-Man’s audiovisual style by ‘s “K.C. Munchkin” game, which featured an almost identical gobbler and ghost opponents)

B. Limits of Protection

1. Statutory Exemptions

- *Vault Corporation v. Quaid Software Ltd.* (1988): π created a copyright protection scheme called PROLOK for floppy disks that authenticated the disk as the original (i.e., the disk could be copied, but the programs on the copied disk wouldn’t run) – Δ created a program called RAMKEY that defeated π ’s copy protection mechanism by spoofing the authentication data – one version of RAMKEY, released in 1984 (the “1984 version”), contained 30 characters of PROLOK source code that were crucial to the authentication scheme, but this sequence was removed from all subsequent versions – π sued for violation of its right to control copying of its software on three grounds: (1) Δ ’s copying of the

software into memory of the computer from the disk, (2) Δ 's contributory infringement of copying of PROLOKed disks, and (3) Δ 's preparation of derivative works based on the 1984 version – π also sued for violation of the Louisiana Software License Enforcement Act, based on its software license which prohibited reverse-engineering – trial ct found for Δ on all counts – appellate ct affirmed verdict for Δ : §117 of the copyright act exempts software copying from copyright infringement if (1) the copying is an essential step for lawfully running the program, or (2) the copying is done for archival purposes only – the direct copying action is protected by §117(1); although π asserts that this section only allows loading into memory for the purpose intended by the copyright owner (and not for reverse-engineering it to defeat copyright protection), no such limitation is apparent in the statute – regarding contributory infringement, such products are legal so long as they have a substantial noninfringing use (*Sony*) – RAMKEY has such a substantial noninfringing use, as recognized by §117(2), to permit customers to back up their software in case the original disk fails or is destroyed by human error – π contends that the archiving exception was intended only to prevent “destruction or damage by mechanical or electrical failure” (citing the CONTU Report and dicta from other cases), but again, no such limitation appears in §117(2) – finally, regarding the claims of derivation by the 1984 version: that software consisted of 50 pages of source code, of which 30 characters were copied from π 's work – π argues, with some weight, that this 30-character string was a critical piece of its software; however, this copying was too insignificant to constitute direct infringement, or to render RAMKEY a “derivative work” – π asserts *Midway Mfg. Co. v. Artic Int'l, Inc.* (1983), where Δ 's “speed-up” software for π 's video game rendered the game a “derivative work”; however, that court did not conclude that the “speed-up” software *itself* was a derivative work, and neither is RAMKEY – regarding the software license enforcement claim, the License Act is unenforceable because it conflicts with the Copyright Act regarding copying of software, and is therefore preempted by the Copyright Act; any license agreements based thereon are thus wholly unenforceable

- §117: The “essential step” and “archival purpose” exemptions apply not only to the original program, but also to derivative works (software modifications), which the software owner may prepare for internal use (so long as the derivation is not distributed) – *Aymes v. Bonelli* (1995): π accused Δ of unlawful derivation for repeatedly modifying its copy of the program to maintain compatibility with hardware upgrades; in finding for Δ , ct quoted the CONTU Report: “the conversion of a program from one higher-level language to another to facilitate use would fall within this right of adaptation, as would the right to add features to the program that were not present at the time of rightful acquisition” – it is presumed that owners of software will modify it for their needs, and if the software developer has a reason to limit this, he can do so by contract
- Software rental: Such businesses have been banned since 1988, in parallel with the Record Rental Amendment of 1984; Congress noted that “the overwhelming rationale for renting a computer program is to make an unauthorized copy” (comparing the lengthy learning curve of most software to the short rental period)

- Shrinkwrap licenses: Software developers have ubiquitously attempted to assert greater rights than those afforded by copyright via shrinkwrap licenses; Vault's PROLOK software included a license enjoining the user from "transfer, sublicense, rent, lease, convey, copy, modify, translate, convert to another programming language, decompile or disassemble" the software – these are almost never enforceable, as per UCC §2-207 to 209; according to normal contract law, the terms of use were set at the moment of purchase, not at a later time when the user opened the package and discovered the shrinkwrap license terms – some proposals have been floated to amend the UCC to allow certain kinds of shrinkwrap licenses – and contrary to *Vault*, the court in *ProCD v. Zeidenberg* (1996) enforced a shrinkwrap license for an uncopyrighted database; this ct rejected Δ 's argument of preemption by the Copyright Act, since "none of the shrinkwrap license contract rights are equivalent to any of the exclusive rights within the general scope of copyright"

2. Fair Use

- *Sega Enterprises Ltd. v. Accolade, Inc.* (1992): π released the Sega Genesis game console; Δ wanted to release some games for it, but failed to agree on π 's licensing terms – instead, Δ just developed third-party software for the Genesis and released it under its own name – since the Genesis programming platform was not public knowledge, Δ purchased some of π 's games, dumped them, and reverse-engineered the code – Δ learned that π 's consoles required its software to include the word "SEGA" as the first four bytes of code, and that omitting it prevented the software from running – thereafter, Δ released some software with the SEGA code sequence – π sued for copyright infringement based on Δ 's disassembly, and because Δ 's message displayed π 's trademark without π 's authorization – Δ offered several defenses, and trial ct granted preliminary injunction to π – appellate ct reversed preliminary injunction grant: first, Δ argues that infringing "intermediate copying" only occurs if the end product is "substantially similar" to the starting product, but this conflicts with *Walker v. University Books* (1979): "an allegedly infringing copy of a protected work may itself be only an inchoate representation of some final product"; thus, intermediate copying of object code can constitute copyright infringement – second, Δ argues that disassembly to discover the "ideas" in the copyrighted work is permitted under §102(b), because humans can't read object code and must translate it (via disassembly) in order to read it; however, this only applies to programs whose operation is not "visible" on screen (operating systems, system interfaces, etc.) – third, Δ argues that disassembly is authorized by §117; however, this only permits copying the computer program into memory in order to run it, and Δ 's use obviously goes far beyond this – finally, Δ argues that disassembly in order to understand the functional principles is protected by §107; this argument is persuasive: Δ 's disassembly was the only means of accessing the unprotected aspects of the program, and Δ 's purpose of making its software Genesis-compatible was legitimate – π responds that §117 sets forth only certain exemptions, and that any other copying violates the copyright act; however, nothing in the copyright act denies the availability of a fair-use defense such as Δ offers – π also responds that the Semiconductor Chip Protection Act's express

exemption for reverse-engineering implies that the silence on decompiling in the copyright act is an implicit denial; however, there's no indication that this was Congress's intent – §107 sets forth several factors to consider for fair use: (1) the purpose and character of the use, (2) the nature of the copyrighted work, (3) the amount and substantiality of the copied portion in relation to the whole copyrighted work, and (4) the effect on the market value of the copyrighted work – here, (1) while Δ 's use was commercial, Δ 's purpose was simply to access an uncopyrighted portion of π 's work (the access code) for compatibility purposes – this code was not “creative work” that Δ sought to avoid by copying, but a solely functional part of the interface; moreover, Δ 's copying served the public interest in access to a greater proliferation of content – (2) along the spectrum of copyrightable works (fiction, historical/biographical works, teaching tools, references), software has the distinction of being “utilitarian articles,” comprised of logical statements; much of this must be deemed functional (factual) and subject to only “thin” copyright – as per CONTU, “when specific instructions are the only and essential means of accomplishing a given task, their later use by another will not amount to infringement” – also, the nature of the copying was not misappropriation, but merely *translation* into assembly for the purpose of analysis, and disassembly was the only viable method of translation – prohibiting disassembly as a form of copyright infringement would wholly prohibit translation, thereby giving a software author “a *de facto* monopoly over the functional aspects of his work,” which copyright law is not intended to protect – (3) while Δ copied π 's entire work during the disassembly, its *ultimate* use was extremely minor – (4) Δ 's work did not seek to diminish sales or usurp the market from π , but rather simply allowed Δ to enter the market (contrast with *Harper & Row Publishers v. Nation Enterprises, Inc.*) – this competition undoubtedly impacts π 's market entries, but not unfairly, and this is not a zero-sum field (people don't just need one videogame, such that buying Δ 's means not buying π 's) – thus, Δ 's case outweighs π 's – note: this decision is limited to software as a functional work, entitled to only “weak protection” under copyright law; also, the ultimate goal of “stimulating artistic creativity for the general public good” strongly favors Δ 's position over π 's

- Reverse engineering: Committee on Computer Law for the New York Bar Association produced a report on reverse-engineering, considering how the four factors in §107 weigh against (a) classroom use to analyze a program or algorithm and (b) a commercial use to produce a competing, compatible product (but without copying of code) – the committee found that (1) favored π but not Δ (based on the commercial use), (2) favored “strongly” both parties as fair uses of the disassembled code, (3) disfavored both (due to the complete nature of the copying) but wasn't very relevant, and (4) favored π but disfavored against Δ (but only weakly, since it's not an unfair competitive mechanism)
- Copying by independent service organizations: *Triad Systems Corp. v. Southeastern Express Co.* (1995): ct found that loading the software into many customers' computers (in violation of the software license agreement, which limited it to use on one machine) had no parallel with the fair-use considerations

in *Sega*, since Δ 's copying had not created any new work, but merely used the software exactly as it was intended to be used

- Trademark and unfair competition: One charge raised by Sega was the display of its copyright was that including the access code caused the Genesis to display the Sega logo and a message reading “Produced by or under license from Sega Enterprises Ltd” for several seconds before loading the software, which Sega claimed was misuse of its trademark – Ct rejected this notion on the basis that this was unfair regulation of access to the Sega Genesis, that any competitor had to use this mechanism in any compatible product, and that the “confusion” caused by the trademark use was wholly π 's fault

II. Patent Law

- *Diamond v. Diehr* (1981): π sought a patent on a process of controlling the temperature of a rubber-curing furnace by using a computer programmed with the Arrhenius formula, a well-known mathematical equation – this improved the prior method of controlling the furnace by hand, which was much less accurate and very often produced under- and over-cured rubber – patent examiner rejected as being non-statutory subject matter, but in π 's suit against commissioner of patents to appeal judgment, the Court of Customs and Patent Appeals reversed, noting that claims cannot be dismissed merely because they involve a computer – Supreme Ct affirmed verdict for π patentee: 35 USC §101 permits patenting of “any new or useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof” – this wording in the 1952 Act replaced the word “art” with the word “process,” thus broadening the degree of non-tangible inventions that can be patented; this broadening is further supported by the legislative intent that statutory subject matter includes “anything under the sun that is made by man” – “process” was further defined as “a mode of treatment of certain materials to produce a given result” (*Diamond v. Chakrabarty* (1980)), or as a “transformation and reduction of an article to a different state or thing” (*Gottschalk v. Benson* (1972)) – π 's claim is directed toward a process of curing synthetic rubber, and on that basis alone qualifies as statutory subject matter as a process – Δ contends that the reliance of the invention on a mathematical formula disqualifies it from protection – abstract principles and formulae are not patentable (*Parker v. Flook* (1978): denial of patent affirmed for invention consisting solely of an “alarm limit” formula; invention suggested no means of measuring the input data for the formula, and thus wasn't a “process”) – however, π has not claimed only a formula, but a complete process for curing rubber, and *Parker v. Flook* acknowledges that “a process is not unpatentable simply because it contains a law of nature or a mathematical algorithm” – Δ contends that π 's invention is the use of a well-known formula for a well-known process, but that combination is not *de facto* unpatentable, and this is a wholly separate issue from §101 qualification – thus, any process with a physical component cannot be rejected as unpatentable simply because that process consists of a computer calculating mathematical formulae – Stevens dissent: three grounds for rejecting software patents as non-statutory subject matter: the “mental steps” doctrine (whereby mathematical formulae are not patentable), the “function of a machine” doctrine (whereby the observed functioning of a machine is not by itself

- patentable), and the definition of “process” in *Cochrane v. Deener* (1876), which requires some kind of physical transformation – the President’s Commission on the Patent System in 1965 expressly recommendation (and the PTO adopted) a categorical exclusion of software from patentability, in large part based on the PTO’s inability to deal with the administrative burden – these findings were soon overturned by the Court of Customs and Patent Appeals, which suggested evaluating software on the same basis as other programs – the Supreme Court limited this radical shift, e.g., in *Gottschalk v. Benson* (1972), holding that mathematical procedures conducted in old computers are non-patentable “mental processes” – this was affirmed in *Parker v. Flook* (1978), but both the CCPA and the majority in this case misinterpreted *Flook* as a claim-drafting issue (prohibiting claims that claimed an algorithm, but not also barring claims for processes that happened to be algorithms) – *Flook* was decided on the nature of the invention at issue: an algorithm constantly recalculated by a computer as a catalytic process ran, with the goal of producing a number that indicating the completion of the reaction – that unpatentable invention is strikingly similar to this one, which proposes nothing new about the process of curing rubber, but merely a way of executing a well-known formula as a process-monitoring technique – the majority attempts to distinguish *Flook* by characterizing its “post-solution” activity as “insignificant,” but in neither there nor here is the “post-process” activity part of the claimed invention, so it doesn’t factor into the legal analysis – this legal position is supported by many industry insiders and each of the last four Commissioners of Patents and Trademarks, motivated by the PTO’s inability to examine such applications effectively, the inability to predict the scope of such patents with any real strength, and the threat that software patents will open the floodgates for patents to almost any “law of nature”
- History and subsequent decisions: The USPTO and Supreme Ct collaborated to keep software out of the patent system, but were stymied by repeated decisions of the CCPA and then the CAFC that encouraged them – the standoff was broken by two factors: first, several decisions narrowing the copyright protection afforded to software (*Computer Associates v. Altai* and *Sega v. Accolade*); second, many CAFC decisions regarding computer-related inventions (*In re Alappat* (1994): patent allowed for method of manipulating data on an oscilloscope display; *In re Schrader* (1994): patent allowed for an unpatentable algorithm coupled with a very basic functional step, in that case a data-display routine; *In re Warmerdam* (1994): patent allowed for a machine containing a novel data structure, even if the data structure algorithm was unpatentable; *In re Lowry* (1994): patent allowed for a computer containing novel data structure, which the PTO had rejected on the basis that it constituted “unpatentable printed matter”) – in particular, *In re Lowry* led to USPTO’s withdrawal of its rejection of a claimed program, noting that “computer programs embodied in a tangible medium, such as floppy diskettes, are patentable subject matter” (*In re Beauregard* (1995)) – one last important case on this topic: *Arrhythmia Research Technology, Inc. v. Corazonix Corp.* (1993): CAFC allowed apparatus and process claims for a method of predicting cardiac health (chance of heart attack), even though it consisted of software embedded in hardware; CAFC summarized these claims as “physical process steps that

transform one physical, electrical signal into another” – Judge Rader emphasized the usefulness of this invention in supporting its patentability

III. Trade Secret Law

- *Computer Associates International, Inc. v. Altai, Inc.* (1992): In addition to the copyright infringement claims, π claimed that Δ 's use of the ADAPTER code constituted misappropriation of π 's trade secrets – ct maintained π 's trade-secret claim as preempted by copyright law: preemption occurs where the action that constitutes copyright infringement is also the action that violates trade-secret law – the latter can be maintained if the action involves an “extra element”: breach of fiduciary duty, breach of confidentiality, etc., so that both claims don't hinge from identical fact patterns – here, confidential relationship was involved, but Δ was not a party to it: the confidentiality strictly bound π 's former employee, and Δ took all reasonable measures to prevent him from breaching any such duty – it is established that Δ had no actual or constructive knowledge of the infringement while creating OSCAR 3.4 – however, a question of fact remains as to whether Δ had actual knowledge of π 's trade secrets while creating OSCAR 3.5, and its development may constitute trade-secret infringement on that basis; this is an issue of fact to be considered by trial ct, and thus maintained at this stage of review
- Semiconductor Chip Protection Act of 1984: This *sui generis* protection (17 USCA §901 *et seq*) covers semiconductor stencils, known as “mask works,” once they are fixed in a “semiconductor chip product” (once it is “sufficiently permanent or stable to permit the mask work to be perceived or reproduced from the product for a period of more than transitory duration”) – additional criteria: must be original; must not be a staple, commonplace, or familiar design, or non-original variation thereof; must have been commercially exploited first in the U.S., or owned by a U.S. citizen or a mask-work-treaty nation or someone with no nationality; and must not be an “idea, procedure, process, system,” etc. (i.e., maskwork protection is mutually exclusive with patentability) – exclusive rights conveyed by registration include (1) reproducing the mask work, and (2) importing and distributing semiconductor chip products in which the mask work is embodied – however, exemptions carved out for reverse-engineering for teaching and analysis purposes, or for developing a different product (must not be “substantially similar” to the protected mask work) – usual term of protection is ten years; affixed registration notice is not a requirement for protection, but will allow for extended protection

V. Intellectual Property Protection of Industrial Design

I. Design Patent Law

- *In re Nalbandian* (1981): π sought a design patent on a middle portion of a pair of tweezers featuring lateral fluting and straight pincers – examiner rejected as obvious in light of a prior art reference that featured a middle portion with axial (circular) fluting and curved pincers; BPAI affirmed rejection – CCPA affirmed rejection: 35 USC §103 requires patents to pass an obviousness test, using a “one of ‘ordinary skill in the art’” test – for design patents, some cts have interpreted this test as the viewpoint of the “ordinary intelligent man” or “ordinary observer”;

other cts have interpreted this as that of the “ordinary designer” – the “ordinary observer” view is expressly abandoned: obviousness in this case requires the skills of one trained in industrial design – the “ordinary designer” standard permits applicants to submit affidavits from experienced design as evidence of non-obviousness; this isn’t possible under the “ordinary observer” test – here, the evidence suggests that one of ordinary design skill would have found it obvious to adjust the shape of the tweezers accordingly, and could have done it easily; thus the difference is *de minimis* and application is properly rejected – Rich concurrence: the “ordinary observer” test should be maintained over the “ordinary designer” test – the former test is equivalent to a test of “the expected skill of a competent examiner”; the difference is the need of finding non-obviousness in design – this ambiguity stems from the inability of Congress to pass separate legislation setting forth standards for ornamental design patents – in particular, *Graham v. John Deere* requires an obviousness assessment of all patents, but we have no idea how to apply this to design patents – an effort has been pending for 24 years, without resolution, to move industrial designs completely to copyright law, and to build a registration system for them – Baldwin dissent: the different fluting suggested by π changes the appearance of the tweezers quite a bit, and so patent should be allowed

- *Avia Group International, Inc. v. L.A. Gear California, Inc.* (1988): π sued Δ for violating its design patent on some athletic shoe designs – trial ct granted summary judgment to π and enjoined Δ from further infringement – CAFC affirmed summary judgment for π : Δ defended on three grounds, none of which are persuasive: 1) π hadn’t demonstrated validity of design patent, but this was not necessary since π ’s patent is presumed valid – 2) π ’s design was primarily functional rather than ornamental, but Δ ’s evidence only suggests that many design elements have *some* functional aspect; Δ fails to demonstrate that any of them are *primarily* functional – 3) π ’s design was obvious in light of prior art, which is determined from the viewpoint of an “ordinary designer” (*In re Nalbandian*) – Δ ’s evidence that some aspects of the design had existed in various prior art references before π ’s patent would not persuade any “ordinary designer” to combine them into one article – any such presumption is counterbalanced by π ’s evidence of commercial success, and π ’s persuasive argument demonstrating a nexus with its design – finally, as further evidence of non-obviousness, trial ct found that Δ had “copied” π ’s design – aside from Δ ’s inadequate defenses, π met the two-step test for infringement: (1) *Gorham Mfg. Co. v. White* (1871): “if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other”; (2) *Shelcore, Inc. v. Durham Indus., Inc.* (1984): “the accused device appropriates the novelty in the patented device which distinguishes it from the prior art” – trial ct found that the products were “virtually identical,” and this finding is supported – Δ argues that its shoe is intended for a different market than π ’s (kids’ shoes vs. adult athletics), but this is not relevant for infringement; all that need happen is design appropriation

- History of design patents: These designs were grouped in with patents largely for convenience, since the USPTO had a much stronger examination and enforcement system than the copyright office – this creates many problems for the courts in applying the rules of patent law to (essentially) a design registration system
- Ornamentality vs. functionality: As *Avia* indicates, “ornamentality” does not suggest the complete absence of function, but only that functionality is not the primary purpose of the design – additionally, cts have required that the design present some modicum of “aesthetic skill and artistic conception” (*Blisscraft of Hollywood v. United Plastics Co.* (1961)) – however, subsequent decisions have reduced this burden to simply “not ugly, especially when compared to prior designs” (*Contico Int’l, Inc. v. Rubbermaid Commercial Products, Inc.* (1981)) – this probably stems from the same rationale expressed in *Bleistein v. Donaldson Lithographing Co.*: “it would be a dangerous undertaking for persons trained only in the law to constitute themselves final judges of the worth of pictorial illustrations”

II. Copyright Law

- *Mazer v. Stein* (1954): π designed a sculptural work, registered it as a copyright, and then began manufacturing the sculpture in bulk as the base of a lamp – Δ , presuming the copyright to be invalid if the work is primarily commercial, copied the design, and π sued for infringement – trial ct found for π – Supreme Ct affirmed verdict for π : the key question is whether statuettes can be protected in the United States by copyright when the copyright applicant intended primarily to use the statuettes in the form of lamp bases to be made and sold in quantity – Δ contends that π ’s copyright covered a commercially used element, which is not amenable to copyright – relevant to this point is the 1870 revision of the copyright act, which removed the “fine-art” language of the prior claim, indicating that Congress intended copyright to cover more than limited-edition works – this was clarified by a regulation defining “works of art” as “works of artistic craftsmanship, in so far as their form but not their mechanical or utilitarian aspects are concerned, such as artistic jewelry, enamels, glassware, and tapestries, as well as all works belonging to the fine arts, such as paintings, drawings and sculpture” – Δ argues that design patents are the proper mechanism for protecting non-functional ornamental elements of a commercial article (i.e., mutual exclusivity), and presents a catalog of design patents for ornamental lamp bases – however, no such inference is suggested by the copyright office, the USPTO, or Congress – copyright and patent convey fundamentally different rights (the right to bar others from using substantially similar ornamental design, vs. only the right to prevent others from copying one’s design); critical difference: independent creation of the same design can be barred by a design patent, but not by a copyright – the artist has the option of pursuing either mechanism – moreover, copyrighted works can fairly be commercialized, e.g. via publication, without limiting copyright protection; indeed, “rewarding authors” is one of the goals of the copyright system
- *Carol Barnhart Inc. v. Economy Cover Corp* (1985): π designed four mannequin torso forms (nude male, nude female, clothed male, clothed female) and sold them to department stores – Δ created exact duplicates of π ’s works and also began

selling them – π then registered a copyright on the forms as industrial designs, placed registration notices on its existing inventory, and sent copyright notice stickers to previous purchasers with instructions to affix it (claiming it had been “inadvertently omitted” beforehand) – π then sent cease-and-desist letter to Δ , and sued when Δ failed to respond – trial ct dismissed π ’s complaint – appellate ct affirmed dismissal of π ’s complaint: π argues that the issuance of the copyright registration creates an irrebuttable presumption of validity, but the actual effect is to shift the burden of proof to Δ ; here, Δ appropriately contested validity, and π failed to rebut the inference – given the utility of the forms, the question is “whether they possess artistic or aesthetic features that are physically or conceptually separable from their utilitarian dimension” – originally, the 1909 rejected copyright “if the sole intrinsic function of an article is its utility,” but allowed copyright “if the shape of a utilitarian article incorporates features which can be identified separately and are capable of existing independently as a work of art”; although the final version of the act omitted this section, the legislative intent is to create a test on the basis of separability – here, the aesthetic qualities of the mannequins are exactly what makes them useful – the high-watermark for the case of useful articles is *Kielstein-Cord v. Accessories by Pearl, Inc.* (1980), considering the registrability of painted belt buckles; in that case, the paintings did not contribute to the utility as a belt buckle – Newman dissent: “conceptual separability” may be interpreted many ways – more frequent usage: consider whether the most common use of the article is functional or aesthetic – primary use: consider which use (functional vs. aesthetic) is “primary” and which is “subsidiary” (focuses not on frequency of use – marketability: consider whether the item would be marketable due to its aesthetic value in the absence of the functional use – perhaps the best test derives from the term “conceptual”): determine whether the article can be visualized and described in solely aesthetic terms vs. solely utilitarian terms; i.e., “whenever the design creates in the mind of the ordinary observer two different concepts” – this test should fail, e.g., for a chair displayed in a museum; the average viewer wouldn’t be able to separate the concepts – since courts are poor judges of aesthetic value, the determination should err on the side of allowing copyright – here, the average viewer regarding π ’s nude mannequins would be unlikely to tell that their primary purpose was for mannequins – π persuasively argues that using Michelangelo’s David as a mannequin would not deprive it of copyrightability – it’s a closer call whether the clothed mannequins have “conceptual separability,” but this should have been a question of fact for trial

- Separability: It’s difficult to reconcile *Mazer* with *Barnhart* on the basis of “conceptual separability” – another basis for rejecting the copyrightability of *Barnhart*’s mannequins would have been lack of originality and expressiveness; *Esquire v. Ringer* (1978): copyright denied for an outdoor lighting fixture, on the basis that its shape was completely dictated by utility, and did not have an expressive aspect – some cts recognize copyright for industrial designs only if the aesthetic features are *physically* distinct from the useful features – others apply conceptual similarly as Newman recommended, or by considering whether “the artistic aspects reflect the designer’s artistic judgment exercised independently of

- functional influences” – Goldstein’s *Copyright* (1996) offers the following test: “if it can stand on its own as a work of art traditionally conceived, and if the useful article in which it is embodied would be equally useful without it”
- “Useful articles”: Copyright Act §101 defines “useful” as “having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information” – *Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co.* (1996): ct ruled that styrofoam mannequins molded in the shapes of different animals, for the purpose of mounting animal skins, were entitled to copyright, since the particular poses would show the animal in different expressive forms; thus, same creative methodology as for sculptures (contributing factor: π had entered the forms into several art competitions and had won awards for them) – similarly, *Gay Toys, Inc. v. Buddy L Corp.* (1981): toy airplane considered not useful, and entitled to copyright, because its primary purpose was to be “played with and enjoyed,” in the same vein as a painting of an airplane – thus, “useful” articles are those used primarily to achieve material goals
 - Mutual exclusivity between design patent and copyright: Both the copyright office and patent office have dropped the mutual exclusivity rule; industrial designers may elect to pursue both forms of protection

III. Trademark and Unfair Competition Law

- *In re Morton-Norwich Products, Inc.* (1982): π designed a distinctive spray bottle design, complete with a patented pump mechanism, for cleaning products like Glass Plus – π then sought a trademark on the external design – examiner and board adamantly refused trademark on the basis of utility – Court of Customs and Patent Appeals found for π : for useful designs like this, the question for trademarkability is whether the particular design is “superior” to other designs – if it’s merely one of several ways of designing the article, a trademark can be granted; but if it’s one of only a few available designs, or if the design lends a particular advantage over others, then it can’t be trademarked – the examiner and board provided no evidence that this design was superior to others; it merely appears to be a particular configuration selected by π – it’s noteworthy that π ’s patent for the pump mechanism depicts embodiments that look nothing like π ’s design – also, π ’s application did not seek a trademark on any feature or component but the overall article; while its design was compatible with its use, it was not *dictated* by it
- *Ferrari S.P.A. Esercizio v. Roberts* (1991): π manufactured very distinctive sports cars, particularly the Daytona Spyder (priced at \$1MM; only 100 manufactured) and Testarossa (priced at \$230K; only 5,000 manufactured) – Δ built a business around selling fiberglass shells replicating the Spyder and Testarossa, costing \$9K-\$50K, that could be bolted onto another car to make them appear to be Ferraris – π sued for trade dress infringement – Δ admitted intentionally copying π ’s designs, and even used the Ferrari horse on the hood and called one kit the “Miami Testarossa”; but denied that π ’s car appearances were trademarkable and asserted no likelihood of confusion – trial ct granted summary judgment to π – Supreme Ct affirmed summary judgment for π : Lanham Act §43(a): infringement = activity “likely to cause confusion, or to cause mistake, or to deceive as to the origin, sponsorship, or approval of goods” – this applies not only to an actually

registered marks, but also to the “trade dress” of the company (*Mr. Gasket Co. v. Travis* (1973): “identifying characteristics or decorations connected with a product, whether by packaging or otherwise, intended to make the source of the product distinguishable from another and to promote its sale”) – first, π ’s products have clearly garnered distinctive secondary meaning (as supported by π ’s surveys in which customers consistently identified photos of Ferraris as π ’s products) – the appearances of the cars are not only aesthetically pleasing, but are inextricably linked to π ; thus, secondary meaning is strong – furthermore, secondary meaning can be inferred from Δ ’s admissions; the only reason for such exact copying of π ’s style would be to capitalize on secondary meaning – moreover, design patent protection is not mutually exclusive with trademark/trade dress protection; these forms have different standards of protection (e.g., trademark/trade dress claims require proof of the identifying characteristic of the aesthetic article) – these forms also have different goals: design patents protect an inventive activity, and then dedicate it to the public; trademark protects commercial activity throughout its period of use – π argues that “confusion” must be confusion to the purchaser at the time of sale, not to observers later regarding the object – legislative history of Lanham Act: “likely to deceive purchasers” was changed to “likely to deceive”; thus, not intended solely for purchasers, but also to prohibit counterfeits that unfairly capitalize on a trademark owner’s secondary meaning – thus, applies to all goods “in commerce,” not just those being sold – this is exactly the scenario here; Δ ’s efforts would greatly diminish the limited-edition quality of π ’s cars – Δ also argues that the exterior of π ’s cars is only the packaging, and that the actual product is the engine inside; however, this is the essence of π ’s trade dress (people don’t ordinarily look at an engine to determine the make of the car) – finally, Δ asserts the “aesthetic functionality doctrine,” developed in *Pagliero v. Wallace China Co.*, in which the particular design of china used by a hotel chain was found to be a “functional” part of its marketing and distinctiveness, and therefore not amenable to trademark protection – however, other courts have vacated or limited this principle; the “functional purpose” served by the item is to identify the business, which is exactly what trade dress seeks to protect – Kennedy dissent: the majority grants businesses trademark protection in the absence of secondary meaning by creating an anti-dilution test, which is not part of the Lanham Act, and grants perpetual protection of an unpatented industrial design

- Trade dress infringement: The trend in Lanham Act application to product designs has been toward expanded use, with reduced thresholds on secondary meaning and nonfunctionality – a question exists as to whether this expanded application contravenes the purposes of trademark law: many products covered by trade-dress law have quality that can be judged by simple observation, and thus do not need any guarantee of implicit quality by the manufacturer
- “Distinctiveness” in industrial design: *Two Pesos* held that features like packaging and trade dress are “inherently distinctive,” and are protected even if they do not have secondary meaning – however, trade dress does not apply to the design of a product, unless there is a “high probability that a product configuration serves a virtually exclusive identifying function for consumers”; it must be “(i) unusual and memorable; (ii) conceptually separable from the product; and (iii) likely to

serve primarily as a designator of origin of the product” (*Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd.* (1994)) -

- Functionality: As per *Ferrari*, a feature is “functional” “if it is essential to the use or purpose of the article, or if it affects the cost or quality of the article” – the concept of “aesthetic functionality” was briefly raised, denying protection to any feature that was “an important ingredient for salability” (*Pagliero*), but was quickly limited to cases where enforcement would “significantly hinder competition by limiting the range of adequate alternative designs” (*Vuitton et Fils S.A. v. J. Young Enters, Inc.* (1981))
- Proposed industrial design legislation: The disparate treatment of industrial designs under patent, copyright, and trademark law has long been a subject of legislative debate – it’s unclear if the field is soon to be resolved, but attempts have been made (H.R. 3499, 101st Congress (1989) sets forth criteria for a ten-year period of protection)

IV. Federal Preemption

- *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* (1989): π created a distinctive design for the fiberglass hull of a boat, which Δ copied – π sued for an injunction under a Florida unfair competition statute specifically protecting the designs of vessel hulls for an unlimited term – Florida cts held that Florida statute was preempted by federal design patent scheme: “when an article is introduced into the public domain, only a patent can eliminate the inherent risk of competition and then but for a limited time” – Supreme Ct affirmed and found for Δ : the Constitution specifically grants Congress the right to protect the works of inventors and authors, and that right is limited to a fixed term – states cannot second-guess and contravene the balance struck by the federal patent system between the rights of inventors and of the public – as applied here, the Florida statute unduly compromises the rights of competitors – also, while unfair competition law is intended to protect the rights of consumers from deceptive trade practices by copying of nonfunctional features; this statute protects companies from competition by protecting a functional design feature – the functional effect of this statute is to deter reverse-engineering by competitors, which is a positive feature in patent law (encourages inventors to disclose their inventions and to develop the invention to the point of patentability) – also, the state statute disrupts the uniformity promoted by the federal patent scheme (e.g., conference of jurisdiction of all patent issues to the CAFC) – states may create restrictions that do not interfere with federal intellectual property law (e.g., regulating unpatented designs in order to prevent consumer confusion – see *Kewanee* – and state trade secret law); Congress has affirmatively recognized the coexistence of such state systems with federal laws – but it cannot overlap the realm of patent law to grant different rights to inventions

VI. International Protection of Intellectual Property

- Overview: Two main multilateral treaties protecting intellectual property are the Berne Convention for the Protection of Literary and Artistic Works, and the Paris Convention for the Protection of Industrial Property – two main principles: *national treatment*: foreigners’ creations are given the same level of protection as

those of national citizens; *minimum standards*: foreigners won't be compelled to meet any requirement for IP protection that national citizens don't need to meet (most significantly, non-U.S. citizens aren't required to satisfy any formalities in order to enforce copyright, if U.S. citizens don't need to meet similar formalities) – countries might ordinarily not want to agree to protect other countries' works if they are a net importer of intellectual property – incentives to do so: (a) the country might hope to become a net exporter of IP soon, and wants to promote local creation of IP by garnering overseas protection; (b) if the country is a net exporter of physical goods, it might be strong-armed into agreeing by threats of trade embargo – developing countries, which have neither incentive, often refuse to enforce foreign IP rights; the 1974 Trade Act authorizes the UN to identify and punish countries that fail to provide adequate IP protection, and also pins economic aid to developing countries on their efforts to protect foreign IP – finally, GATT Agreement on Trade-Related Aspects of Intellectual Property Rights (GATT-TRIPS) standardizes many aspects of international patent protection, including the 20-year term, classes of patentable subject matter (some countries sought to exclude pharmaceuticals as a class), minimum standards of patentability, and enforcement mechanisms – complaints between countries are adjudicated by the World Trade Organization panel

I. Copyright

- Ringer, *The Role of the United States in International Copyright – Past, Present, and Future* (1968): International unification of copyright law arose through a series of difficulties – initially, countries enacted bilateral treaties with strict reciprocity, but this proved unwieldy on a large scale – the Berne Convention of 1886 (amended in 1948) drafted and signed a full treaty after several years of work, adopting the principles of national treatment (instead of strict reciprocity) and minimum standards – in contrast to American copyright law, the Berne Conventions provide for inalienable “moral rights” for authors – the U.S. showed an interest in international protection by passing the International Copyright Act of 1891, but then declined to participate in the Berne Convention, and eventually retreated from its position – the main concern was that the U.S. would be flooded with foreign works, resulting in an outpouring of money to other states; thus, the U.S. sought a “manufacturing clause” (a requirement that copyright for foreign works only applied if the physical copy of the work was manufactured in the U.S.) – this split persisted through World War II, despite increasing tension caused by the U.S.'s increasing net export of intellectual property; several U.S. authors used tactics to gain foreign protection (“back door to Berne”: since foreign publication could be achieved by publishing a work first in a Berne country, copyright owners simply published in the U.S. and abroad simultaneously), but the 1914 Berne Convention allowed signatories to limit rights for works created by citizens of non-signatory states – the U.S. separately sought agreements with other nations in the Americas, giving rise to the Buenos Aires Convention, which includes a marking requirement – finally, in 1952, the U.S. and Europe signed the Universal Copyright Convention (UCC), which moderately reduced standards of copyrightability to appease the U.S., allowed protection of published and unpublished works, featured a term of 25 years past

- the life of the author, and only required authors to include the (c) symbol on their works – for a while, the UCC and Berne Union coexisted
- Hadl, *Toward International Copyright Revision* (1970): A split arose in 1967 when developing countries, led by India, successfully lobbied for broad rights to copyrighted works of developed countries in the “Stockholm Protocol” – developed countries refused to be bound by the Stockholm Protocol, but developing countries retained an advantage; they could pull out of the UCC and/or Berne Conventions, while developed countries could not (“Berne safeguard clause”: any signatory that withdrew from the Berne Convention would continue to be bound under the UCC but would have no enforcement rights of its own) – the suggested resolution involved a broad reform of both the UCC and the Berne Convention: (a) expanded minimum copyrights, including reproduction, public performance, and broadcasting; (b) abandonment of the Stockholm Protocol but adoption of certain benefits for developing countries; (c) abandonment of the Berne safeguard clause – this resolution was still under discussion at the time of this treatise, but progress was encouraging
 - Berne Convention: The Berne Convention Implementation Act of 1988 brought the U.S. copyright system into full compliance – of course, overseas enforcement requires U.S. copyright owners to demonstrate that they own a valid copyright in that nation according to its copyright laws (either the author is a citizen of that nation, or the foreign nation has a multilateral treaty with the U.S., or the work was first published in that country or one of its treaty partners; usually the UCC or Berne Convention treaties permit such protection) – the Berne Convention contains specific enforcement rights against importation of pirated works, and a separate set of rights against importation of gray-market works (those that are legal copies in the exporting country, but that violate territorial agreements if exported) – however, questions of jurisdiction exist under these laws (when are foreigners punishable under U.S. copyright law? – see *Subafilms, Ltd. v. MGM-Pathe Communications Co.* (1994)) – the biggest split between countries continues to be the basis of copyright (presupposing corporate ownership) vs. author’s rights (presupposing individual authorship and inalienable personal rights); these differences have been particularly evident in the different approaches to protection of new media types and new rights (public performance, broadcasting, etc.)

II. Patent

- Vernon, *The International Patent System and Foreign Policy* (1957): At the time this treatise was authored, the international patent system was comprised of three elements: the International Convention for the Protection of Industrial Property, the patent laws of each nation, and international trade practices between countries – this scheme was inconsistent: patent terms varied from 5 years to 20 years (U.S. offered 17 years), with varying classes of patentable subject matter and different standards on patent abuse and infringement – at least the International Convention guaranteed national treatment (especially useful for patents, which are owned by large companies that are only nominally citizens of a particular nation) – the convention also provided a one-year grace period for foreign filing, prevented an

- invalidity finding in one country from affecting patents in other countries, and supported compulsory licensing arrangements and international licensing
- Benson, *The Impact of the Patent Cooperation Treaty (PCT) and the European Patent Convention (EPC) on U.S. Practitioners* (1978): In the 1960's, the US created a United International Bureau for the Protection of Intellectual Property (BIRPI) to draft an international unified patent system – the committee proposed a unified format for patent applications, centralized search systems, and preliminary international examination; this led to the formulation of the Patent Cooperation Treaty (PCT), signed into effect in 1970 by 26 nations – this system created two phases of international prosecution: Chapter I (prior art search and international search report) and Chapter II (preliminary examination of references uncovered in Chapter I, with right to preliminary amendment) before national-phase prosecution – shortly after passage of the PCT, the European countries formed a European Patent Convention for obtaining one patent in many European nations (while prosecution is a unified process, the patent rights differ per country) – at the time of this treatise, questions remained over whether this practice would truly unify international practice and reduce costs, and whether developing nations could and would participate; however, it was apparent that U.S. companies would benefit from EPC practice, the one-year grace period, and the opportunity to withdraw the application during Chapter I if expensive national-phase prosecution is likely to be pointless – other obvious benefits: the unified application practice, reduced translation requirements, and unified publication of an Official Journal with all PCT issued patents
 - Patent Cooperation Treaty: This system has been an obvious success, consolidating 5,500,000 national and regional applications into 220,000 PCT applications between 1978 and 1995 – 43% of these applications came from the U.S. – developing countries have pushed for changes such as expanded compulsory licensing and forfeiture of unexploited patents

III. Trademark

- Bogsch, *The First Hundred Years of the Paris Convention for the Protection of Industrial Property* (1983): The first international agreements for protection of trademarks was in the Paris Convention Treaty (1883), and of servicemarks was the 1958 Act of the Paris Convention – countries are split on whether protection begins upon first use or upon registration – as with patents, trademark law grants applicants a grace period of six months in which to file internationally, beginning with the date of first registration in any country – other rights adhere if the first filing is in the “country of origin” of the trademark (e.g., the country in which the primary place of business resides); in this case, (a) all other countries must enforce the trademark under the laws of the country of origin, and (b) the country of origin must abide by the PCT examination rules in order to reject the application (the obligation to protect “telle quelle,” i.e., registration cannot be refused solely because it isn't registrable by the laws of the country of origin) – traditionally, the only basis of rejection by PCT practice was that registration would be “contrary to morality or the public order”; other reasons have been added: interference with rights of another, lack of distinctiveness (applied-for mark differs from another mark “only by elements that do not alter the distinctive

character and do not affect the identity of the trademark”), or unfair competition (e.g., trademark disparages competitors’ products) – however, marks registered in different countries (with no overlap) have no bearing on each other – also, “well-known trademarks” (notoirement connu) are protected even if not registered (i.e., if industry practitioners in most countries can correctly identify a trademark, no other company can use or apply for this trademark) – others can seek cancellation of a trademark at least within five years (though each country sets its own period), but in cases of bad faith on the part of the registrant, there is no limited time period – however, companies are given some latitude in exploiting their mark (i.e., it can’t be canceled for non-use shortly after registration) – no country can promulgate a marking requirement as a prerequisite to enforcement; not only would this be impracticable for tiny goods and fluids, it would also complicate distributing goods in many countries (some of which may not have registered the trademark, and thus the marking would be incorrect and deceptive) – PCT countries must police their borders and seize counterfeit goods, must have an adequate enforcement system that issues injunctions, etc. – more recently, the PCT has recognized both “collective marks” (those used by several members of an industry) and service marks, but definition and scope of each kind of mark is undefined and left to each country – finally, geographic indication marks are an open question

- Samuels & Samuels, *The Changing Landscape of International Trademark Law* (1993): Although the U.S. has recently joined the PCT community for international protection, an international consortium has existed under the Madrid Agreement for over 100 years, with 290,000 Madrid registrations – this union has a registration system similar to patents: the WIPO acts as a centralized examining body, which consolidates applications and then forwards them to designated nations – U.S. corporations can seek protection under the Madrid Agreement even though the U.S. is not a member state – the U.S. has opted not to join this system because it requires trademark owners to receive registration in their home country before applying internationally (which conflicts with the long registration process in the U.S.); the twelve-month opposition period under the Madrid Agreement is too short; the Madrid Agreement holds that de-registration of the mark in the country of origin causes universal revocation (“central attack”); the official language of the Madrid Agreement is French, thereby requiring the USPTO to translate all trademark applications before forwarding; and the fees are significantly less than in the U.S., and this would require U.S. applicants to subsidize international applicants – the WIPO is seeking stronger international unification by pursuing a “Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks” (the “Madrid Protocol”), which limits “central attack” and extends the opposition period
- Other treaties: The U.S. is still not a signatory to the Madrid Protocol, primarily because the EU has strong voting rights that would outweigh U.S. authority – however, in 1994 the U.S. signed a Trademark Law Treaty (TLT), which harmonizes many rules with international practice, and has also signed the Trademark Registration Treaty of 1973, but the latter has not been ratified – also, Lanham Act §42 prohibits import of articles that bear trademarks simulating any

- U.S. company's trademark; U.S. trademark owners may register their trademarks with the U.S. Customs Office, which enforces this prohibition on imports – in 1996, the EU created an Office for Harmonization in the Internal Market, which greatly unifies and centralizes European trademark practice
- *Weil Ceramics and Glass, Inc. v. Dash* (1989): π registered the trademark LLADRO (originally identifying a Spanish corporation) to cover imported fine porcelain – Δ began importing this same porcelain and sold it under the LLADRO name, and π sued for trademark infringement – π filed suit, characterizing Δ 's goods as “gray market imports,” and asserting infringement under Lanham Act §32 and Tariff Act §526 – district ct granted π summary judgment under the Lanham Act, noting that Δ 's use of the trademark was likely to cause confusion, and refused Δ 's argument that the goods were not “deceptive” and did not cause “confusion,” but properly indicated origin of the goods – district ct also granted π summary judgment under the Tariff Act, asserting that U.S. Customs Office should block Δ 's imports as deceptive, and refused Δ ' arguments that this act was solely to be applied by the federal government (no private cause of action) – appellate ct reversed and found for Δ on both grounds: Δ 's imports do not alter the quality of the goods; they are identical and of identical origin – thus, they are permitted to use the same name in order to identify the territoriality of the goods