Intellectual Property
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Fall 2009

Supplement

Sewell Chan, **Ruling for Salinger, Judge Bans 'Rye' Sequel**, New York Times (July 1, 2009)

Fredrik Colting, 33, published the novel in dispute under the name J. D. California. Lawyers for J. D. Salinger called it an unauthorized sequel to "The Catcher in the Rye."

Updated, 6:17 p.m. | In a victory for the reclusive writer J. D. Salinger, a federal judge on Wednesday indefinitely banned publication in the United States of a new book by a Swedish author that contains a 76-year-old version of Holden Caulfield, the protagonist of "The Catcher in the Rye."

The judge, Deborah A. Batts, of United States District Court in Manhattan, had granted a 10-day temporary restraining order last month against the author, Fredrik Colting, who wrote the new novel under the pen name J. D. California.

In a 37-page ruling, Judge Batts issued a preliminary injunction — indefinitely banning the publication, advertising or distribution of the book in this country — after considering the merits of the case. The book has been published in Britain.

"I am pretty blown away by the judge's decision," Mr. Colting said in an e-mail message after the ruling. "Call me an ignorant Swede, but the last thing I thought possible in the U.S. was that you banned books." Mr. Colting and his lawyer, Edward H. Rosenthal, said they would appeal. The decision means that "members of the public are deprived of the chance to read the book and decide for themselves whether it adds to their understanding of Salinger and his work," Mr. Rosenthal said.

Marcia B. Paul, a lawyer for Mr. Salinger, declined to comment on the decision.

Associated Press J. D. Salinger's last new work appeared in print in 1965.

In a copyright infringement lawsuit filed June 1, lawyers for Mr. Salinger contended that the new work was derivative of "Catcher" and Holden Caulfield, and infringed on Mr. Salinger's copyright.

The work by Mr. Colting, 33, centers on a 76-year-old "Mr. C," the creation of a writer named Mr. Salinger. Although the name Holden Caulfield does not appear in the book, Mr. C is clearly Holden, one of the best-known adolescent figures in American fiction, aged 60 years.

(The similarities between the characters were not much in dispute. As Judge Batts wrote in her ruling, "Both narratives are told from the first-person point of view of a sarcastic, often uncouth protagonist who relies heavily on slang, euphemisms and colloquialisms, makes constant digression and asides, refers to readers in the second person, constantly assures the reader that he is being honest and that he is giving them the truth.")

Mr. Colting's lawyers argued, among other things, that the new novel, titled "60 Years Later: Coming Through the Rye," did not violate copyright laws because it amounted to a critical parody that had the effect of transforming the original work.

Judge Batts rejected that argument, writing:

To the extent Defendants contend that 60 Years and the character of Mr. C direct parodic comment or criticism at Catcher or Holden Caulfield, as opposed to Salinger himself, the Court finds such contentions to be post-hoc rationalizations employed through vague generalizations about the alleged naivety of the original, rather than reasonably perceivable parody.

The judge's ruling weighed literary arguments made by both sides in the dispute. "To the extent Colting claims to augment the purported portrait of Caulfield as a 'free-thinking, authentic and untainted youth,' and 'impeccable judge of the people around him' displayed in *Catcher* by 'show[ing] the effects of Holden's uncompromising world view,'" Judge Batts wrote, citing a memo submitted by Mr. Colting, "those effects were already thoroughly depicted and apparent in Salinger's own narrative about Caulfield."

Judge Batts added:

In fact, it can be argued that the contrast between Holden's authentic but critical and rebellious nature and his tendency toward depressive alienation is one of the key themes of *Catcher*. That many readers and critics have apparently idolized Caulfield for the former, despite — or perhaps because of — the latter, does not change the fact that those elements were already apparent in *Catcher*.

It is hardly parodic to repeat that same exercise in contrast, just because society and the characters have aged.

While the case could still go to trial, Judge Batts's ruling means that Mr. Colting's book cannot be published in the United States pending the resolution of the litigation, which could drag on for months or years.

Mr. Salinger, who has not published any new work since 1965, has sued several times to protect his works, including successful efforts to stop publication of some of his personal letters in a biography and to halt a staging of "Catcher" by a college theater company in San Francisco. He has also turned down requests, from Steven Spielberg, among others, for movie adaptations of "Catcher."

Byron Acohido, **Judge Orders Microsoft to Stop Selling Word**, USA TODAY (Aug. 12, 2009)

SEATTLE — A federal district court judge has ordered Microsoft to stop selling Word in the U.S. — and the tiny company behind the lawsuit is digging in for a David vs. Goliath showdown.

Toronto-based i4i, which has 30 employees, claims that Microsoft violated an obscure patent related to Extensible Markup Language or XML. It's a key software component of many websites and computer programs, including Word.

Judge Leonard Davis agreed Tuesday, ordering Microsoft to pay $290 million in fines and stop selling Word in the U.S. in 60 days. That could derail a core business for the world's largest software maker.

As part of Microsoft Office, Word is used by hundreds of millions of people worldwide. Office accounted for more than $3 billion in sales in the company's last fiscal year.

"It's not a question of fear or pride or anything else," Loudon Owen, i4i chairman says. "We're very respectful of Microsoft, but when you're in the right you have to persevere."

Microsoft plans to appeal. "We are disappointed by the court's ruling," said Microsoft spokesman Kevin Kutz in a statement. "We believe the evidence clearly demonstrated that we do not infringe and that the i4i patent is invalid."

I4i, which mainly makes software for drug and defense companies, obtained the patent for a "customized XML" tool in 1998. XML is a specialized alphabet that can capture any kind of computer file as a regular text.

Microsoft started using XML as an alternative way to save Word files in Word 2003 and made it the default format for all Office files in Office 2007.

This made it easier for Microsoft and its partners to create programs such as accounting software that generates reports in Word formats, says Rob Helm, analyst at research firm Directions on Microsoft.

I4i sued Microsoft in 2007, claiming that Word uses the patented process. Now, "Microsoft is behind the eight ball and has 60 days to see if it can get the federal appeals court to stay the injunction," says Henry Sneath, a Pittsburgh intellectual property lawyer.

No one expects Microsoft to actually pull Word off the market. It's a big company with deep pockets that has faced many legal challenges over the years. It could win the appeal, settle with i4i, or even buy out the company.

The Legal Battle

It might not be easy for Microsoft to get a federal appeals court to throw out the injunction requiring the Redmond, Wash. company to stop selling Word.

That's because back in 2006 the U.S. Supreme Court set forth four strict criteria for granting injunctions in patent cases, as part of the milestone case of eBay vs. MercExchange.

To convince Texas district court Judge Leonard Davis to issue the injunction, Toronto-based tech firm i4i had to produce evidence that Microsoft's use of XML in Word caused irreparable injury; that money damages alone will not fix the injury; that there's an imbalance of hardship between i4i and Microsoft; and that the injunction would not harm the public interest.

Davis' 65-page ruling, which came after a jury found that Microsoft had infringed on i4i's patent for a tool that enables use of "customized XML" in business applications.

I4i's XML tool enables large pharmaceutical companies and big defense contractors to share inventory data and other business intelligence with suppliers and customers using disparate business applications, says i4i chairman Loudon Owen

Davis' post trial ruling came after Microsoft asked him to dismiss the jury verdict -- and i4i countered by asking for the injunction. In denying Microsoft's motion and granting i4i's, Davis awarded i4i $90 million more in settlement charges, on top of the $200 million awarded by the jury. (Microsoft has more than $30 billion in cash reserves.)

"It's a very strongly worded opinion," says Pittsburgh intellectual property lawyer Henry Sneath.

Sneath says that Microsoft's strongest argument to the appeals court might be that the public interest will be disserved if it must stop selling Word 2007 -- or strip it of XML.

But i4i could make the counter argument that a viable alternative is readily available with the free and popular productivity suite, OpenOffice, which adopted XML as its standard format before Office 2007 did.

Yanking XML from Word will not be easy. Microsoft weathered controversy when it tried to limit use of Office XML formats to licensees. Many in the tech community complained that Office XML wasn't sufficiently documented for companies other than Microsoft to use them reliably, says Rob Helm, analyst at Directions on Microsoft.

Helm says Office XML licenses have had to become more liberal, and he credits Microsoft for coming around and making the documentation more complete -- at the behest of interventions by U.S. and European antitrust regulators.

The bottom line: Microsoft has two months to solve a big problem. It must get the appeals court to issue a stay against what has the look of an iron-clad injunction, or "spend a lot of money to redesign this product because they can't sell it any more," says Sneath.

Steve Stecklow, **The Scariest Monster of All Sues for Trademark Infringement**, Wall Street Journal (April 4, 2009)

When Christina and Patrick Vitagliano dreamed up their Monster Mini Golf franchises -- 18-hole, indoor putting greens straddled by glow-in-the-dark statues of ghouls and gargoyles -- they never imagined that a California maker of high-end audio cables would object.

But Monster Cable Products Inc., which holds more than 70 trademarks on the word monster, challenged the Vitaglianos' trademark applications. It filed a federal lawsuit against their company in California and demanded the Rhode Island couple surrender the name and pay at least $80,000 for the right to use it.

"It really seemed absurd," says Ms. Vitagliano.

The legal actions were nothing new for Monster Cable, which was granted its first "Monster" trademark in 1980. Since then, the company has fought more monsters than Godzilla did.

Over the years, it has gone after purveyors of monster-branded auto transmissions, slot machines, glue, carpet-cleaning machines and an energy drink, as well as a woman who sells "Junk Food Monster" kids' T-shirts that promote good eating habits. It sued Monster.com over the job-hunting Web site's name and Walt Disney Co. over products tied to the film "Monsters Inc." It opposed the Boston Red Sox trademark applications for seats and hot dogs named for the Green Monster, the legendary left-field wall in Fenway Park. All in all, Monster Cable says it has fought about 190 monster battles at the U.S. Patent and Trademark Office and filed around 30 monster lawsuits in federal courts.

Along the way, it has attracted its share of ire from those who say it is overreaching and trying to corner the market on a word, not a brand. "If Monster Cable prevails, the Gila monster will become just another lizard" and "the monster under your bed will have to become an ogre," wrote Michael Meadors of tabberone.com, a Web site that sells fabrics and also keeps tabs on trademark issues.

"Monster Cable's practice of suing anyone using the word 'Monster' in their name is nothing short of playground bullying," says Robert Holloway, a computer contractor in Iowa who set up a Web site called monstercablebully.com to support the Vitaglianos.

Monster Cable says its trademark challenges are a matter of necessity. "If you don't defend your mark, and people use [it], it runs the risk of becoming generic and then you lose the mark," says Noel Lee, founder of the Brisbane, Calif., company, whose corporate title is "Head Monster." Mr. Lee says the company sells many other monster-branded products besides cables that it has to protect, including music, clothing and candy mints.

To a legal novice, it may seem odd that a common word like monster can be trademarked at all. But in the complex and sometimes murky world of trademark law, common words can be registered, provided they are associated with specific classes of goods. Apple Inc., for example, holds trademarks for the word apple when it's related to computer products, not fruit.

Sometimes, trademarks can obtain a higher order of protection, known as "famous marks." This category is supposed to be reserved for words that have become so entwined with a product and a company -- like the word visa and Visa Inc.'s credit card -- that the trademark owner can argue that no other product may use the word in its name.

David Tognotti, Monster Cable's general manager and an attorney, says the company considers "Monster" a famous mark -- on a par with Barbie dolls or Camel cigarettes. "We're protecting our mark as if it's a famous mark," he said in an interview in Monster Cable's headquarters, where the walls are lined with framed copies of the company's trademarks and patents.

Mr. Tognotti cited a chapter on famous marks in the law book "McCarthy on Trademarks and Unfair Competition" by J. Thomas McCarthy, a noted expert in the field.

But in an interview, Prof. McCarthy expressed doubt that Monster Cable possesses a famous mark. He said such determinations are made by courts. Mr. Tognotti acknowledges Monster Cable hasn't obtained such a court ruling.

Most of the company's lawsuits have been settled privately under confidential terms. In some instances -- such as the case of the Discovery Channel's reality auto show, Monster Garage -- companies have surrendered their trademarks to Monster Cable, which sometimes licenses them back for a fee. Discovery Channel declined to comment. The show is no longer in production.

In its federal civil lawsuit against Monster.com, Mr. Tognotti says owner Monster Worldwide Inc. agreed to pay Monster Cable's legal fees and post a clickable link to its Web site on Monster.com that says, "Looking for Monster Cable?" A spokesman for Monster Worldwide acknowledged the lawsuit was resolved but wouldn't discuss details.

A Disney spokesman says the company settled the lawsuit over Monster Inc.-related products without paying any compensation. Mr. Tognotti of Monster Cable says his company dropped the lawsuit after determining there was no trademark infringement.

He says Monster Cable has no plans to pursue the new DreamWorks Animation film, "Monsters vs Aliens." Says Mr. Tognotti: "We do not have a concern if a company is using the word 'monster' in a purely descriptive sense to describe actual monsters."

As for the Red Sox, Mr. Tognotti says the team agreed to withdraw or modify some of its trademark registrations for Green Monster-related products after Monster Cable argued there was "confusion in the marketplace." At the time, San Francisco's Candlestick Park was called Monster Park because Monster Cable had bought the naming rights. A Red Sox attorney referred questions to Major League Baseball, where a spokesman said the team had agreed with Monster Cable over a "procedural matter" but declined to elaborate.

Occasionally, Monster Cable has retreated. After it sued MonsterVintage LLC, an online used-clothing store based in Oregon, owner Victor Petrucci says he drove a rented truck to Monster Cable's headquarters and around San Francisco for two weeks. It was emblazoned with a giant sign that read in part, "Monster Cable S-." Monster Cable dropped the lawsuit.

"We have to balance what we do legally to protect our mark with that of public opinion," says Mr. Lee, adding, "We're very sensitive to our reputation."

The Vitaglianos say their monstrous fight erupted in 2006, two years after the couple opened their first mini-golf course. "It never occurred to me that a cable company might not like it," she says. Adds her husband, "We just all assumed it was going to go away."

Their attorney, Arthur L. Pressman, says he suggested they consider changing the name to Scary Mary's Monster Mini Golf to play down the word monster. But the couple refused to back down. By late last year, with their legal bills approaching $100,000, they agreed to try mediation. But after 10 hours, "we got really angry and sort of stormed away," says Ms. Vitagliano.

The couple then launched an Internet-based guerrilla campaign to generate public support. "We blogged nonstop, around the clock, for weeks, and enlisted much of our staff to do the same," she says. The couple offered to sell symbolic slices of "Justice" for $1 on eBay and raised about $4,400 for their legal defense. Two days before Christmas, she sent Mr. Lee a DVD of the film, "How the Grinch Stole Christmas."

Monster Cable's Mr. Lee says the company also received at least 200 angry consumer complaints. After speaking with the Vitaglianos, he decided to drop the lawsuit, withdraw his company's opposition to Monster Mini Golf's trademark applications and pay up to $200,000 of their legal expenses.

United States of America
v.
Matthew R. Lange
312 F.3d 263 (7th Cir. 2002)

EASTERBROOK, *Circuit Judge*. Matthew Lange has been convicted of violating *18 U.S.C. § 1832*, part of the Economic Espionage Act of 1996. This statute makes it a felony to sell, disseminate, or otherwise deal in trade secrets, or attempt to do so, without the owner's consent. Lange stole computer data from Replacement Aircraft Parts Co. [RAPCO], his former employer, and attempted to sell the data to one of RAPCO's competitors. He allows that his acts violated *§ 1832*, if the data contained "trade secrets," but denies that the data met the statutory definition:

> the term "trade secret" means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if—(A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public[.]

18 U.S.C. § 1839(3). Lange's appeal requires us to apply this definition.

RAPCO is in the business of making aircraft parts for the aftermarket. It buys original equipment parts, then disassembles them to identify (and measure) each component. This initial step of reverse engineering, usually performed by a drafter such as Lange, produces a set of measurements and drawings. Because this case involves an effort to sell the intellectual property used to make a brake assembly, we use brakes as an illustration.

Knowing exactly what a brake assembly looks like does not enable RAPCO to make a copy. It must figure out how to make a substitute with the same (or better) technical specifications. . . . Aftermarket manufacturers must experiment with different alloys and compositions until they achieve a process and product that fulfils requirements set by the Federal Aviation Administration for each brake assembly. Completed assemblies must be exhaustively tested to demonstrate, to the FAA's satisfaction, that all requirements have been met; only then does the FAA certify the part for sale. For brakes this entails 100 destructive tests on prototypes, bringing a spinning 60-ton wheel to a halt at a specified deceleration measured by a dynamometer. Further testing of finished assemblies is required. It takes RAPCO a year or two to design, and obtain approval for, a complex part; the dynamometer testing alone can cost $75,000. But the process of experimenting and testing can be avoided if the manufacturer demonstrates that its parts are identical (in composition and manufacturing processes) to parts that have already been certified. What Lange, a disgruntled former employee, offered for sale was all the information required to obtain certification of several components as identical to parts for which RAPCO held certification. Lange included with the package—which he offered via the Internet to anyone willing to pay his price of $ 100,000—a pirated copy of AutoCAD, the computer-assisted drawing software that RAPCO uses to maintain its drawings and specifications data. One person to whom Lange tried to peddle the data informed RAPCO, which turned to the FBI. Lange was arrested following taped negotiations that supply all the evidence necessary for conviction—if the data satisfy the statutory definition of trade secrets.

One ingredient of a trade secret is that "the owner thereof has taken reasonable measures to keep such information secret". Lange contends that the proof fell short, but a sensible trier of fact (in this bench trial, the district judge) could have concluded that RAPCO took "reasonable measures to keep [the] information secret". RAPCO stores all of its drawings and manufacturing data in its CAD room, which is protected by a special lock, an alarm system, and a motion detector. The number of copies of sensitive information is kept to a minimum; surplus copies are shredded. Some information in the plans is coded, and few people know the keys to these codes. Drawings and other manufacturing information contain warnings of RAPCO's intellectual-property rights; every employee receives a notice that the information with which he works is confidential. None of RAPCO's subcontractors receives full copies of the schematics; by dividing the work among vendors, RAPCO ensures that none can replicate the product. This makes it irrelevant that RAPCO does not require vendors to sign confidentiality agreements; it relies on *deeds* (the splitting of tasks) rather than *promises* to maintain confidentiality. Although, as Lange says, engineers and drafters knew where to get the key to the CAD room door, keeping these employees out can't be an ingredient of "reasonable measures to keep [the] information secret"; then no one could do any work. So too with plans sent to subcontractors, which is why dissemination to suppliers does not undermine a claim of trade secret. See *Rockwell Graphic Systems, Inc. v. DEV Industries, Inc., 925 F.2d 174, 177 (7th Cir. 1991).*

The second ingredient is that "the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public[.]" According to Lange, all data obtained by reverse engineering some other product are "readily ascertainable . . . by the public" because everyone can do what RAPCO did: buy an original part, disassemble and measure it, and make a copy. The prosecutor responds to this contention by observing that "the public" is unable to reverse engineer an aircraft brake assembly.

The prosecutor's assumption is that the statutory reference in *§ 1839(3)* to "the public" means the *general* public—the man in the street. Ordinary people don't have AutoCAD and 60-ton flywheels ready to hand. But is the general public the right benchmark?

A problem with using the general public as the reference group for identifying a trade secret is that many things unknown to the public at large are well known to engineers, scientists, and others whose intellectual property the Economic Espionage Act was enacted to protect. This makes the general public a poor benchmark for separating commercially valuable *secrets* from obscure (but generally known) information. Suppose that Lange had offered to sell Avogadro's number for $ 1. Avogadro's number, 6.02×10^{23}, is the number of molecules per mole of gas. It is an important constant, known to chemists since 1909 but not to the general public (or even to all recent graduates of a chemistry class). We can't believe that Avogadro's number could be called a trade secret. Other principles are known without being comprehended. Most people know that $E = mc^2$, but a pop quiz of the general public would reveal that they do not understand what this *means* or how it can be used productively.

One might respond that the context of the word "public" addresses this concern. The full text of *§ 1839(3)(B)* is: "the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public". Avogadro's number and other obscure knowledge is not "generally known to" the man in the street but might be deemed "readily ascertainable to" this hypothetical person. It appears in any number of scientific handbooks. Similarly one can visit a library and read Einstein's own discussion of his famous equation. See Albert Einstein, *Relativity: The Special and General Theory* (1920). Members of the general public can ascertain even abstruse information, such as Schrodinger's quantum field equation, by consulting people in the know—as high school dropouts can take advantage of obscure legal rules by hiring lawyers. . . .

Section 1839(3)(B) as a whole refers to the source of economic value—that the information is not known to or easily discoverable by persons who could use it productively. . . . And for purposes of this case those people would be engineers and manufacturers of aircraft parts, who have ample means to reverse engineer their competitors' products. It is by keeping secrets from its rivals that RAPCO captures the returns of its design and testing work. Thus it is unnecessary here to decide whether "general" belongs in front of "public"—for even if it does, the economically valuable information is not "readily ascertainable" to the general public, the educated public, the economically relevant public, or any sensible proxy for these groups. . . .

Lange wants us to proceed as if all he tried to sell were measurements that anyone could have taken with calipers after disassembling an original-equipment part. Such measurements could not be called trade secrets if, as Lange asserts, the assemblies in question were easy to take apart and measure. But no one would have paid $100,000 for metes and bounds, while Lange told his customers that the data on offer were worth more than that asking price. Which they were. What Lange had, and tried to sell, were the completed specifications and engineering diagrams that reflected all the work completed *after* the measurements had been taken: the metallurgical data, details of the sintering, the results of the tests, the plans needed to produce the finished goods, everything required to get FAA certification of a part supposedly identical to one that had been approved. Those details "derived independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public[.]" Every firm other than the original equipment manufacturer and RAPCO had to pay dearly to devise, test, and win approval of similar parts; the details unknown to the rivals, and not discoverable with tape measures, had considerable "independent economic value . . . from not being generally known". A sensible trier of fact could determine that Lange tried to sell trade secrets. It was his customer's cooperation with the FBI, and not public access to the data, that prevented closing of the sale. . . .

18 U.S.C. § 1832 Theft of Trade Secrets

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

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

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

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

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

(5) conspires with one or more other persons to commit any offense described in paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy, shall, except as provided in subsection (b), be fined under this title or imprisoned not more than 10 years, or both.

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

John Branch, **In the N.F.L., It's Not Cheating Until You Start Videotaping**, New York Times, Feb. 17, 2008

An N.F.L. team could place an army of lip readers on the sideline to try to steal messages from the opposing side. It could fill a row of seats behind the other team's bench with espionage experts to decipher all the sideline cues. It could have scouts in the press box aiming binoculars at every opposing coach, scribbling notes to match with game tape to glean what all the signals mean.

All that is allowed, and maybe some of it is done. But videotaping the other sideline? Do not think about it.

And therein lies one of the quirky twists to what may already be the biggest cheating scandal in the N.F.L.'s history, a chapter that began when the Patriots were caught taping the Jets' sideline last September.

The issue is not stealing signals. That is allowed, "and it is done quite widely," Commissioner Roger Goodell said recently.

The issue, rather, is the method of acquiring the signals.

"I'm not sure that there is a coach in the league that doesn't expect that their signals are being intercepted by opposing teams," Goodell said Feb. 1, two days before the Super Bowl.

Hardly a revelation, it is nonetheless striking to hear the leader of the top sports league in the country combat questions about cheating with reminders that signal stealing is part of a time-honored tradition.

The message is a murky one, ethicists said. Further advances in technology, combined with the game's winking culture toward espionage, promise to confuse matters.

"Is it a gray area? Yes," Sharon Stoll, the director for a center on sports ethics at the University of Idaho, said in a telephone interview. "And they have a problem. We enjoy the nature of competition and gamesmanship. And we enjoy placing those skills against each other. But how far are those skills to go?"

Should they include the ability to steal signals, either by "permissible observation," as the N.F.L. put it, or by electronically recording them?

Goodell suggested that the responsibility was on teams to conceal their messages, not on the ones trying to steal them. Unless, of course, would-be thieves have the gall to break out the video equipment.

It is why, as Goodell pointed out, coaches cover their mouths when barking instructions. It is why teams use complicated hand signals and often have someone send fake signals to confuse opponents. It is why the N.F.L., at the recent Super Bowl, surrounded the practice facilities of the Patriots and the Giants with police officers, security guards, even F.B.I agents. It is all to keep prying eyes away.

During a news conference two days before the Super Bowl, Goodell said that any coach who did not expect signals to be stolen was "stupid" (a word he attributed to a coach). When asked whether a specific game might have been tainted by taping, he said no, in part, because the would-be victim, Philadelphia's Andy Reid, "is a very smart coach."

It is an interesting perspective, where the people who try to steal information and those who protect themselves from such theft are deemed to be playing the game the right way.

Already, games are broadcast through a dozen or more cameras for television. Teams also record games with their own equipment and spend hours analyzing the tendencies of their next opponent. The mission is to decode intentions. It is reasonable to wonder exactly where legitimate research ends and illicit activity begins.

"Where do you draw the line?" Greg Dale, a professor of sports psychology and ethics at Duke University, said in a telephone interview. "It's just going to continue to go and go and go. It's going to continue to take us farther away from what competition is supposed to be about. Competition was not supposed to be about who can steal each other's signals the best."

The N.F.L. found that the Patriots and Coach Bill Belichick might have been taping opposing sidelines since 2000. The league confiscated and destroyed notes that dated to 2002. It fined Belichick $500,000, the Patriots $250,000, and took away the team's first-round draft choice.

"This episode represents a calculated and deliberate attempt to avoid longstanding rules designed to encourage fair play and promote honest competition on the playing field," Goodell said in revealing the sanctions.

Goodell was backed by a rule. "No video recording devices of any kind are permitted to be in use in the coaches' booth, on the field, or in the locker room during the game," the league's Game Operations Manual reads. He also cited a letter that the league sent to teams in September 2006.

"Videotaping of any type, including but not limited to taping of an opponent's offensive or defensive signals, is prohibited on the sidelines," it read, in part, a phrase indicating foreshadowing or the sense that the rule needed clarification.

Stories soon emerged about teams using everything from lip readers to hidden microphones worn by defensive players. Most of those strategies were viewed as playful attempts to gain an advantage, part of the league's history.

But what of its future? With the Patriots, Goodell drew a line — or highlighted an existing one — between right and wrong, at least by N.F.L. standards. Yet in a sport in which coaches live in fear of wandering eyes viewing their practice fields and bugs hidden in their locker rooms — for valid reasons, presumably — there would seem to be a limit to what the rules can control or warn about.

"We value people who are clever in interpreting the rules," Stoll, the Idaho professor, said. "We have this ethos, and that is to push the rules as far as we can. Now, throw in the factor of technology. What are they going to do about it?"

Spying in football may be more tempting than in other sports because so much of the game is scripted. Teams run planned, choreographed plays. How much of an advantage would an offense have, for example, if it approached the line of scrimmage knowing exactly what defense it was to face — which players will rush the quarterback, which receivers will be double-teamed, which direction the safety will head when the ball is snapped?

That is the information all teams want, and what the Patriots were caught recording.

Interestingly, the N.F.L. may combat technology with more technology. Last year, the league nearly approved wireless communication among coaches and one defensive player, similar to that allowed with quarterbacks, who have a speaker in their helmet. The topic will be raised by owners again this spring. Such a system may eliminate the need for defensive signals on the sideline — and the urge to record those signals.

But teams already fear that wireless signals to the quarterbacks can be intercepted. Every permutation of technology seems to add another layer of possibilities.

What if a fan in the stands intercepts the messages with a receiver bought at Radio Shack, then passes them along? What if a team employee cracks the code from the sideline or the booth? What if a coach simply overhears an opposing coach in the next booth shouting instructions into the headset?

What is cheating? What is gamesmanship?

"You do have to draw a line," Dale, the Duke professor, said. "You do. But people will continue to push it further and further, and that line is going to get more and more fuzzy."

Chicago Lock Co.
v.
Morris V. Fanberg and Victor Fanberg,
676 F.2d 400 (9th Cir. 1982)

OPINION BY: ELY
. . . THE FACTS

Since 1933 the Chicago Lock Company, a manufacturer of various types of locks, has sold a tubular lock, marketed under the registered trademark "Ace," which provides greater security than other lock designs. Tubular Ace locks, millions of which have been sold, are frequently used on vending and bill changing machines and in other maximum security uses, such as burglar alarms. The distinctive feature of Ace locks (and the feature that apparently makes the locks attractive to institutional and large-scale commercial purchasers) is the secrecy and difficulty of reproduction associated with their keys.

The District Court found that the Company "has a fixed policy that it will only sell a duplicate key for the registered series "Ace' lock to the owner of record of the lock and on request of a bona fide purchase order, letterhead or some other identifying means of the actual recorded lock owner." Finding of Fact No. 14, Excerpt of Record at 89. In addition, the serial number-key code correlations are maintained by the Company indefinitely and in secrecy, the Company does not sell tubular key "blanks" to locksmiths or others, and keys to Ace locks are stamped "Do Not Duplicate." See Excerpt at 86-91.

If the owner of an Ace lock loses his key, he may obtain a duplicate from the Company. Alternatively, he may have a proficient locksmith "pick" the lock, decipher the tumbler configuration, and grind a duplicate tubular key. The latter procedure is quicker than the former, though more costly. The locksmith will, to avoid the need to "pick" the lock each time a key is lost, record the key code (i.e., the tumbler configuration) along with the serial number of the customer's lock. See Excerpt at 92. Enough duplicate keys have been made by locksmiths that substantial key code data have been compiled, albeit noncommercially and on an ad hoc basis.

Appellant Victor Fanberg, the son of locksmith Morris Fanberg and a locksmith in his own right, has published a number of locksmith manuals for conventional locks. Realizing that no compilation had been made of tubular lock key codes, in 1975 Fanberg advertised in a locksmith journal, Locksmith Ledger, requesting that individual locksmiths transmit to him serial number-key code correlations in their possession in exchange for a copy of a complete compilation when finished. A number of locksmiths complied, and in late 1976 Fanberg and his father began to sell a two-volume publication of tubular lock codes, including those of Ace locks, entitled "A-Advanced Locksmith's Tubular Lock Codes." In 1976 and 1977 Fanberg advertised the manuals in the Locksmith Ledger for $ 49.95 and indicated that it would be supplemented as new correlations became known. See Excerpt at 95-98. About 350 manuals had been sold at the time of trial. The District Court found that Fanberg "had lost or surrendered control over persons who could purchase the books," id. at 98, meaning that nonlocksmiths could acquire the code manuals.

The books contain correlations which would allow a person equipped with a tubular key grinding machine to make duplicate keys for any listed Ace lock if the serial number of the lock was known. On some models, the serial numbers appear on the exterior of the lock face. Thus, Fanberg's manuals would make it considerably easier (and less expensive) for a person to obtain (legitimately or illegitimately) duplicate keys to Ace locks without going through the Company's screening process. This is what caused consternation to the Company and some of its customers. At no time did Fanberg seek, or the Company grant, permission to compile and sell the key codes. Nor did the individual locksmiths seek authorization from the Company or their customers before transmitting their key code data to Fanberg.

The Company filed a three-count complaint against the Fanbergs, , , .

THE TRADE SECRETS CLAIM

Appellants argue that the District Court erroneously concluded that they are liable under *Section 3369* for acquiring appellee's trade secret through improper means. We agree, and on this basis we reverse the District Court.

Although the District Court's Findings of Fact and Conclusions of Law are lengthy, the thrust of its holding may be fairly summarized as follows: appellants' acquisition of appellee's serial number-key code correlations through improper means, and the subsequent publication thereof, constituted an "unfair business practice" within the meaning of *Section 3369*. See Excerpt at 119-20. Even though the court did not make an explicit finding that appellee's serial number-key code correlations were protectable trade secrets, both appellants and appellee premise their appeal on such an "implicit" finding. See Brief of Appellee at 13-14. We think it clear that the District Court based its decision on a theory of improper acquisition of trade secrets, and in the following discussion we assume arguendo that appellee's listing of serial number-key code correlations constituted a trade secret.

California courts have adopted the theory of trade secret protection set out in the Restatement (First) of Torts, § 757, and the comments thereto, in resolving disputes involving trade secrets. . .

Trade secrets are protected, therefore, in a manner akin to private property, but only when they are disclosed or used through improper means. Trade secrets do not enjoy the absolute monopoly protection afforded patented processes, for example, and trade secrets will lose their character as private property when the owner divulges them or when they are discovered through proper means. "It is well recognized that a trade secret does not offer protection against discovery by fair and honest means such as by independent invention, accidental disclosure or by so-called reverse engineering, that is, starting with the known product and working backward to divine the process."

Thus, it is the employment of improper means to procure the trade secret, rather than mere copying or use, which is the basis of liability. Restatement (First) of Torts, § 757, comment a (1939). The Company concedes, as it must, that had the Fanbergs bought and examined a num-ber of locks on their own, their reverse engineering (or deciphering) of the key codes and publi- cation thereof would not have been use of "improper means." Similarly, the Fanbergs' claimed use of computer programs in generating a portion of the key code-serial number correlations here at issue must also be characterized as proper reverse engineering. Excerpt at 96, 100-01; Brief of Appellee at 29-30. The trial court found that appellants obtained the serial number-key code cor- relations from a "comparatively small" number of locksmiths, who themselves had reverse- engineered the locks of their customers. See Excerpt at 96-97. The narrow legal issue presented here, therefore, is whether the Fanbergs' procurement of these individual locksmiths' reverse en- gineering data is an "improper means" with respect to appellee Chicago Lock Company.

The concept of "improper means," as embodied in the Restatement, and as expressed by the Supreme Court, connotes the existence of a duty to the trade secret owner not to disclose the secret to others. See Restatement (First) of Torts, § 757, comment h (1939). "The protection accorded the trade secret holder (i.e., in this case the Company) is against the disclosure or unauthorized use of the trade secret by those to whom the secret has been confided under the express or implied restriction of disclosure or nonuse." *Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 475, 94 S. Ct. 1879, 1883, 40 L. Ed. 2d 315 (1974)* (emphasis added).

Thus, under Restatement § 757(c), appellants may be held liable if they intentionally procured the locksmiths to disclose the trade secrets in breach of the locksmiths' duty to the Company of nondisclosure. See Restatement (First) of Torts, § 757, comment h (1939). Critical to the District Court's holding, therefore, was its conclusion that the individual locksmiths, from whom the Fanbergs acquired the serial number-key code correlations, owed an implied duty to the Company not to make the disclosures. See Excerpt at 116.

We find untenable the basis upon which the District Court concluded that the individual locksmiths owe a duty of nondisclosure to the Company. The court predicated this implied duty upon a "chain" of duties: first, that the locksmiths are in such a fiduciary relationship with their customers as to give rise to a duty not to disclose their customers' key codes without permission, see Excerpt at 116; and second, that the lock owners are in turn under an "implied obligation (to the Company) to maintain inviolate" the serial number-key code correlations for their own locks, see id.

The court's former conclusion is sound enough: in their fiduciary relationship with lock owners, individual locksmiths are reposed with a confidence and trust by their customers, of which disclosure of the customers' key codes would certainly be a breach. This duty, however, could give rise only to an action by "injured" lock owners against the individual locksmiths, not by the Company against the locksmiths or against the Fanbergs.

The court's latter conclusion, that lock owners owe a duty to the Company, is contrary to law and to the Company's own admissions. A lock purchaser's own reverse-engineering of his own lock, and subsequent publication of the serial number-key code correlation, is an example of the independent invention and reverse engineering expressly allowed by trade secret doctrine. [4] Imposing an obligation of nondisclosure on lock owners here would frustrate the intent of California courts to disallow protection to trade secrets discovered through "fair and honest means." See id. Further, such an implied obligation upon the lock owners in this case would, in effect, convert the Company's trade secret into a state-conferred monopoly akin to the absolute protection that a federal patent affords. Such an extension of California trade secrets law would certainly be preempted by the federal scheme of patent regulation. . . .

> 4 If a group of lock owners, for their own convenience, together published a listing of their own key codes for use by locksmiths, the owners would not have breached any duty owed to the Company. Indeed, the Company concedes that a lock owner's reverse engineering of his own lock is not "improper means." See Brief of Appellee at 24.

Appellants, therefore, cannot be said to have procured the individual locksmiths to breach a duty of nondisclosure they owed to the Company, for the locksmiths owed no such duty. The Company's serial number-key code correlations are not subject to protection under Restatement § 757, as adopted by the California courts, because the Company has not shown a breach of any confidence reposed by it in the Fanbergs, the locksmiths, or the lock purchasers-i.e., it has failed to show the use of "improper means" by the Fanbergs required by the Restatement.

The District Court's conclusion that the Fanbergs committed an "unfair business practice" under *Section 3369*, therefore, must be reversed, and judgment should be entered in favor of appellants. In view of the foregoing we find it unnecessary to reach appellants' *First Amendment* and vagueness claims.

REVERSED AND REMANDED with instructions that judgment be entered in favor of defendants-appellants.

Let's All Go to Flaming Moe's

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

(1) A representative from Tipsy McStagger's Good-Time Drinking and Eating Emporium meets with Moe to discuss licensing the recipe. As part of the negotiations, Moe tells them how it's made. Tipsy McStagger's breaks off talks and start selling its own version. What result?

(2) The Tipsy's rep orders a Flaming Moe, pours it into a thermos, and uses a gas chromatograph to analyze its chemical composition. By so doing, they learn that the secret ingredient is cough syrup. What result?

(3) The Tipsy's rep goes to Moe's Tavern and bribes a bartender to tell them the formula. What result?

(4) Same facts as in (3), except that anyone who tastes the drink can recognize that it's cough syrup. Tipsy's still bribes the bartender to tell them. What result?

Tom Cruise Not-so-Hypothetical

In January of 2008, the gossip blog Gawker obtained a nine-minute video made by Tom Cruise for the Church of Scientology. In the video, which was filmed at a Church event in 2004, Cruise speaks directly to the camera and explains why he is a member of the Church, as the *Mission: Impossible* theme plays in the background. A few sample excerpts:

> "Being a Scientologist, when you drive past an accident, it's not like anyone else, it's, you drive past, you know you have to do something about it. You know you are the only one who can really help. That's what drives me."
>
> "We are the authorities on getting people off drugs. We are the authorities on the mind. We are the authorities on improving conditions. We can rehabilitate criminals. We can bring peace and unite cultures. That once you know these tools and you know that they work, it's not good enough that I'm just doing Ok."

“So it’s our responsibility to educate, create the new reality.”

The video is used by the Church for motivational purposes. It is shown to audiences who have passed certain levels of the training, instruction, and “auditing” that the Church requires members to undergo. The Church requires donations from members in exchange for some (but not all) of these activities. The Church takes the position that its doctrines and materials should not be shared with outsiders, who will not be able to properly understand them. Before Gawker posted it, the video had been circulating informally among a few reporters investigating the Church.

Since Gawker’s post, the millions of users have seen the video, tens of thousands have downloaded it, and a few hundred have reposted it elsewhere on the Internet. The Church has just sent Gawker a cease-and-desist letter demanding that Gawker remove the video from the Internet.

Does the Church have a legal basis to assert that Gawker is engaged in trade secret misappropriation? Why or why not? In addition to Gawker’s culpability, be sure to consider whether the video qualifies as a trade secret in the first place. Are there any additional facts that would be important to know?

In Re Bernard L. Bilski and Rand A. Warsaw

545 F.3d 943 (Fed. Cir. 2008)

Before MICHEL, Chief Judge, NEWMAN, MAYER, LOURIE, RADER, SCHALL, BRYSON, GAJARSA, LINN, DYK, PROST, and MOORE, Circuit Judges. Opinion for the court filed by Chief Judge MICHEL, in which Circuit Judges LOURIE, SCHALL, BRYSON, GAJARSA, LINN, DYK, PROST, and MOORE join. Concurring opinion filed by Circuit Judge DYK, in which Circuit Judge LINN joins. Dissenting opinion filed by Circuit Judge NEWMAN. Dissenting opinion filed by Circuit Judge MAYER. Dissenting opinion filed by Circuit Judge RADER.

MICHEL, Chief Judge.

Bernard L. Bilski and Rand A. Warsaw (collectively, “Applicants”) appeal from the final decision of the Board of Patent Appeals and Interferences (”Board”) sustaining the rejection of all eleven claims of their U.S. Patent Application Serial No. 08/833,892 (”’892 application”). . . .

I.

Applicants filed their patent application on April 10, 1997. The application contains eleven claims, which Applicants argue together here. Claim 1 reads:

> A method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price comprising the steps of:
>
> (a) initiating a series of transactions between said commodity provider and consumers of said commodity wherein said consumers purchase said commodity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumer;
>
> (b) identifying market participants for said commodity having a counter-risk position to said consumers; and
>
> (c) initiating a series of transactions between said commodity provider and said market participants at a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions.

In essence, the claim is for a method of hedging risk in the field of commodities trading. For example, coal power plants (i.e., the "consumers") purchase coal to produce electricity and are averse to the risk of a spike in demand for coal since such a spike would increase the price and their costs. Conversely, coal mining companies (i.e., the "market participants") are averse to the risk of a sudden drop in demand for coal since such a drop would reduce their sales and depress prices. The claimed method envisions an intermediary, the "commodity provider," that sells coal to the power plants at a fixed price, thus isolating the power plants from the possibility of a spike in demand increasing the price of coal above the fixed price. The same provider buys coal from mining companies at a second fixed price, thereby isolating the mining companies from the possibility that a drop in demand would lower prices below that fixed price. And the provider has thus hedged its risk; if demand and prices skyrocket, it has sold coal at a disadvantageous price but has bought coal at an advantageous price, and vice versa if demand and prices fall. Importantly, however, the claim is not limited to transactions involving actual commodities, and the application discloses that the recited transactions may simply involve options, i.e., rights to purchase or sell the commodity at a particular price within a particular timeframe. See J.A. at 86-87. . . .

II.

Whether a claim is drawn to patent-eligible subject matter under *§ 101* is a threshold inquiry, and any claim of an application failing the requirements of *§ 101* must be rejected even if it meets all of the other legal requirements of patentability.

A.

As this appeal turns on whether Applicants' invention as claimed meets the requirements set forth in *§ 101*, we begin with the words of the statute:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S.C. § 101. The statute thus recites four categories of patent-eligible subject matter: processes, machines, manufactures, and compositions of matter. It is undisputed that Applicants' claims are not directed to a machine, manufacture, or composition of matter. Thus, the issue before us involves what the term "process" in *§ 101* means, and how to determine whether a given claim—and Applicants' claim 1 in particular—is a "new and useful process." . . .

The true issue before us then is whether Applicants are seeking to claim a fundamental principle (such as an abstract idea) or a mental process. And the underlying legal question thus presented is what test or set of criteria governs the determination by the Patent and Trademark Office ("PTO") or courts as to whether a claim to a process is patentable under *§ 101* or, conversely, is drawn to unpatentable subject matter because it claims only a fundamental principle.

The Supreme Court last addressed this issue in 1981 in *Diehr*, which concerned a patent application seeking to claim a process for producing cured synthetic rubber products. *450 U.S. at 177-79*. The claimed process took temperature readings during cure and used a mathematical algorithm, the Arrhenius equation, to calculate the time when curing would be complete. Id. Noting that a mathematical algorithm alone is unpatentable because mathematical relationships are akin to a law of nature, the Court nevertheless held that the claimed process was patent-eligible subject matter, stating:

> [The inventors] do not seek to patent a mathematical formula. Instead, they seek patent protection for a process of curing synthetic rubber. Their process admittedly employs a well-known mathematical equation, but they do not seek to pre-empt the use of that equation. Rather, they seek only to foreclose from others the use of that equation in conjunction with all of the other steps in their claimed process.

Id. at 187 (emphasis added). The Court declared that while a claim drawn to a fundamental principle is unpatentable, "an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection."

The Court in Diehr thus drew a distinction between those claims that "seek to pre-empt the use of" a fundamental principle, on the one hand, and claims that seek only to foreclose others from using a particular "application" of that fundamental principle, on the other. *450 U.S. at 187*. Patents, by definition, grant the power to exclude others from practicing that which the patent claims. Diehr can be understood to suggest that whether a claim is drawn only to a fundamental principle is essentially an inquiry into the scope of that exclusion; i.e., whether the effect of allowing the claim would be to allow the patentee to pre-empt substantially all uses of that fundamental principle. If so, the claim is not drawn to patent-eligible subject matter.

In Diehr, the Court held that the claims at issue did not pre-empt all uses of the Arrhenius equation but rather claimed only "a process for curing rubber . . . which incorporates in it a more efficient solution of the equation." *450 U.S. at 188*. The process as claimed included several specific steps to control the curing of rubber more precisely: "These include installing rubber in a press, closing the mold, constantly determining the temperature of the mold, constantly recalculating the appropriate cure time through the use of the formula and a digital computer, and automatically opening the press at the proper time." *Id. at 187*. Thus, one would still be able to use the Arrhenius equation in any process not involving curing rubber, and more importantly, even in any process to cure rubber that did not include performing "all of the other steps in their claimed process."

In contrast to Diehr, the earlier Benson case presented the Court with claims drawn to a process of converting data in binary-coded decimal ("BCD") format to pure binary format via an algorithm programmed onto a digital computer. *Benson, 409 U.S. at 65*. The Court held the claims to be drawn to unpatentable subject matter:

> It is conceded that one may not patent an idea. But in practical effect that would be the result if the formula for converting BCD numerals to pure binary numerals were patented in this case. The mathematical formula involved here has no substantial practical application except in connection with a digital computer, which means that if the judgment below is affirmed, the patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself.

Id. at 71-72 (emphasis added). Because the algorithm had no uses other than those that would be covered by the claims (i.e., any conversion of BCD to pure binary on a digital computer), the claims pre-empted all uses of the algorithm and thus they were effectively drawn to the algorithm itself. See also *O'Reilly v. Morse, 56 U.S. (15 How.) 62, 113, 14 L. Ed. 601 (1853)* (holding ineligible a claim pre-empting all uses of electromagnetism to print characters at a distance).

The question before us then is whether Applicants' claim recites a fundamental principle and, if so, whether it would pre-empt substantially all uses of that fundamental principle if allowed. Unfortunately, this inquiry is hardly straightforward. How does one determine whether a given claim would pre-empt all uses of a fundamental principle? Analogizing to the facts of Diehr or Benson is of limited usefulness because the more challenging process claims of the twenty-first century are seldom so clearly limited in scope as the highly specific, plainly corporeal industrial manufacturing process of Diehr; nor are they typically as broadly claimed or purely abstract and mathematical as the algorithm of Benson.

The Supreme Court, however, has enunciated a definitive test to determine whether a process claim is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to pre-empt the principle itself. A claimed process is surely patent-eligible under *§ 101* if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing. A claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt uses of the principle that do not also use the specified machine or apparatus in the manner claimed. And a claimed process that transforms a particular article to a specified different state or thing by applying a fundamental principle would not pre-empt the use of the principle to transform any other article, to transform the same article but in a manner not covered by the claim, or to do anything other than transform the specified article.

The process claimed in Diehr, for example, clearly met both criteria. The process operated on a computerized rubber curing apparatus and transformed raw, uncured rubber into molded, cured rubber products. *Diehr, 450 U.S. at 184, 187*. . . .

Interestingly, Benson presents a difficult case under its own test in that the claimed process operated on a machine, a digital computer, but was still held to be ineligible subject matter. However, in Benson, the limitations tying the process to a computer were not actually limiting because the fundamental principle at issue, a particular algorithm, had no utility other than operating on a digital computer. *Benson, 409 U.S. at 71-72*. Thus, the claim's tie to a digital computer did not reduce the preemptive footprint of the claim since all uses of the algorithm were still covered by the claim. . . .

IV.

We now turn to the facts of this case. . . .

We hold that the Applicants' process as claimed does not transform any article to a different state or thing. Purported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the test because they are not physical objects or substances, and they are not representative of physical objects or substances. Applicants' process at most incorporates only such ineligible transformations. See Appellants' Br. at 11 ("[The claimed process] transforms the relationships between the commodity provider, the consumers and market participants ") As discussed earlier, the process as claimed encompasses the exchange of only options, which are simply legal rights to purchase some commodity at a given price in a given time period. See J.A. at 86-87. The claim only refers to "transactions" involving the exchange of these legal rights at a "fixed rate corresponding to a risk position." See '892 application cl.1. Thus, claim 1 does not involve the transformation of any physical object or substance, or an electronic signal representative of any physical object or substance. Given its admitted failure to meet the machine implementation part of the test as well, the claim entirely fails the machine-or-transformation test and is not drawn to patent-eligible subject matter.

Applicants' arguments are unavailing because they rely on incorrect or insufficient considerations and do not address their claim's failure to meet the requirements of the Supreme Court's machine-or-transformation test. . . . Even if it is true that Applicant's claim "can only be practiced by a series of physical acts" as they argue, its clear failure to satisfy the machine-or-transformation test is fatal. . . .

Applicants' claim is similar to the claims we held unpatentable under *§ 101* in Comiskey. There, the applicant claimed a process for mandatory arbitration of disputes regarding unilateral documents and bilateral "contractual" documents in which arbitration was required by the language of the document, a dispute regarding the document was arbitrated, and a binding decision resulted from the arbitration. *Comiskey, 499 F.3d at 1368-69*. We held the broadest process claims unpatentable under *§ 101* because "these claims do not require a machine, and these claims evidently do not describe a process of manufacture or a process for the alteration of a composition of matter." *Id. at 1379*. We concluded that the claims were instead drawn to the "mental process" of arbitrating disputes, and that claims to such an "application of [only] human intelligence to the solution of practical problems" is no more than a claim to a fundamental principle.

Just as the Comiskey claims as a whole were directed to the mental process of arbitrating a dispute to decide its resolution, the claimed process here as a whole is directed to the mental and mathematical process of identifying transactions that would hedge risk. The fact that the claim requires the identified transactions actually to be made does no more to alter the character of the claim as a whole than the fact that the claims in Comiskey required a decision to actually be rendered in the arbitration—i.e., in neither case do the claims require the use of any particular machine or achieve any eligible transformation. . . ..

CONCLUSION

Because the applicable test to determine whether a claim is drawn to a patent-eligible process under *§ 101* is the machine-or-transformation test set forth by the Supreme Court and clarified herein, and Applicants' claim here plainly fails that test, the decision of the Board is

AFFIRMED.

DYK, Circuit Judge, with whom LINN, Circuit Judge, joins, concurring.

While I fully join the majority opinion, I write separately to respond to the claim in the two dissents that the majority's opinion is not grounded in the statute, but rather "usurps the legislative role." In fact, the unpatentability of processes not involving manufactures, machines, or compositions of matter has been firmly embedded in the statute since the time of the Patent Act of 1793, ch. 11, 1 Stat. 318 (1793). . . .

NEWMAN, Circuit Judge, dissenting.

The court today acts en banc to impose a new and far-reaching restriction on the kinds of inventions that are eligible to participate in the patent system. The court achieves this result by redefining the word "process" in the patent statute, to exclude all processes that do not transform physical matter or that are not performed by machines. The court thus excludes many of the kinds of inventions that apply today's electronic and photonic technologies, as well as other processes that handle data and information in novel ways. Such processes have long been patent eligible, and contribute to the vigor and variety of today's Information Age. This exclusion of process inventions is contrary to statute, contrary to precedent, and a negation of the constitutional mandate. Its impact on the future, as well as on the thousands of patents already granted, is unknown. . . .

DISCUSSION

The court's exclusion of specified process inventions from access to the patent system is achieved by redefining the word "process" in the patent statute. However, the court's redefinition is contrary to statute and to explicit rulings of the Supreme Court and this court. . . .

[History]

The United States' history of patenting establishes the same point. The PTO has located various patents predating modern computer usages that can be described as financial or business methods. The USPTO White Paper at 3-4 and appendix A describes the history of financial apparatus and method patents dating back to 1799, including patents on bank notes, bills of credit, bills of exchange, check blanks, detecting and preventing counterfeiting, coin counting, interest calculation tables, and lotteries, all within the first fifty years of the United States patent system. It is a distortion of these patents to describe the processes as "tied to" another statutory category—that is, paper and pencil. Concurring op. at 16-17 & n.18. Replacement of paper with a computer screen, and pencil with electrons, does not "untie" the process. Fairly considered, the many older financial and business-oriented patents that the PTO and many of the amici have identified are of the same type as the Bilski claims; they were surely not rendered patent-eligible solely because they used "paper" to instantiate the financial strategies and transactions that comprised their contribution. . . .

[Policy]

The public and the economy have experienced extraordinary advances in information-based and computer-managed processes, supported by an enlarging patent base. The PTO reports that in Class 705, the examination classification associated with "business methods" and most likely to receive inventions that may not use machinery or transform physical matter, there were almost 10,000 patent applications filed in FY 2006 alone, and over 40,000 applications filed since FY 98 when State Street Bank was decided. An amicus in the present case reports that over 15,000 patents classified in Class 705 have issued. The industries identified with information-based and data-handling processes, as several amici curiae explain and illustrate, include fields as diverse as banking and finance, insurance, data processing, industrial engineering, and medicine.

Stable law, on which industry can rely, is a foundation of commercial advance into new products and processes. Inventiveness in the computer and information services fields has placed the United States in a position of technological and commercial preeminence. . . .

Until the shift represented by today's decision, statute and precedent have provided stability in the rapidly moving and commercially vibrant fields of the Information Age. Despite the economic importance of these interests, the consequences of our decision have not been considered. I don't know how much human creativity and commercial activity will be devalued by today's change in law; but neither do my colleagues. . . .

Although this uncertainty may invite some to try their luck in court, the wider effect will be a disincentive to innovation-based commerce. For inventors, investors, competitors, and the public, the most grievous consequence is the effect on inventions not made or not developed because of uncertainty as to patent protection. Only the successes need the patent right. . . .

[Bilski's Invention]

To be patentable, Bilski's invention must be novel and non-obvious, and the specification and claims must meet the requirements of enablement, description, specificity, best mode, etc. I don't know whether Bilski can meet these requirements—but neither does this court, for the claims have not been examined for patentability, and no rejections apart from *Section 101* are included in this appeal.

Instead, the court states the "true issue before us" is "whether Applicants are seeking to claim a fundamental principle (such as an abstract idea) or mental process," maj. op. at 7, and answers "yes." With respect, that is the wrong question, and the wrong answer. Bilski's patent application describes his process of analyzing the effects of supply and demand on commodity prices and the use of a coupled transaction strategy to hedge against these risks; this is not a fundamental principle or an abstract idea; it is not a mental process or a law of nature. It is a "process," set out in successive steps, for obtaining and analyzing information and carrying out a series of commercial transactions for the purpose of "managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price." Claim 1, preamble. . . .

If a claim is unduly broad, or if it fails to include sufficient specificity, the appropriate ground of rejection is *Section 112*, for claims must "particularly point out and distinctly claim[]" the invention. The filing of a broader claim than is supported in the specification does not convert the invention into an abstraction and evict the application from eligibility for examination. A broad first claim in a patent application is routine; it is not the crisis event postulated in the court's opinion.

MAYER, Circuit Judge, dissenting.

The patent system is intended to protect and promote advances in science and technology, not ideas about how to structure commercial transactions. Claim 1 of the application of Bernard L. Bilski and Rand A. Warsaw ("Bilski") is not eligible for patent protection because it is directed to a method of conducting business. Affording patent protection to business methods lacks constitutional and statutory support, serves to hinder rather than promote innovation and usurps that which rightfully belongs in the public domain. . . .

I.

. . . From a historical perspective, it is highly unlikely that the framers of the Constitution's intellectual *property clause* intended to grant patent protection to methods of conducting business. To the contrary, "those who formulated the Constitution were familiar with the long struggle over monopolies so prominent in English history, where exclusive rights to engage even in ordinary business activities were granted so frequently by the Crown for the financial benefits accruing to the Crown only." *In re Yuan, 188 F.2d 377, 380, 38 C.C.P.A. 967, 1951 Dec. Comm'r Pat. 286 (CCPA 1951)*. The Statute of Monopolies, [1] enacted in 1624, curtailed the Crown's ability to grant "monopolies to court favorites in goods or businesses which had long before been enjoyed by the public." *Graham v. John Deere Co., 383 U.S. 1, 5, 86 S. Ct. 684, 15 L. Ed. 2d 545 (1966)*. When drafting the Constitution, the framers were well aware of the abuses that led to the English Statute of Monopolies and therefore "consciously acted to bar Congress from granting letters patent in particular types of business." *In re Comiskey, 499 F.3d 1365, 1375 (Fed. Cir. 2007)*.

There is nothing in the early patent statutes to indicate that Congress intended business methods to constitute patentable subject matter. See Patent Act of 1790 § 4, 1 Stat. 109, 111 (1790); Patent Act of 1793 § 1, 1 Stat. 318, 319 (1793); *Pollack, supra at 106* ("[I]f any nation was ripe for invention patents on business methods, it was the newly freed colonies of British North America. . . . [H]owever, no business method patents seem to have been granted."). As early as 1869, the Commissioner of Patents said that "[i]t is contrary . . . to the spirit of the law, as construed by the office for many years, to grant patents for methods of book-keeping," Ex parte Abraham, 1869 Dec. Comm'r Pat. 59, 59 (1869), and by 1893 the courts had concluded that "a method of transacting common business . . . does not seem to be patentable as an art," By 1952, when Congress enacted the current Patent Act, it was widely acknowledged that methods of doing business were ineligible for patent protection. . . .

In passing the 1952 Act, Congress re-enacted statutory language that had long existed, [2] thus signaling its intent to carry forward the body of case law that had developed under prior versions of the statute. Because there is nothing in the language of the 1952 Act, or its legislative history, to indicate that Congress intended to modify the rule against patenting business methods, we must presume that no change in the rule was intended. If Congress had wished to change the established practice of disallowing patents on business methods, it was quite capable of doing so explicitly. . . .

III.

The Constitution does not grant Congress unfettered authority to issue patents. See U.S. Const. art. I, § 8. Instead, the patent power is a "qualified authority . . . [which] is limited to the promotion of advances in the 'useful arts.'" . . . Therefore, by mandating that patents advance the useful arts, "[t]he Constitution explicitly limited patentability to . . . 'the process today called technological innovation.'" *Comiskey, 499 F.3d at 1375* (quoting *Paulik, 760 F.2d at 1276*).

Before State Street led us down the wrong path, this court had rightly concluded that patents were designed to protect technological innovations, not ideas about the best way to run a business. We had thus rejected as unpatentable a method for coordinating firefighting efforts, *Patton, 127 F.2d at 326-27*, a method for deciding how salesmen should best handle customers, *In re Maucorps, 609 F.2d 481 (CCPA 1979)*, and a computerized method for aiding a neurologist in diagnosing patients, *In re Meyer, 688 F.2d 789 (CCPA 1982)*. . . .

Patents granted in the wake of State Street have ranged from the somewhat ridiculous to the truly absurd. See, e.g., *U.S. Patent No. 5,851,117* (method of training janitors to dust and vacuum using video displays); *U.S. Patent No. 5,862,223* (method for selling expert advice); *U.S. Patent No. 6,014,643* (method for trading securities); *U.S. Patent No. 6,119,099* (method of enticing customers to order additional food at a fast food restaurant); *U.S. Patent No. 6,329,919* (system for toilet reservations); *U.S. Patent No. 7,255,277* (method of using color-coded bracelets to designate dating status in order to limit "the embarrassment of rejection"). There has even been a patent issued on a method for obtaining a patent. See *U.S. Patent No. 6,049,811*. . . .

There are a host of difficulties associated with allowing patents to issue on methods of conducting business. Not only do such patents tend to impede rather than promote innovation, they are frequently of poor quality. Most fundamentally, they raise significant *First Amendment* concerns by imposing broad restrictions on speech and the free flow of ideas.

A.

"[T]he underlying policy of the patent system [is] that 'the things which are worth to the public the embarrassment of an exclusive patent,' . . . must outweigh the restrictive effect of the limited patent monopoly." *Graham, 383 U.S. at 10-11* (quoting letter from Thomas Jefferson to Isaac McPherson (Aug. 1813)). Thus, Congress may not expand the scope of "the patent monopoly without regard to the . . . advancement or social benefit gained thereby." *Id. at 6*.

Patents should be granted to those inventions "which would not be disclosed or devised but for the inducement of a patent." *Id. at 11*. Methods of doing business have existed since the earliest days of the Patent Act and have flourished even in the absence of patent protection. . . .

Business innovations, by their very nature, provide a competitive advantage and thus generate their own incentives. The rapid "growth of fast food restaurants, self-service gasoline stations, quick oil change facilities . . . automatic teller devices . . . and alternatives for long-distance telephone services" casts real doubt about the need for the additional incentive of patent protection in the commercial realm". Raskind, supra at 93.

Although patents are not a prerequisite to business innovation, they are of undeniable importance in promoting technological advances. For example, the pharmaceutical industry relies on patent protection in order to recoup the large sums it invests to develop life-saving and life-enhancing drugs . . .

Business method patents, unlike those granted for pharmaceuticals and other products, offer rewards that are grossly disproportionate to the costs of innovation. In contrast to technological endeavors, business innovations frequently involve little or no investment in research and development. Bilski, for example, likely spent only nominal sums to develop his hedging method. The reward he could reap if his application were allowed—exclusive rights over methods of managing risks in a wide array of commodity transactions—vastly exceeds any costs he might have incurred in devising his "invention."

B.

"[S]ometimes too much patent protection can impede rather than 'promote the Progress of Science and useful Arts,' the constitutional objective of patent and copyright protection." *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc., 548 U.S. 124, 126, 126 S. Ct. 2921, 165 L. Ed. 2d 399 (2006)* (Breyer, J., joined by Stevens and Souter, JJ., dissenting from dismissal of writ of certiorari) (emphasis in original). This is particularly true in the context of patents on methods of conducting business. Instead of providing incentives to competitors to develop improved business techniques, business method patents remove building blocks of commercial innovation from the public domain. Because they restrict competitors from using and improving upon patented business methods, such patents stifle innovation. When "we grant rights to exclude unnecessarily, we . . . limit competition with no quid pro quo. Retarding competition retards further development." Pollack, supra at 76. "Think how the airline industry might now be structured if the first company to offer frequent flyer miles had enjoyed the sole right to award them or how differently mergers and acquisitions would be financed . . . if the use of junk bonds had been protected by a patent." Dreyfuss, supra at 264. By affording patent protection to business practices, "the government distorts the operation of the free market system and reduces the gains from the operation of the market." Sfekas, supra at 214. . . .

C.

Another significant problem that plagues business method patents is that they tend to be of poor overall quality. . . .

Allowing patents to issue on business methods shifts critical resources away from promoting and protecting truly useful technological advances. . . .

D.

Patenting business methods allows private parties to claim exclusive ownership of ideas and practices which rightfully belong in the public domain. . . .

To the extent that business methods are deemed patentable, individuals can face unexpected potential infringement liability for everyday conversations and commercial interactions. . . .

V.

The majority's proposed "machine-or-transformation test" for patentability will do little to stem the growth of patents on non-technological methods and ideas. Quite simply, in the context of business method patent applications, the majority's proposed standard can be too easily circumvented. Through clever draftsmanship, nearly every process claim can be rewritten to include a physical transformation. Bilski, for example, could simply add a requirement that a commodity consumer install a meter to record commodity consumption. He could then argue that installation of this meter was a "physical transformation," sufficient to satisfy the majority's proposed patentability test.

Even as written, Bilski's claim arguably involves a physical transformation. Prior to utilizing Bilski's method, commodity providers and commodity consumers are not involved in transactions to buy and sell a commodity at a fixed rate. By using Bilski's claimed method, however, providers and consumers enter into a series of transactions allowing them to buy and sell a particular commodity at a particular price. Entering into a transaction is a physical process: telephone calls are made, meetings are held, and market participants must physically execute contracts. Market participants go from a state of not being in a commodity transaction to a state of being in such a transaction. The majority, however, fails to explain how this sort of physical transformation is insufficient to satisfy its proposed patent eligibility standard. . . .

RADER, Circuit Judge dissenting.

This court labors for page after page, paragraph after paragraph, explanation after explanation to say what could have been said in a single sentence: "Because Bilski claims merely an abstract idea, this court affirms the Board's rejection." If the only problem of this vast judicial tome were its circuitous path, I would not dissent, but this venture also disrupts settled and wise principles of law.

Much of the court's difficulty lies in its reliance on dicta taken out of context from numerous Supreme Court opinions dealing with the technology of the past. In other words, as innovators seek the path to the next tech no-revolution, this court ties our patent system to dicta from an industrial age decades removed from the bleeding edge. A direct reading of the Supreme Court's principles and cases on patent eligibility would yield the one-sentence resolution suggested above. Because this court, however, links patent eligibility to the age of iron and steel at a time of subatomic particles and terabytes, I must respectfully dissent. . . .

II

With all of its legal sophistry, the court's new test for eligibility today does not answer the most fundamental question of all: why would the expansive language of *section 101* preclude protection of innovation simply because it is not transformational or properly linked to a machine (whatever that means)? Stated even more simply, why should some categories of invention deserve no protection?

This court, which reads the fine print of Supreme Court decisions from the Industrial Age with admirable precision, misses the real import of those decisions. The Supreme Court has answered the fundamental question above many times. The Supreme Court has counseled that the only limits on eligibility are inventions that embrace natural laws, natural phenomena, and abstract ideas. . . .

This point deserves repetition. The Supreme Court stated that all of the transformation and machine linkage explanations simply restated the abstractness rule. In reading Diehr to suggest a non-statutory transformation or preemption test, this court ignores the Court's admonition that all of its recent holdings do no more than restate the natural laws and abstractness exclusions. . . .

The abstractness and natural law preclusions not only make sense, they explain the purpose of the expansive language of *section 101*. Natural laws and phenomena can never qualify for patent protection because they cannot be invented at all. After all, God or Allah or Jahveh or Vishnu or the Great Spirit provided these laws and phenomena as humanity's common heritage. Furthermore, abstract ideas can never qualify for patent protection because the Act intends, as *section 101* explains, to provide "useful" technology. An abstract idea must be applied to (transformed into) a practical use before it qualifies for protection. The fine print of Supreme Court opinions conveys nothing more than these basic principles. Yet this court expands (transforms?) some Supreme Court language into rules that defy the Supreme Court's own rule.

When considering the eligibility of "processes," this court should focus on the potential for an abstract claim. Such an abstract claim would appear in a form that is not even susceptible to examination against prior art under the traditional tests for patentability. Thus this court would wish to ensure that the claim supplied some concrete, tangible technology for examination. Indeed the hedging claim at stake in this appeal is a classic example of abstractness. Bilski's method for hedging risk in commodities trading is either a vague economic concept or obvious on its face. Hedging is a fundamental economic practice long prevalent in our system of commerce and taught in any introductory finance class. In any event, this facially abstract claim does not warrant the creation of new eligibility exclusions. . . .

Juicy Whip, Inc.,
v.
Orange Bang, Inc.,

185 F.3d 1364 (Fed. Cir. 1999)

BRYSON, Circuit Judge

Juicy Whip, Inc., is the assignee of *United States Patent No. 5,575,405*, which is entitled "Post-Mix Beverage Dispenser With an Associated Simulated Display of Beverage." A "post-mix" beverage dispenser stores beverage syrup concentrate and water in separate locations until the beverage is ready to be dispensed. The syrup and water are mixed together immediately before the beverage is dispensed, which is usually after the consumer requests the beverage. In contrast, in a "pre-mix" beverage dispenser, the syrup concentrate and water are pre-mixed and the beverage is stored in a display reservoir bowl until it is ready to be dispensed. The display bowl is said to stimulate impulse buying by providing the consumer with a visual beverage display. A pre-mix display bowl, however, has a limited capacity and is subject to contamination by bacteria. It therefore must be refilled and cleaned frequently.

The invention claimed in the *'405 patent* is a post-mix beverage dispenser that is designed to look like a pre-mix beverage dispenser. The claims require the post-mix dispenser to have a transparent bowl that is filled with a fluid that simulates the appearance of the dispensed beverage and is resistant to bacterial growth. The claims also require that the dispenser create the visual impression that the bowl is the principal source of the dispensed beverage, although in fact the beverage is mixed immediately before it is dispensed, as in conventional post-mix dispensers...

The threshold of utility is not high: An invention is "useful" under *section 101* if it is capable of providing some identifiable benefit.

To be sure, since Justice Story's opinion in *Lowell v. Lewis, 15 F. Cas. 1018 (C.C.D. Mass. 1817)*, it has been stated that inventions that are "injurious to the well-being, good policy, or sound morals of society" are unpatentable. As examples of such inventions, Justice Story listed "a new invention to poison people, or to promote debauchery, or to facilitate private assassination." *Id. at 1019*. Courts have continued to recite Justice Story's formulation, but the principle that inventions are invalid if they are principally designed to serve immoral or illegal purposes has not been applied broadly in recent years. For example, years ago courts invalidated patents on gambling devices on the ground that they were immoral, but that is no longer the law. . . .

We decline to follow [older cases invalidating patents on deceptive products as lacking utility], as we do not regard them as representing the correct view of the doctrine of utility under the Patent Act of 1952. The fact that one product can be altered to make it look like another is in itself a specific benefit sufficient to satisfy the statutory requirement of utility.

It is not at all unusual for a product to be designed to appear to viewers to be something it is not. For example, cubic zirconium is designed to simulate a diamond, imitation gold leaf is designed to imitate real gold leaf, synthetic fabrics are designed to simulate expensive natural fabrics, and imitation leather is designed to look like real leather. In each case, the invention of the product or process that makes such imitation possible has "utility" within the meaning of the patent statute, and indeed there are numerous patents directed toward making one product imitate another. *See*, *e.g.*, *U.S. Pat. No. 5,762,968* (method for producing imitation grill marks on food without using heat); *U.S. Pat. No. 5,899,038* (laminated flooring imitating wood); *U.S. Pat. No. 5,571,545* (imitation hamburger). Much of the value of such products resides in the fact that they appear to be something they are not. Thus, in this case the claimed post-mix dispenser meets the statutory requirement of utility by embodying the features of a post-mix dispenser while imitating the visual appearance of a pre-mix dispenser.

The fact that customers may believe they are receiving fluid directly from the display tank does not deprive the invention of utility. Orange Bang has not argued that it is unlawful to display a representation of the beverage in the manner that fluid is displayed in the reservoir of the invention, even though the fluid is not what the customer will actually receive. Moreover, even if the use of a reservoir containing fluid that is not dispensed is considered deceptive, that is not by itself sufficient to render the invention unpatentable. The requirement of "utility" in patent law is not a directive to the Patent and Trademark Office or the courts to serve as arbiters of deceptive trade practices. Other agencies, such as the Federal Trade Commission and the Food and Drug Administration, are assigned the task of protecting consumers from fraud and deception in the sale of food products.

Of course, Congress is free to declare particular types of inventions unpatentable for a variety of reasons, including deceptiveness. *Cf. 42 U.S.C. § 2181(a)* (exempting from patent protection inventions useful solely in connection with special nuclear material or atomic weapons). Until such time as Congress does so, however, we find no basis in *section 101* to hold that inventions can be ruled unpatentable for lack of utility simply because they have the capacity to fool some members of the public.

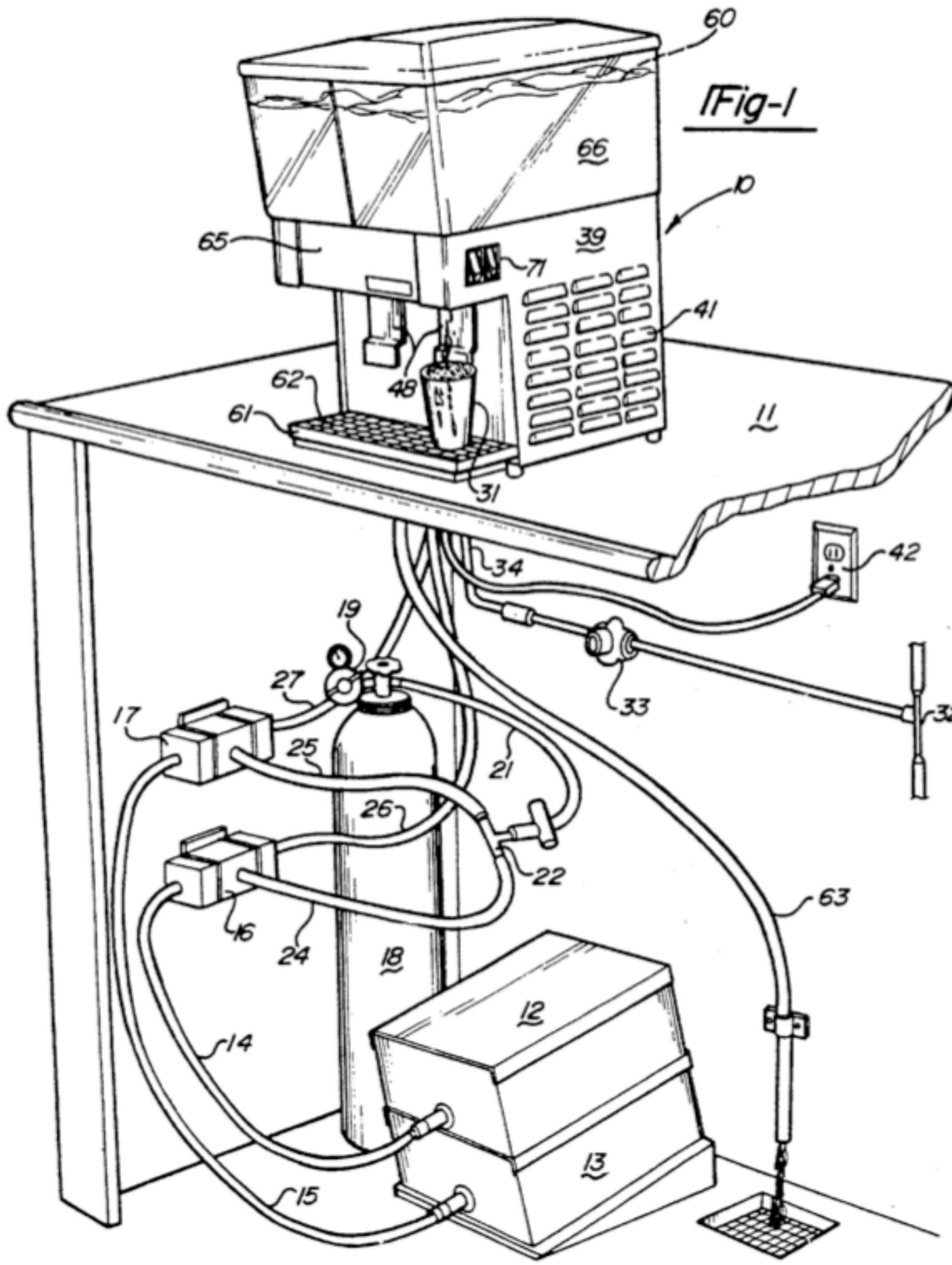
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Fig-1

Joseph W. Newman
v.
Donald J. Quigg, Commissioner of Patents and Trademarks
681 F. Supp. 16 (D.D.C. 1988)

Thomas Penfield Jackson, U.S. District Judge.

Plaintiff Joseph W. Newman, of Lucedale, Mississippi, an inventor, sues Donald J. Quigg, U.S. Commissioner of Patents and Trademarks, in his official capacity as head of the U.S. Patent and Trademark Office ("Patent Office" or "PTO") pursuant to *35 U.S.C. § 145*. Newman is an "applicant dissatisfied" with the decision of the Board of Patent Appeals affirming two different examiners' rejections of Newman's application for a patent for an invention he entitles: "Energy Generation System Having Higher Energy Output Than Input." Upon the following facts, as found by the Court in accordance with *Fed.R.Civ.P. 52(a)*, upon trial without a jury, the Court concludes, for the reasons stated, that judgment must be given for defendant and the complaint dismissed with prejudice.

I.

On August 18, 1980, Newman filed the instant application with the PTO for a U.S. patent for his invention. In the "abstract" section of his application he describes it, in pertinent part, as:

> A system for generating obvious work motion, or electromagnetic energy (fields of force) or electric current, utilizing the electromagnetic energy which makes up all matter and results in a greater output of energy, than the initial input of conventional energy means and teachings. This is accomplished by arranging one or a variety of mechanical situations, whereby matter is converted into usable and controllable electrical or magnetic energy in an extremely efficient manner which mechanically achieves the degree of energy releaseable from matter in accordance with Einstein's equation of $E=MC^2$. [sic] . . .

"The prior art," he asserts, "has failed to understand certain physical aspects of matter and the makeup of electromagnetic fields, which failure is corrected by the present invention." His many years of research, consideration, evaluation and inventing have revealed to him certain "principles or guidelines," namely, that "all matter is made up of electromagnetic energy; . . . that electromagnetic energy comprises quanta or particles of energy moving at the speed of light and having spin characteristics . . . [and] that these electromagnetic energy quanta behave in accordance with the normal laws of mechanics and, in particular, in accordance with the principles of gyroscopic action." Utilizing these principles, he says, his invention will produce "more efficient" electrical motors and generators from "materials and designs heretofore considered . . . impractical, if not impossible." *Id.* at 11-12.

Newman then describes the six drawings representing various "embodiments" of his invention (Figs. 1-6 to his application) and continues with an explanation of "related principles" he has discovered: contrary to contemporary teaching that the magnetic field associated with an electric current-carrying conductor results from the electric current itself,

> the gyroscopic particles making up the electric current . . . interact with the electromagnetic makeup of the atoms of the conductor, causing them to align extremely rapidly, thereby then releasing some of their electromagnetic make-up in the form of a magnetic field . . . .
>
> The magnetic field is the result of the atom alignment of the conductor. The more atoms in a conductor (up to a point), the stronger the magnetic field produced from a given amount of electric current input . . . . The reasons for this is that there are more conducting atoms to interact with the gyroscopic particles of the electric current moving through the conductor, which results in a greater number of conducting atoms being aligned, thereby then releasing some of their electromagnetic make-up . . . .

On August 24, 1981, and again on January 6, 1982, the first patent examiner rejected Newman's application under *35 U.S.C. § 112*, first paragraph. [3] Newman appealed to the Board of Appeals, comprised of three examiners-in-chief, who unanimously affirmed the first examiner's rejection on November 5, 1982. The Board said:

> We do not doubt that a worker in this art with appellant's specification before him could construct a motor . . . as shown in Fig. 6 of the drawing. Such a motor would not and could not be made to operate at an efficiency level of greater than 100% . . . . Such a machine is impossible. If it were possible . . . some of the output energy developed could be fed back into the input and the machine would work forever without any external source of energy. Such machines are known as perpetual motion machines . . . . Machines of this type will not work. They violate either the first or the second law of thermodynamics. . . .

[Newman filed suit, prompting the PTO to send the patent for reconsideration by a new examiner.] On November 30, 1984, the second examiner preliminarily rejected the application on the same ground as his predecessor, but ordered Newman to submit working models of his "embodiments" of his device to the National Bureau of Standards ("NBS") for testing by May 30, 1985, pursuant to *35 U.S.C. § 114*. Newman declined to do so, whereupon the PTO took the position that the application had been abandoned.

On October 2, 1985, however, the Court ordered Newman to produce "one (1) working model of each device" for which he was seeking patent protection to NBS for testing pursuant to *Fed.R.Civ.P. 34*. After his appeal of that order was denied, Newman did produce one prototype of his machine to NBS which completed its tests in June, 1986. (Defendant's Exhibit 4, Appendix 2 hereto).

The PTO added lack of utility, *35 U.S.C. § 101*, as an additional ground of defense at Pretrial Conference on December 4, 1986. . . .

III.

Defendant's case consisted almost entirely of the NBS team leader's presentation of the circumstances and the results of the Bureau's tests on the Newman device. *See* n.4, *supra*. Dr.

Robert Hebner, the supervisory physicist in charge of NBS' applied electrical measurements group assigned to conduct the tests, testified that a Newman device (unaccompanied by a power source) arrived at the NBS laboratory in Gaithersburg, Maryland, on January 24, 1986, shortly after the U.S. Court of Appeals for the Federal Circuit had denied Newman's petition for a writ of mandamus to prohibit the tests. It was accompanied by a letter (Defendant's Exhibit 7) from Newman's attorney — not Newman himself - giving detailed instructions on how to unpack it, cautioning against rotating the magnet in the wrong direction or using excessive voltage to power it, and declaring it to be Newman's intent to have all NBS' testing observed by his representatives. The letter said nothing, however, about the operation of the device.

Upon uncrating the device Dr. Hebner noted several conditions about it which appeared to him to be shipping damage, and he accordingly wrote the attorney to inform him of it. He also requested operating instructions for the device, including, specifically, the locus of energy output. The attorney's reply, for the most part, simply accused NBS of compromising the "security" of the device and delaying the testing. It acknowledged the shipping damage but dismissed it as inconsequential. And in response to Dr. Hebner's request for operating instructions, the letter insolently referred him to a four-page excerpt from Newman's self-published book, "The Energy Machine of Joseph Newman." . . .

Dr. Hebner's superiors at NBS, however, refused to allow him to begin the tests until Newman himself put his machine in working order. Newman, his attorney, and other companions, therefore, came to NBS' laboratory on February 10, 1986, bringing a pack of 116 9-volt batteries to serve as the power source. Without commentary Newman personally made various adjustments to the device, connecting the battery pack, and reattaching a brush apparently dislodged in shipping. Next he grounded the device to a wall outlet. Finally he "turned it on" by manually rotating the magnet. Dr. Hebner then asked Newman directly where he intended that the power output be measured. His attorney advised Newman not to answer, and Newman and his coterie departed without further comment.

A few weeks later Dr. Hebner and his colleagues published their proposed test protocol under date of March 20, 1986. . . . Newman made no objection to the test protocol, and offered no criticism, advice or instruction. He complained only in court, through his attorney, and then only as to the length of time NBS was taking to complete the testing.

NBS' final report (Defendant's Exhibit 3) was filed with the Court on June 26, 1986. Its conclusion was unequivocal:

> "At all conditions tested, the input power exceeded the output power. That is, the device did not deliver more energy than it used."

Id. at i. Over the preceding three months Dr. Hebner and his colleagues had measured power input from the battery pack (configured to supply either 800 or 1000 volts) using a sampling watt meter and an analog multiplier watt meter. They measured power output across resistive loads, ranging between 50,000 and 400,000 ohms connected in parallel with the coil, with a differential active attenuator and a thermal voltage convertor. Measurements were made simultaneously with two instruments as a cross-check, and input and output measuring equipment was switched for further verification. In the 77 measurements they recorded (both uncorrected, and corrected for instrumentation-induced errors) they found internal power losses between input and output of between 2.2 watts and 4.9 watts, and calculated the efficiency of the device at between 27 per cent and 77 per cent. No measurement made reflected, at any setting, a power gain, or an efficiency greater than 100 per cent. . . .

Newman presented no rebuttal. The cross-examination of Dr. Hebner sought only to point out that Newman's own wiring diagrams show no grounds or filters, and that by grounding the device and endeavoring to eliminate all RF "noise," NBS omitted from its calculus of "output" the most significant of its byproducts, namely, the electromagnetic energy by which it may possibly be rejuvenating its power supply.

IV.

A decision of the PTO Board of Patent Appeals . . . is presumptively correct. It may be overturned only if "clearly erroneous," by which is meant that the reviewing court must be of the "'definite and firm conviction' that a mistake has been made." This Court . . . concludes, as did the Board, that Newman's device lacks utility (in that it does not operate to produce what he claims it does), and the Board's decision is not clearly erroneous. Hence, it must conclude that Newman's patent application was properly rejected under *35 U.S.C. § 101*. . . .

Aside from Newman's own somewhat metaphysical writings which appear at multiple points throughout his patent application, there is no evidence whatsoever, in the PTO record or the trial record, from which to find the existence of such "gyroscopic particles," their observable (or measurable) "release" or "reaction" within the device, or any manifestation of their enhancement, in a recoverable form, of its "energy output" as that term is customarily used. Similarly, there is no evidence of an extraction of "internal electromagnetic energy" from the "matter" of the device. At best, for plaintiff's purposes, the evidence supports a finding that Newman's device will operate, for reasons not explained at all but must be merely guessed at, on dry cell batteries for longer periods of time than others which may or may not be comparable. But such a device is not the one for which Newman seeks a patent. He is unequivocal in his insistence that the device he has tendered as patent-worthy produces more useable energy output than the energy required to power it. The Court finds the evidence of it insufficient.

The Court credits in full the meticulously thorough and well-documented testing done by NBS, and finds that it measured accurately what it set out to measure, and that it had no reason to measure anything else. It regards plaintiff's efforts to discredit the NBS tests after the fact as specious. Newman has always been unwilling, and has resisted every effort, to subject a working model of his device to third-party testing which might convince either the PTO or the Court. He refused the patent examiner's call for a working model, opposed the PTO's request for *Fed.R.Civ.P. 34* discovery in court, and appealed the Court's order that the tests be done. He successfully confounded NBS' request to be allowed to disassemble the device, if necessary, to comprehend its operation. He attempted to retrieve the device from NBS' possession when he concluded the tests were behind schedule. And he declined to cooperate with NBS' team leader in identifying the point (or points) at which he intended "energy output" to be ascertained - the most critical measurement for his purposes - cooperation which would have been eagerly extended had Newman then a genuine desire to establish the veracity of his claims. He made no protest of the test protocol shown to him in advance of the tests. And, having insisted upon, and secured, the right to be present (with expert assistance, if he needed) throughout the tests, Newman ignored the tests altogether, never attending any of them in person or by proxy in the course of three months.

The Court infers from such circumstances that Newman knew in advance that the test results would be adverse, and, thus, finds his *ex post facto* disparagements of them to be no more than rationalizations intended to diminish their evidentiary impact at trial. The Court rejects the implication that NBS was partisan, or somehow biased in favor of the PTO. The record reflects that NBS had from the first been reluctant to commit itself to do the testing, acceding only when personally importuned by the Commissioner after the Court had ordered the tests. It had no interest in the controversy, no purpose of its own to be served in devoting the time and resources the tests would require, and no motive to test in any manner except in accordance with its own high standards. To the extent it may initially have been dubious of Newman's claims, the Court finds it to have been an altogether appropriate scientific skepticism in light of their rather startling character.

In Re Miguel F. Brana, Jose M. C. Berlanga, Marina M. Moset, Erich Schlick and Gerhard Keilhauer,

51 F.3d 1560 (Fed. Cir. 1995)

PLAGER, *Circuit Judge*.

Miguel F. Brana, *et al***.** (applicants), appeal the March 19, 1993 decision of the United States Patent and Trademark Office (PTO) Board of Patent Appeals and Interferences (Board), in Appeal No. 92-1196. The Board affirmed the examiner's rejection of claims 10-13 of patent application Serial No. 533,944 under *35 U.S.C. § 112* P1 (1988). [1] The examiner's rejection, upon which the Board relied in rendering its decision, was based specifically on a challenge to the utility of the claimed compounds and the amount of experimentation necessary to use the compounds. We conclude the Board erred, and reverse.

I. BACKGROUND

On June 30, 1988, applicants filed patent application Serial No. 213,690 (the '690 application) [2] directed to 5-nitrobenzodeisoquinoline-1,3-dione compounds, for use as antitumor substances, having the following formula:

> where n is 1 or 2, R1 and R2 are identical or different and are each hydrogen, C1-C6-alkyl, C1-C6-hydroxyalkyl, pyrrolidinyl, morpholino, piperidinyl or piperacinyl, and R3 and R4 are identical or different and are each hydrogen, C1-C6-alkyl, C1-C6-acyl, C2-C7-alkoxycarbonyl, ureyl, aminocarbonyl or C2-C7-alkylaminocarbonyl. These claimed compounds differ from several prior art benzodeisoquinoline-1,3-dione compounds due to the presence of a nitro group (O2N) at the 5-position and an amino or other amino group (NR3R4) at the 8-position of the isoquinoline ring.

The specification states that these non-symmetrical substitutions at the 5- and 8-positions produce compounds with "a better action and a better action spectrum as antitumor substances" than known benzodeisoquinolines . . . . In addition to comparing the effectiveness of the claimed compounds with structurally similar compounds in [the prior art], applicants' patent specification illustrates the cytotoxicity of the claimed compounds against human tumor cells, *in vitro*, and concludes that these tests "had a good action."

> 3 *In vivo* means "in the living body, referring to a process occurring therein." Steadman's Medical Dictionary 798 (25th ed. 1990). *In vitro* means "in an artificial environment, referring to a process or reaction occurring therein, as in a test tube or culture media." *Id.*

. . . In his answer to the applicants' appeal brief, the examiner stated that the final rejection was based on *35 U.S.C. § 112* P1. The examiner first noted that the specification failed to describe any specific disease against which the claimed compounds were active. Furthermore, the examiner concluded that the prior art tests performed in Paull and the tests disclosed in the specification were not sufficient to establish a reasonable expectation that the claimed compounds had a practical utility (i.e. antitumor activity in humans).

In a decision dated March 19, 1993, the Board affirmed the examiner's final rejection. The three-page opinion, which lacked any additional analysis, relied entirely on the examiner's reasoning. Although noting that it also would have been proper for the examiner to reject the claims under *35 U.S.C. § 101*, the Board affirmed solely on the basis of the Examiner's *§ 112* P1 rejection. This appeal followed.

II. DISCUSSION

At issue in this case is an important question of the legal constraints on patent office examination practice and policy. The question is, with regard to pharmaceutical inventions, what must the applicant prove regarding the practical utility or usefulness of the invention for which patent protection is sought. . . .

The requirement that an invention have utility is found in *35 U.S.C. § 101*: "Whoever invents . . . any new and *useful* . . . composition of matter . . . may obtain a patent therefor . . . ." (emphasis added). It is also implicit in *§ 112* P1, which reads:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Obviously, if a claimed invention does not have utility, the specification cannot enable one to use it.

As noted, although the examiner and the Board both mentioned *§ 101*, and the rejection appears to be based on the issue of whether the compounds had a practical utility, a *§ 101* issue, the rejection according to the Board stands on the requirements of *§ 112* P1. It is to that provision that we address ourselves. The Board gives two reasons for the rejection; [1] we will consider these in turn.

1.

The first basis for the Board's decision was that the applicants' specification failed to disclose a specific disease against which the claimed compounds are useful, and therefore, absent undue experimentation, one of ordinary skill in the art was precluded from using the invention. In support, the Commissioner argues that the disclosed uses in the '944 application, namely the "treatment of diseases" and "antitumor substances," are similar to the nebulous disclosure found insufficient in *In re Kirk, 54 C.C.P.A. 1119, 376 F.2d 936, 153 U.S.P.Q. (BNA) 48 (CCPA 1967)*. This argument is not without merit.

In *Kirk* applicants claimed a new class of steroid compounds. One of the alleged utilities disclosed in the specification was that these compounds possessed "high biological activity." *376 F.2d at 938, 153 U.S.P.Q. (BNA) at 50*. The specification, however, failed to disclose which biological properties made the compounds useful. Moreover, the court found that known specific uses of similar compounds did not cure this defect since there was no disclosure in the specification that the properties of the claimed compounds were the same as those of the known similar compounds. *Id. at 942, 153 U.S.P.Q. (BNA) at 53*. Furthermore, it was not alleged that one of skill in the art would have known of any specific uses, and therefore, the court concluded this alleged use was too obscure to enable one of skill in the art to use the claimed invention. *See also Kawai v. Metlesics, 480 F.2d 880, 178 U.S.P.Q. (BNA) 158 (CCPA 1973)*.

Kirk would potentially be dispositive of this case were the above-mentioned language the only assertion of utility found in the '944 application. Applicants' specification, however, also states that the claimed compounds have "a better action and a better action spectrum as antitumor substances" than known compounds [as shown in tests against two "models" of leukemia, P388 and L1210].

The Commissioner contends, however, that P388 and L1210 are not diseases since the only way an animal can get sick from P388 is by a direct injection of the cell line. The Commissioner therefore concludes that applicants' . . . specification does not provide a specific disease against which the claimed compounds can be used. We disagree.

As applicants point out, the P388 and L1210 cell lines, though technically labeled tumor models, were originally derived from lymphocytic leukemias in mice. Therefore, the P388 and L1210 cell lines do represent actual specific lymphocytic tumors; these models will produce this particular disease once implanted in mice. If applicants were required to wait until an animal naturally developed this specific tumor before testing the effectiveness of a compound against the tumor *in vivo*, as would be implied from the Commissioner's argument, there would be no effective way to test compounds *in vivo* on a large scale.

We conclude that these tumor models represent a specific disease against which the claimed compounds are alleged to be effective. Accordingly, in light of the explicit reference to Paull, applicants' specification alleges a sufficiently specific use.

2.

The second basis for the Board's rejection was that, even if the specification did allege a specific use, applicants failed to prove that the claimed compounds are useful. Citing various references, the Board found, and the Commissioner now argues, that the tests offered by the applicants to prove utility were inadequate to convince one of ordinary skill in the art that the claimed compounds are useful as antitumor agents. . . .

Even if one skilled in the art would have reasonably questioned the asserted utility, i.e., even if the PTO met its initial burden thereby shifting the burden to the applicants to offer rebuttal evidence, applicants proffered sufficient evidence to convince one of skill in the art of the asserted utility. In particular, applicants provided through Dr. Kluge's declaration test results showing that several compounds within the scope of the claims exhibited significant antitumor activity against the L1210 standard tumor model *in vivo*. Such evidence alone should have been sufficient to satisfy applicants' burden. . . .

The Commissioner counters that such *in vivo* tests in animals are only preclinical tests to determine whether a compound is suitable for processing in the second stage of testing, by which he apparently means *in vivo* testing in humans, and therefore are not reasonably predictive of the success of the claimed compounds for treating cancer in humans. The Commissioner, as did the Board, confuses the requirements under the law for obtaining a patent with the requirements for obtaining government approval to market a particular drug for human consumption. *See Scott v. Finney, 34 F.3d 1058, 1063, 32 U.S.P.Q.2D (BNA) 1115, 1120 (Fed. Cir. 1994)* ("Testing for the full safety and effectiveness of a prosthetic device is more properly left to the Food and Drug Administration (FDA). Title 35 does not demand that such human testing occur within the confines of Patent and Trademark Office (PTO) proceedings."). . . .

On the basis of animal studies, and controlled testing in a limited number of humans (referred to as Phase I testing), the Food and Drug Administration may authorize Phase II clinical studies. *See 21 U.S.C. § 355(i)(1)*; 5 C.F.R. § 312.23(a)(5), (a)(8) (1994). Authorization for a Phase II study means that the drug may be administered to a larger number of humans, but still under strictly supervised conditions. The purpose of the Phase II study is to determine primarily the safety of the drug when administered to a larger human population, as well as its potential efficacy under different dosage regimes. *See 21 C.F.R. § 312.21(b)*.

FDA approval, however, is not a prerequisite for finding a compound useful within the meaning of the patent laws. Usefulness in patent law, and in particular in the context of pharmaceutical inventions, necessarily includes the expectation of further research and development. The stage at which an invention in this field becomes useful is well before it is ready to be administered to humans. Were we to require Phase II testing in order to prove utility, the associated costs would prevent many companies from obtaining patent protection on promising new inventions, thereby eliminating an incentive to pursue, through research and development, potential cures in many crucial areas such as the treatment of cancer.

In view of all the foregoing, we conclude that applicants' disclosure complies with the requirements of *35 U.S.C. § 112* P1. . . .

Estee Lauder Inc.
v.
L'Oreal, S.A.
129 F.3d 588 (Fed. Cir. 1997)

MAYER, *Circuit Judge*.

L'Oreal, S.A. appeals the judgment of the *United States District Court for the District of Columbia, 40 U.S.P.Q.2D (BNA) 1425 (D.D.C. 1996)*, reversing a decision of the United States Patent and Trademark Office Board of Patent Appeals and Interferences and awarding Estee Lauder Inc. priority to an invention for sunscreens utilizing a copper compound to boost their Sun Protection Factor. Because the court erred in holding that Estee Lauder's inventors did not have to establish that they recognized the success of their invention before the date L'Oreal's inventors reduced their invention to practice, we reverse.

Background

This case involves an interference between U.S. patent application serial number 07/135,666, filed by Walter P. Smith and Edward Pelle, which is assigned to Estee Lauder Inc., and U.S. patent application serial number 07/180,556, filed by Michel Hocquaux and Georges Rosenbaum, which is assigned to L'Oreal, S.A. [1] The applications are directed to a composition for protecting skin from damage caused by ultraviolet (UV) light exposure or to its method of use. The sole count provides:

> A composition for protecting skin from damage caused by exposure to ultraviolet light said composition comprising a sunscreen agent and copper 3', 5' diisopropylsalicylate [(CuDIPs)] in a cosmetic carrier or a method for protecting skin from damage caused by exposure to ultraviolet light comprising apply [sic] to the skin an effective amount of the composition comprising a sunscreen agent and copper 3', 5' diisopropylsalicylate in a cosmetic carrier.

[Based on international patent rules beyond the scope of this course, L'Oreal was deemed to have priority as of April 13, 1987.]

Estee Lauder first became interested in the potential use of CuDIPs to boost the Sun Protection Factor (SPF) in sunscreens in the summer of 1986. Dr. Walter Smith, Director of Estee Lauder's Biological Research Department (BRD), requested that Edward Pelle, a senior scientist in the BRD, attend a conference on copper complexes in August 1986, which he did. The conference was held by Dr. John R.J. Sorenson of the University of Arkansas, who is reputed to be the world's leading expert on CuDIPs.

Pelle spoke with Sorenson about the potential use of CuDIPs to reduce skin inflammation and to minimize damage caused by exposure to the sun. Upon his return, Pelle discussed the conference and Sorenson's qualifications with Smith, and they agreed that Sorenson was their best source of CuDIPs. In September 1986, Pelle telephoned Sorenson and ordered two grams of CuDIPs for $ 20.00.

Later that month, Pelle received from Sorenson two grams of material he believed to be CuDIPs (the "material"). He used the material to perform several experiments to test whether

CuDIPs inhibited inflammation after UV light exposure. First, in November 1986, Pelle applied a template with two square-shaped openings to his arm. On one opening he applied isopropyl alcohol (IPA), while on the other he placed a solution of IPA mixed with the material. Pelle then exposed his arm to UV light, after which he applied the same solutions to the same openings a second time. Pelle found that the site treated with IPA only was red, whereas the site treated with IPA and the material was not. He then took a photograph of his arm, which he taped into his laboratory notebook. Pelle showed his arm to Smith and to Ken Marenus, who began working as laboratory manager and Pelle's supervisor in the BRD that day, and the three discussed the results. . . .

Pelle and Marenus then added the material to one of Estee Lauder's SPF 6 sunscreen products. They mixed two different concentrations of the material to the sunscreen samples, with the lower (.3 millimolar) concentration labeled BRD 461, and the higher (3.0 millimolar) concentration labeled BRD 462. Marenus and Marie Randazzo, an Estee Lauder employee whose duties included obtaining and sending samples to contract laboratories for SPF testing, next filled out requests for biomedical testing on BRD 461 and 462. They sent the samples to Harrison Research Laboratories, an independent laboratory which both Estee Lauder and L'Oreal use, indicating the SPF range on which the test should focus.

In January 1987, Dr. Lynne Harrison, president and principal investigator of the SPF testing laboratory at Harrison Research, told Marenus the results of the testing on BRD 461 and 462, which were confirmed in a written report received later that month. Pelle and Marenus analyzed the results and determined that the addition of the material they believed was CuDIPs increased the SPF. Both Pelle and Marenus memorialized this determination in separate memoranda to Smith.

Smith, Marenus, and Pelle then decided to expand testing to see whether CuDIPs was effective in boosting SPF in a broader range of sunscreens. Marenus telephoned Sorenson and ordered 100 more grams of CuDIPs for $ 500. It is undisputed for purposes of this appeal that this material was, in fact, CuDIPs. In late February 1987, Pelle prepared samples incorporating .3 millimolar of CuDIPs into SPF 15 (BRD 498), 25 (BRD 499), and 20 (BRD 500) sunscreens. Pelle also prepared a control sample (BRD 497) containing only SPF 15 sunscreen, which was necessary because Marenus' earlier testing on SPF 15 had not shown an SPF boost.

On or about February 26, 1987, a request for biomedical testing was completed and given to Randazzo for BRD 497-500. On or about March 9, 1987, she sent the samples to Harrison, accompanied by a cover letter, requesting SPF testing and telephonic notification of the test results. Pelle subsequently received a verbal report of partial results from Randazzo, who would have received them from Harrison. The partial results are reflected in an undated page of notes in Pelle's handwriting. The final written results were dated and received after April 13, 1987.

Pelle offered varying and indefinite testimony as to when he received the partial, verbal results. At trial, he claimed that he received them "in the early part of April"; more specifically, "around the first week in April of 1987." He also testified that he had requested the results by March 12, 1987, but they actually arrived "a little bit after that." At his deposition, taken two years before trial, however, Pelle testified that his best recollection was that he received the partial results sometime in "the spring of 1987." Ultimately, the court found Pelle's testimony lacking in credibility. Randazzo, on the other hand, simply did not recall when Harrison telephoned her with the partial results. Nor did any documentary evidence of hers reveal such date. . . .

Pelle testified that upon receiving the partial results from Randazzo, he calculated the means of the BRD 497 and 498 results, compared them, and concluded that CuDIPs was effective at boosting SPF. He also compared the results of BRD 499 against its nominal SPF and determined that they showed a higher SPF. He did not calculate a mean for the BRD 499 or 500 results. Pelle could not pinpoint when he performed these calculations and comparisons, however. Nor did any documentary evidence answer this question. Moreover, although Pelle shared these results with Marenus, Marenus could not say when this occurred.

Estee Lauder then filed the '666 application. The United States Patent and Trademark Office declared an interference between the Estee Lauder and L'Oreal applications . . .

Discussion

The primary question before us is whether Estee Lauder established by a preponderance of the evidence that it successfully reduced its invention to practice before the April 13, 1987, critical date. If it did, then it is entitled to priority. *35 U.S.C. § 102(g) (1994)*. . . .

Reduction to practice is ultimately a legal question, which is based on underlying factual determinations. Accordingly, we review the court's judgment for legal error and clearly erroneous findings of fact.

To prove actual reduction to practice, an inventor must establish that he "'actually prepared the composition and knew it would work.'" . . .

[P]rior to the critical date, Estee Lauder had conceived its invention, prepared the composition of the count, and sent the composition to be tested. . . . Harrison had completed all of the testing prior to the critical date. The rub appears, however, in the [trial] court's finding that Estee Lauder failed to establish that the test results were reviewed or analyzed before April 13, 1987. . . .

[W]e are left to answer a single question of law: where testing is required to establish utility, must there be some recognition of successful testing prior to the critical date for an invention to be reduced to practice, or is it only necessary that the testing be completed before the critical date and ultimately prove successful, regardless of when that success is appreciated or recognized? We hold that the law requires the former.

Hahn requires that in addition to preparing a composition, an inventor must establish that he "'knew it would work,'" to reduce the invention to practice. *892 F.2d at 1032, 13 U.S.P.Q.2D (BNA) at 1317* (quoting *Mikus, 542 F.2d at 1159, 191 U.S.P.Q. (BNA) at 573*). This suggests that a reduction to practice does not occur until an inventor, or perhaps his agent, knows that the invention will work for its intended purpose. Indeed, we agree with *Standard Oil* that the "utility requirement is satisfied when an inventor has learned enough about the product to justify the conclusion that it is useful for a specific purpose." *494 F. Supp. at 381, 206 U.S.P.Q. (BNA) at 691.* But until he learns that threshold information, there can be no reduction to practice. Moreover, *Burroughs Wellcome* states that a reduction to practice requires "the discovery that an invention actually works." *40 F.3d at 1228, 32 U.S.P.Q.2D (BNA) at 1919.* This suggests that until that "discovery" is actually made, there is no reduction to practice. These cases trumpet, therefore, the principle that a reduction to practice does not occur until the inventor has determined that the invention will work for its intended purpose.

"It is well-settled that . . . reduction to practice cannot be established nunc pro tunc. There must be *contemporaneous recognition and appreciation* of the invention represented by the counts." *Breen v. Henshaw, 472 F.2d 1398, 1401, 176 U.S.P.Q. (BNA) 519, 521 (CCPA 1973)* (emphasis added) (holding no reduction to practice during lab experiments because there was no "indication in the contemporaneous record" that utility "was recognized *at that time*" (emphasis added)).

We agree with L'Oreal, therefore, that when testing is necessary to establish utility, there must be recognition and appreciation that the tests were successful for reduction to practice to occur. Here, that time did not arrive until Pelle received the test results, calculated the mean of the BRD 497 and 498 results and compared them, as well as compared the BRD 499 and 500 test results to their nominal SPFs. Only then did Estee Lauder determine that CuDIPs successfully boosted SPF values. Estee Lauder has not established that these events unfolded before April 13, 1987.

Estee Lauder argues, however, that there was no need for it to receive and analyze the BRD 498-500 test results and determine whether they were successful because they already fully recognized the utility of the compositions. For this proposition, Estee Lauder relies on Pelle's arm tests and the BRD 461-62 test results. But Estee Lauder failed to establish that CuDIPs was the material used in these tests. It cannot rely upon tests performed on a composition that failed to meet the elements of the count to demonstrate that the composition works for its intended purpose. . . .

John Muller & Company, Inc.
v.
New York Arrows Soccer Team, Inc. et al.

802 F.2d 989 (8th Cir. 1986)

PER CURIAM

John Muller & Company, Inc. (Muller) contracted with Dr. David Schoenstadt, owner of the New York Arrows soccer team, to do advertising work, including the design of a logo for the team. A dispute over fees arose, and Muller attempted to copyright the team logo. The Register of Copyrights twice refused to register the logo, saying that it lacked the minimal creativity necessary to support a copyright. Muller sued Schoenstadt in district court on grounds of copyright infringement, breach of contract and other state claims. The Register of Copyrights was served notice of the suit and chose to intervene to support its position that the logo is not copyrightable. The logo consists of four angled lines which form an arrow and the word "Arrows" in cursive script below the arrow.

The parties agree that there are no disputed issues of material fact, and that the copyrightability of the logo may be decided as a matter of law. In order to be copyrightable, a work must show certain minimal levels of creativity and originality. The district court correctly noted that the issue here is creativity, not originality, although appellant's argument tends to confuse the two. If, as here, the creator seeks to register the item as a "work of art" or "pictorial, graphic or sculptural work, the work must embody some creative authorship in its delineation or form." *37 C.F.R. § 202.10(a) (1985).* There is no simple way to draw the line between "some creative authorship" and not enough creative authorship, and there are no cases involving "works" exactly like this one. The district court considered the cases cited by appellant, but distinguished them and held that the Register had not abused his discretion in finding that appellant's logo lacked the level of creativity needed for copyrightability.

[The Court of Appeals went on to affirm the District Court's holding of uncopyrightability.]

Nichols
v.
Universal Pictures Corporations, et al.
45 F.2d 119 (2nd Cir. 1930)

L. HAND, Circuit Judge.

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

"Abie's Irish Rose" presents a Jewish family living in prosperous circumstances in New York. The father, a widower, is in business as a merchant, in which his son and only child helps him. The boy has philandered with young women, who to his father's great disgust have always been Gentiles, for he is obsessed with a passion that his daughter-in-law shall be an orthodox Jewess. When the play opens the son, who has been courting a young Irish Catholic girl, has already married her secretly before a Protestant minister, and is concerned to soften the blow for his father, by securing a favorable impression of his bride, while concealing her faith and race. To accomplish this he introduces her to his father at his home as a Jewess, and lets it appear that he is interested in her, though he conceals the marriage. The girl somewhat reluctantly falls in with the plan; the father takes the bait, becomes infatuated with the girl, concludes that they must marry, and assumes that of course they will, if he so decides. He calls in a rabbi, and prepares for the wedding according to the Jewish rite.

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

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

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

On his return the Jew finds that his daughter has borne a child; at first he suspects the lawyer, but eventually learns the truth and is overcome with anger at such a low alliance. Meanwhile, the Irish family who have been forbidden to see the grandchild, go to the Jew's house, and after a violent scene between the two fathers in which the Jew disowns his daughter, who decides to go back with her husband, the Irishman takes her back with her baby to his own poor lodgings. The lawyer, who had hoped to marry the Jew's daughter, seeing his plan foiled, tells the Jew that his fortune really belongs to the Irishman, who was also related to the dead woman, but offers to conceal his knowledge, if the Jew will share the loot. This the Jew repudiates, and, leaving the astonished lawyer, walks through the rain to his enemy's house to surrender the property. He arrives in great dejection, tells the truth, and abjectly turns to leave. A reconciliation ensues, the Irishman agreeing to share with him equally. The Jew shows some interest in his grandchild, though this is at most a minor motive in the reconciliation, and the curtain falls while the two are in their cups, the Jew insisting that in the firm name for the business, which they are to carry on jointly, his name shall stand first.

It is of course essential to any protection of literary property, whether at common-law or under the statute, that the right cannot be limited literally to the text, else a plagiarist would escape by immaterial variations. That has never been the law, but, as soon as literal appropriation ceases to be the test, the whole matter is necessarily at large, so that, as was recently well said by a distinguished judge, the decisions cannot help much in a new case. *Fendler v. Morosco, 253 N.Y. 281, 292, 171 N.E. 56.* When plays are concerned, the plagiarist may excise a separate scene [*Daly v. Webster, 56 F. 483* (C.C.A. 2); *Chappell v. Fields, 210 F. 864* (C.C.A. 2); Chatterton v. Cave, L.R. 3 App. Cas. 483]; or he may appropriate part of the dialogue (Warne v. Seebohm, L.R. 39 Ch. D. 73). Then the question is whether the part so taken is "substantial," and therefore not a "fair use" of the copyrighted work; it is the same question as arises in the case of any other copyrighted work. *Marks v. Feist, 290 F. 959* (C.C.A. 2); Emerson v. Davies, Fed. Cas. No. 4436, 3 Story, 768, 795-797. But when the plagiarist does not take out a block in situ, but an abstract of the whole, decision is more troublesome. Upon any work, and especially upon a play, a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his "ideas," to which, apart from their expression, his property is never extended. *Holmes v. Hurst, 174 U.S. 82, 86, 19 S. Ct. 606, 43 L. Ed. 904*; *Guthrie v. Curlett, 36 F.(2d) 694* (C.C.A. 2). Nobody has ever been able to fix that boundary, and nobody ever can. In some cases the question has been treated as though it were analogous to lifting a portion out of the copyrighted work (Rees v. Melville, MacGillivray's Copyright Cases [1911-1916], 168); but the analogy is not a good one, because, though the skeleton is a part of the body, it pervades and supports the whole. In such cases we are rather concerned with the line between expression and what is expressed. As respects plays, the controversy chiefly centers upon the characters and sequence of incident, these being the substance.

We did not in *Dymow v. Bolton, 11 F.(2d) 690*, hold that a plagiarist was never liable for stealing a plot; that would have been flatly against our rulings in *Dam v. Kirk La Shelle Co., 175 F. 902, 41 L.R.A. (N.S.) 1002, 20 Ann. Cas. 1173*, and *Stodart v. Mutual Film Co., 249 F. 513*, affirming my decision in (D.C.) *249 F. 507*; neither of which we meant to overrule. We found the plot of the second play was too different to infringe, because the most detailed pattern, common to both, eliminated so much from each that its content went into the public domain; and for this reason we said, "this mere subsection of a plot was not susceptible of copyright." But we do not doubt that two plays may correspond in plot closely enough for infringement. How far that correspondence must go is another matter. Nor need we hold that the same may not be true as to the characters, quite independently of the "plot" proper, though, as far as we know, such a case has never arisen. If Twelfth Night were copyrighted, it is quite possible that a second comer might so closely imitate Sir Toby Belch or Malvolio as to infringe, but it would not be enough that for one of his characters he cast a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress. These would be no more than Shakespeare's "ideas" in the play, as little capable of monopoly as Einstein's Doctrine of Relativity, or Darwin's theory of the Origin of Species. It follows that the less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly.

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

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

Nor does she fare better as to her characters. It is indeed scarcely credible that she should not have been aware of those stock figures, the low comedy Jew and Irishman. The defendant has not taken from her more than their prototypes have contained for many decades. If so, obviously so to generalize her copyright, would allow her to cover what was not original with her. But we need not hold this as matter of fact, much as we might be justified. Even though we take it that she devised her figures out of her brain de novo, still the defendant was within its rights.

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

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

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

We cannot approve the length of the record, which was due chiefly to the use of expert witnesses. Argument is argument whether in the box or at the bar, and its proper place is the last. The testimony of an expert upon such issues, especially his cross-examination, greatly extends the trial and contributes nothing which cannot be better heard after the evidence is all submitted. It ought not to be allowed at all; and while its admission is not a ground for reversal, it cumbers the case and tends to confusion, for the more the court is led into the intricacies of dramatic craftsmanship, the less likely it is to stand upon the firmer, if more naive, ground of its considered impressions upon its own perusal. We hope that in this class of cases such evidence may in the future be entirely excluded, and the case confined to the actual issues; that is, whether the copyrighted work was original, and whether the defendant copied it, so far as the supposed infringement is identical.

The defendant, "the prevailing party," was entitled to a reasonable attorney's fee (section 40 of the Copyright Act [17 USCA § 40]).

Decree affirmed.

Saul Steinberg
v.
Columbia Pictures Industries, Inc. et al.,
663 F. Supp. 706 (S.D.N.Y. 1987)

The essential facts are not disputed by the parties despite their disagreements on nonessential matters. On March 29, 1976, *The New Yorker* published as a cover illustration the work at issue in this suit, widely known as a parochial New Yorker's view of the world. . . .

Defendants' illustration was created to advertise the movie "Moscow on the Hudson," which recounts the adventures of a Muscovite who defects in New York. In designing this illustration, Columbia's executive art director, Kevin Nolan, has admitted that he specifically referred to Steinberg's poster, and indeed, that he purchased it and hung it, among others, in his office. Furthermore, Nolan explicitly directed the outside artist whom he retained to execute his design, Craig Nelson, to use Steinberg's poster to achieve a more recognizably New York look. Indeed, Nelson acknowledged having used the facade of one particular edifice, at Nolan's suggestion that it would render his drawing more "New York-ish." . . .

To decide the issue of infringement, it is necessary to consider the posters themselves. Steinberg's illustration presents a bird's eye view across a portion of the western edge of Manhattan, past the Hudson River and a telescoped version of the rest of the United States and the Pacific Ocean, to a red strip of horizon, beneath which are three flat land masses labeled China, Japan and Russia. The name of the magazine, in *The New Yorker's* usual typeface, occupies the top fifth of the poster, beneath a thin band of blue wash representing a stylized sky.

The parts of the poster beyond New York are minimalized, to symbolize a New Yorker's myopic view of the centrality of his city to the world. The entire United States west of the Hudson River, for example, is reduced to a brown strip labeled "Jersey," together with a light green trapezoid with a few rudimentary rock outcroppings and the names of only seven cities and two states scattered across it. The few blocks of Manhattan, by contrast, are depicted and colored in detail. The four square blocks of the city, which occupy the whole lower half of the poster, include numerous buildings, pedestrians and cars, as well as parking lots and lamp posts, with water towers atop a few of the buildings. The whimsical, sketchy style and spiky lettering are recognizable as Steinberg's.

The "Moscow" illustration depicts the three main characters of the film on the lower third of their poster, superimposed on a bird's eye view of New York City, and continues eastward across Manhattan and the Atlantic Ocean, past a rudimentary evocation of Europe, to a clump of recognizably Russian-styled buildings on the horizon, labeled "Moscow." The movie credits appear over the lower portion of the characters. The central part of the poster depicts approximately four New York city blocks, with fairly detailed buildings, pedestrians and vehicles, a parking lot, and some water towers and lamp posts. Columbia's artist added a few New York landmarks at apparently random places in his illustration, apparently to render the locale more easily recognizable. Beyond the blue strip labeled "Atlantic Ocean," Europe is represented by London, Paris and Rome, each anchored by a single landmark (although the landmark used for Rome is the Leaning Tower of Pisa).

The horizon behind Moscow is delineated by a red crayoned strip, above which are the title of the movie and a brief textual introduction to the plot. The poster is crowned by a thin strip of blue wash, apparently a stylization of the sky. This poster is executed in a blend of styles: the three characters, whose likenesses were copied from a photograph, have realistic faces and somewhat sketchy clothing, and the city blocks are drawn in a fairly detailed but sketchy style. The lettering on the drawing is spiky, in block-printed handwritten capital letters substantially identical to plaintiff's, while the printed texts at the top and bottom of the poster are in the typeface commonly associated with *The New Yorker* magazine. [2]

> 2 The typeface is not a subject of copyright, but the similarity reinforces the impression that defendants copied plaintiff's illustration.

. . . .

There is no dispute that defendants cannot be held liable for using the *idea* of a map of the world from an egocentrically myopic perspective. No rigid principle has been developed, however, to ascertain when one has gone beyond the idea to the expression, and "decisions must therefore inevitably be ad hoc." *Peter Pan Fabrics, Inc. v. Martin Weiner Corp., 274 F.2d 487, 489 (2d Cir. 1960)* (L. Hand, J.). As Judge Frankel once observed, "Good eyes and common sense may be as useful as deep study of reported and unreported cases, which themselves are tied to highly particularized facts." *Couleur International Ltd. v. Opulent Fabrics, Inc., 330 F. Supp. 152, 153 (S.D.N.Y. 1971)*.

Even at first glance, one can see the striking stylistic relationship between the posters, and since style is one ingredient of "expression," this relationship is significant. Defendants' illustration was executed in the sketchy, whimsical style that has become one of Steinberg's hallmarks. Both illustrations represent a bird's eye view across the edge of Manhattan and a river bordering New York City to the world beyond. Both depict approximately four city blocks in detail and become increasingly minimalist as the design recedes into the background. Both use the device of a narrow band of blue wash across the top of the poster to represent the sky, and both delineate the horizon with a band of primary red. [3]

> 3 Defendants claim that since this use of thin bands of primary colors is a traditional Japanese technique, their adoption of it cannot infringe Steinberg's copyright. This argument ignores the principle that while "others are free to copy the original . . . they are not free to copy the copy." *Bleistein v. Donaldson Lithographing Co., 188 U.S. 239, 250, 47 L. Ed. 460, 23 S. Ct. 298 (1903)* (Holmes, J.).

The strongest similarity is evident in the rendering of the New York City blocks. Both artists chose a vantage point that looks directly down a wide two-way cross street that intersects two avenues before reaching a river. Despite defendants' protestations, this is not an inevitable way of depicting blocks in a city with a grid-like street system, particularly since most New York City cross streets are one-way. Since even a photograph may be copyrighted because "no photograph, however simple, can be unaffected by the personal influence of the author," *Time Inc. v. Bernard Geis Assoc., 293 F. Supp. 130, 141 (S.D.N.Y. 1968)*, *quoting Bleistein, supra*, one can hardly gainsay the right of an artist to protect his choice of perspective and layout in a drawing, especially in conjunction with the overall concept and individual details. Indeed, the fact that defendants changed the names of the streets while retaining the same graphic depiction weakens their case:

had they intended their illustration realistically to depict the streets labeled on the poster, their four city blocks would not so closely resemble plaintiff's four city blocks. Moreover, their argument that they intended the jumble of streets and landmarks and buildings to symbolize their Muscovite protagonist's confusion in a new city does not detract from the strong similarity between their poster and Steinberg's.

While not all of the details are identical, many of them could be mistaken for one another; for example, the depiction of the water towers, and the cars, and the red sign above a parking lot, and even many of the individual buildings. The shapes, windows, and configurations of various edifices are substantially similar. The ornaments, facades and details of Steinberg's buildings appear in defendants', although occasionally at other locations. In this context, it is significant that Steinberg did not depict any buildings actually erected in New York; rather, he was inspired by the general appearance of the structures on the West Side of Manhattan to create his own New York-ish structures. Thus, the similarity between the buildings depicted in the "Moscow" and Steinberg posters cannot be explained by an assertion that the artists happened to choose the same buildings to draw. The close similarity can be explained only by the defendants' artist having copied the plaintiff's work. Similarly, the locations and size, the errors and anomalies of Steinberg's shadows and streetlight, are meticulously imitated.

In addition, the Columbia artist's use of the childlike, spiky block print that has become one of Steinberg's hallmarks to letter the names of the streets in the "Moscow" poster can be explained only as copying. There is no inherent justification for using this style of lettering to label New York City streets as it is associated with New York only through Steinberg's poster.

While defendants' poster shows the city of Moscow on the horizon in far greater detail than anything is depicted in the background of plaintiff's illustration, this fact alone cannot alter the conclusion. "Substantial similarity" does not require identity, and "duplication or near identity is not necessary to establish infringement." *Krofft, 562 F.2d at 1167*. Neither the depiction of Moscow, nor the eastward perspective, nor the presence of randomly scattered New York City landmarks in defendants' poster suffices to eliminate the substantial similarity between the posters. As Judge Learned Hand wrote, "no plagiarist can excuse the wrong by showing how much of his work he did not pirate." *Sheldon v. Metro-Goldwyn Pictures Corp., 81 F.2d 49, 56* (2d Cir.), *cert. denied*, *298 U.S. 669, 80 L. Ed. 1392, 56 S. Ct. 835 (1936)*.

Defendants argue that their poster could not infringe plaintiff's copyright because only a small proportion of its design could possibly be considered similar. This argument is both factually and legally without merit. "[A] copyright infringement may occur by reason of a substantial similarity that involves only a small portion of each work." *Burroughs v. Metro-Goldwyn-Mayer, Inc., 683 F.2d 610, 624 n.14 (2d Cir. 1982)*. Moreover, this case involves the entire protected work and an iconographically, as well as proportionately, significant portion of the allegedly infringing work. *Cf. Mattel, Inc. v. Azrak-Hamway Intern., Inc., 724 F.2d 357, 360 (2d Cir. 1983)*; *Elsmere Music, Inc. v. National Broadcasting Co., 482 F. Supp. 741, 744* (S.D.N.Y.), *aff'd*, *623 F.2d 252 (2d Cir. 1980)* (taking small part of protected work can violate copyright).

The process by which defendants' poster was created also undermines this argument. The "map," that is, the portion about which plaintiff is complaining, was designed separately from the rest of the poster. The likenesses of the three main characters, which were copied from a photograph, and the blocks of text were superimposed on the completed map. Nelson Deposition at 21-22; Nolan Deposition at 28.

I also reject defendants' argument that any similarities between the works are unprotectible *scenes a faire*, or "incidents, characters or settings which, as a practical matter, are indispensable or standard in the treatment of a given topic." *Walker, 615 F. Supp. at 436. See also Reyher, 533 F.2d at 92*. It is undeniable that a drawing of New York City blocks could be expected to include buildings, pedestrians, vehicles, lampposts and water towers. Plaintiff, however, does not complain of defendants' mere use of these elements in their poster; rather, his complaint is that defendants copied his *expression* of those elements of a street scene. . . .

UMG Recordings, Inc.
v.
Troy Augusto

558 F. Supp. 2d 1055 (C.D. Cal. 2008)

S.. JAMES OTERO, UNITED STATES DISTRICT JUDGE.

I. BACKGROUND

Most of the facts in this case are undisputed. UMG owns the copyright to numerous songs and produces CDs containing those songs. A majority of those CDs are created for sale to the public. Before a new CD is released for sale to the public, UMG often creates and distributes a "promotional CD" for purposes of promoting and advertising the release of the new CD. The promotional CD is similar to the new CD, although a promotional CD may contain fewer songs and may not include the artwork included with the new CD. In addition, all promotional CDs are labeled with the following language:

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

UMG sends these promotional CDs to music industry insiders who are in a position to provide publicity and exposure for the upcoming commercial release of the new CD.

Augusto is not one of these insiders. Yet, he obtained numerous promotion CDs from music shops and online auctions. Augusto then sold many of UMG's promotional CDs through online auctions on eBay, advertising these promotional CDs as rare collectibles not available in stores. . . .

II. DISCUSSION

Summary judgment is proper only if "the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." A "material" fact is one that could affect the outcome of the case, and an issue of material fact is "genuine" if "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." In deciding a motion for summary judgment, the Court "construes the evidence in the light most favorable to the nonmoving party."

A. UMG's Claim for Copyright Infringement

UMG and Augusto both seek summary judgment on UMG's copyright infringement claim. To establish a prima facie case of copyright infringement, UMG must show: (1) UMG owns a copyright; and (2) Augusto violated one of the exclusive rights granted to UMG as owner of that copyright under *17 U.S.C. § 106*.

Here, Augusto does not dispute that UMG has met its initial burden. UMG established that it owns the copyright to sound recordings embodied in the Promo CDs and that Augusto sold these Promo CDs through eBay in violation of UMG's exclusive right to sell copies of those sound recordings to the public, *see 17 U.S.C. § 106(3)*.

Augusto argues, however, that his conduct is protected by the "first sale doctrine."

1. The First Sale Doctrine Permits the Owner of a Copy to Resell that Copy.

The first sale doctrine limits a copyright owner's exclusive right to distribute copies of a copyrighted work to the public: "[T]he owner of a particular copy or phonorecord lawfully made under [Title 17 of the United States Code] . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." *17 U.S.C. § 109(a)*; *see also* 2 Melville B. Nimmer & David *Nimmer, Nimmer on Copyright § 8.12[B][1][a]* (2008) [hereinafter *Nimmer*] ("*Section 109(a)* provides that the distribution right may be exercised solely with respect to the initial disposition of copies of a work, not to prevent or restrict the resale or other further transfer of possession of such copies.").

Although this statutory limitation is commonly referred to as the first sale doctrine, its protection does not require a "sale." The doctrine applies after the "first authorized disposition by which title passes." 2 *Nimmer § 8.12[B][1][a]*. This passing of title may occur through a transfer by gift. *See* 4 William F. Patry, *Patry on Copyright* § 13:15 ("Since the principle [of the first sale doctrine] applies when copies are given away or are otherwise permanently transferred without the accoutrements of a sale, 'exhaustion' is the better description."); 2 Paul Goldstein, *Goldstein on Copyright* § 7.6.1 n.4 (3d ed.) ("[A] gift of copies or phonorecords will qualify as a 'first sale' to the same extent as an actual sale for consideration.").

To invoke the first sale defense for his sale of UMG Promo CDs, Augusto must show: (1) the CDs were lawfully manufactured with UMG's authorization; (2) UMG transferred title to the CDs; (3) Augusto was the lawful owner of the CDs; and (4) Augusto disposed of, but did not reproduce, the CDs.

Here, two of these elements are undisputed. The parties agree that the Promo CDs were lawfully manufactured (UMG Answer 13) and Augusto is accused only of selling the Promo CDs, not of reproducing them (UMG Compl. 10).

The remaining two elements hinge on one question: Did UMG transfer title to the music industry insiders when it mailed them the Promo CDs? If the answer is yes, then UMG transferred ownership of the CDs and Augusto lawfully owned the CDs at the time he sold them,

[2] which permitted Augusto to sell the CDs under the first sale doctrine. If the answer is no, then UMG retained title to, and ownership of, the CDs and Augusto was not the lawful owner of those CDs at the time he sold them, which excludes Augusto's actions from the protection of the first sale doctrine.

2 UMG argues that Augusto should have to trace the chain of title from him back to UMG. This is incorrect. By showing that UMG transferred ownership of the Promo CDs to the music industry insiders, Augusto would show that UMG no longer has a copyright interest in the Promo CDs, which is sufficient under the first sale doctrine.

2. Because UMG Transferred Title to the Music Industry Insiders, Augusto Was the Owner of the Promo CDs at the Time He Sold Them.

Augusto argues that he owned title to the particular copies of the Promo CDs that he sold under three theories: (1) the licenses on the Promo CDs are not valid; (2) the music industry insiders may treat the Promo CDs as a gift under federal law; and (3) UMG abandoned the Promo CDs under California law. If Augusto succeeds on any of these three arguments, the first sale doctrine protects his actions. The Court addresses each argument in turn.

a. The Licensing Language on the Promo CDs Does Not Create a License.

Each of the Promo CDs bore a label with words that purportedly "license" use of that Promo CD to the music industry insider receiving it. (Kossowicz Decl. Ex. 11.) UMG argues that these words create a license between UMG and any recipient who accepts the Promo CD and that under this license UMG retains title to the Promo CD. Augusto argues that these words do not create a license and that UMG's distribution of the Promo CDs qualifies as a gift or sale.

In determining whether a transaction is a sale or a license, courts must analyze the "economic realities" of the transaction. "[T]he fact that the agreement labels itself a 'license' . . . does not control our analysis."

i One Hallmark of a License Is the Owner's Intent to Regain Possession.

The right to perpetual possession is a critical incident of ownership. *See Krause v. Titleserv, Inc., 402 F.3d 119, 123 (2d Cir. 2005)* (describing a person's "degree of ownership of a copy" as "complete" when "he may lawfully use it and keep it forever, or if so disposed, throw it in the trash"). [3] Accordingly, the distributor of a copyrighted product's intent to regain possession is strong evidence that the product was licensed, not sold, to the recipient. The absence of this intent is strong evidence that the product was sold.

3 While the licensing label would not permit the music industry insiders to throw the Promo CDs "in the trash," the economic reality of the transfer entirely permits them to do so "if so disposed." *See Krause, 402 F.3d at 123*.

The Ninth Circuit's decision in *United States v. Wise* demonstrates the importance of regaining possession of the licensed product. *550 F.2d 1180 (9th Cir. 1977)*. In *Wise*, the court evaluated several contracts under which movie studios transferred movie prints. Most of the contracts required that the recipients return the movie prints after a fixed term. *Id. at 1185* ("The license agreements with respect to the films involved in this case generally . . . required their return at the expiration of the license period."). The Ninth Circuit determined that these contracts were licenses.

However, some of the contracts permitted the recipient to keep the film print. In particular, one contract allowed an actress to keep possession of the film print "at all times" for her "personal use and enjoyment," but prevented her from transferring the print to anyone else. *Id. at 1192*. The Ninth Circuit determined that this contract was a sale, not a license.

Here, UMG gives the Promo CDs to music industry insiders, never to be returned. The recipients are free to keep the Promo CDs forever. Nothing on the packaging of the Promo CDs or in the licensing label requires that the recipient return the Promo CDs to UMG. (Kossowicz Decl. Ex. 11.) There are no consequences for the recipient should she lose or destroy the Promo CDs — which UMG allegedly considers its property. (Kossowicz Decl. Ex. 11.) UMG does not request that any recipients return the Promo CDs (Strouse Decl. 119) and does not otherwise make any affirmative effort to recover possession of the Promo CDs. [4] Further, it appears that UMG could not take these actions; UMG does not keep permanent records identifying who received which Promo CDs. (Strouse Decl. P 7.)

4 UMG does passively receive Promo CDs returned by the postal service as undeliverable or returned by recipients as unwanted. (Strouse Decl. 10(a).) Rather than keep these Promo CDs as an asset, UMG destroys them. (Strouse Decl. 10(a).)

Accordingly, the music industry insiders' ability to indefinitely possess the Promo CDs is a strong incident of ownership through a gift or sale.

ii. The Absence of a Recurring Benefit to UMG Suggests the Transfer to Music Industry Insiders Is a Gift or Sale.

Generally, licenses provide recurring benefits for the copyright owner. *Microsoft, 66 F.3d at 1096* (determining that Microsoft sold its software to DAK in part because Microsoft received a set payment independent of DAK's length of use of the software); *see also SoftMan Prods. Co. v. Adobe Sys., 171 F. Supp. 2d 1075 (C.D. Cal. 2001)* (determining that Adobe sold its software in part because "the license runs for an indefinite term without provisions for renewal").

Here, UMG receives no recurring benefit from the recipients' continued possession. As an initial matter, UMG has no guarantee that it will receive any benefit from the distribution of a Promo CD. The licensing label does not require that the recipient promote or expose the material on the Promo CD. (To the contrary, most of the Promo CDs at issue contain a label with the phrase "for personal use only," indicating that any license would prohibit the recipient from making professional use of the Promo CD.) Nor does the licensing label require the recipient to provide UMG with any benefit to retain possession. At the time UMG distributes the Promo CDs, it is not guaranteed to get anything in return. . . .

Because title to the Promo CDs transferred from UMG to the music industry insiders, Augusto's resale of those CDs is protected by the first sale doctrine. Augusto is entitled to summary judgment on UMG's claim for copyright infringement.

Shapiro, Bernstein & Co., Inc., et al.
v.
H. L. Green Company, Inc., Jalen Amusement Company, Inc.
316 F.2d 304 (2d Cir. 1963)

OPINION BY: KAUFMAN

. . . The plaintiffs in the court below, appellants here, are the copyright proprietors of several musical compositions, recordings of which have met with considerable popularity, especially amongst the younger set. The defendant Jalen Amusement Company, Inc. was charged in the complaint with having infringed the copyrights on these songs by manufacturing records, close copies of the 'hit-type' authorized records of major record manufacturers in violation of *17 U.S.C. ß 101(e)*: 'in the absence of a license agreement' with the plaintiffs and without having served upon them a notice of intention 'to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work.'

Jalen operated the phonograph record department as concessionaire in twenty-three stores of defendant H. L. Green Co., Inc., pursuant to written licenses from the Green Company. The complaint alleged that Green was liable for copyrights infringement because it 'sold, or contributed to and participated actively in the sale of the so-called 'bootleg' records manufactured by Jalen and sold by Jalen in the Green stores.

The District Judge, after trial, found Jalen liable as manufacturer of the 'bootleg' records, and imposed a liability for the statutory royalty of two cents for each record which reproduced one of the plaintiffs' copyrighted compositions, and a further sum of six cents per record as damages. He concluded, however, that Green had not sold any of the phonograph records and was not liable for any sales made by Jalen; he accordingly dismissed the complaint as to Green. Jalen takes no appeal, but plaintiffs come before us to challenge the dismissal of the claims asserted against Green. The validity of those claims depends upon a detailed examination of the relationship between Green and the conceded infringer Jalen.

At the time of suit, Jalen had been operating under license from Green the phonograph record department in twenty-three of its stores, in some for as long as thirteen years. The licensing agreements provided that Jalen and its employees were to 'abide by, observe and obey all rules and regulations promulgated from time to time by H. L. Green Company, Inc. * * *' Green, in its 'unreviewable discretion', had the authority to discharge any employee believed to be conducting himself improperly. Jalen, in turn, agreed to save Green harmless from any claims arising in connection with the conduct of the phonograph record concession. Significantly, the licenses provided that Green was to receive a percentage — in some cases 10%, in others 12% — of Jalen's gross receipts from the sale of records, as its full compensation as licensor.

In the actual day-to-day functioning of the record department, Jalen ordered and purchased all records, was billed for them, and paid for them. All sales were made by Jalen employees, who, as the District Court found, were under the effective control and supervision of Jalen. All of the daily proceeds from record sales went into Green's cash registers and were removed therefrom by the cashier of the store. At regular accounting periods, Green deducted its 10% Or 12% Commission and deducted the salaries of the Jalen employees, which salaries were handed over by the Green cashier to one of Jalen's employees to be distributed to the others. Social security and withholding taxes were withheld from the salaries of the employees by Green, and the withholdings then turned over to Jalen. Only then was the balance of the gross receipts of the record department given to Jalen. Customers purchasing records were given a receipt on a printed form marked 'H. L. Green Company, Inc.'; Jalen's name was wholly absent from the premises. . . .

On the facts before us, therefore, we hold that appellee Green is liable for the sale of the infringing 'bootleg' records, and we therefore reverse the judgment dismissing the complaint and remand for a determination of damages.

Section 101(e) of the Copyright Act makes unlawful the 'unauthorized manufacture, use, or sale' of phonograph records. Because of the open-ended terminology of the section, and the related *section 1(e)*, courts have had to trace, case by case, a pattern of business relationships which would render one person liable for the infringing conduct of another. . . . When the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials — even in the absence of actual knowledge that the copyright monopoly is being impaired — the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.

The two lines of precedent most nearly relevant to the case before us are those which deal, on the one hand, with the landlord leasing his property at a fixed rental to a tenant who engages in copyright-infringing conduct on the leased premises and, on the other hand, the proprietor or manager of a dance hall or music hall leasing his premises to or hiring a dance band, which brings in customers and profits to the proprietor by performing copyrighted music but without complying with the terms of the Copyright Act. If the landlord lets his premises without knowledge of the impending infringement by his tenant, exercises no supervision over him, charges a fixed rental and receives no other benefit from the infringement, and contributes in no way to it, it has been held that the landlord is not liable for his tenant's wrongdoing. See *Deutsch v. Arnold, 98 F.2d 686 (2d Cir. 1938)*; cf. *Fromont v. Aeolian Co., 254 F. 592 (S.D.N.Y.1918)*. But, the cases are legion which hold the dance hall proprietor liable for the infringement of copyright resulting from the performance of a musical composition by a band or orchestra whose activities provide the proprietor with a source of customers and enhanced income. He is liable whether the bandleader is considered, as a technical matter, an employee or an independent contractor, and whether or not the proprietor has knowledge of the compositions to be played or any control over their selection. See *Buck v. Jewell-LaSalle Realty Co., 283 U.S. 191, 198-199, 51 S.Ct. 410, 75 L.Ed. 971 (1931)*; [remainder of string citation omitted]

We believe that the principle which can be extracted from the dance hall cases is a sound one and, under the facts of the cases before us, is here applicable. Those cases and this one lie closer on the spectrum to the employer-employee model than to the landlord-tenant model. Green licensed one facet of its variegated business enterprise, for some thirteen years, to the Jalen Amusement Company. Green retained the ultimate right of supervision over the conduct of the record concession and its employees. By reserving for itself a proportionate share of the gross receipts from Jalen's sales of phonograph records, Green had a most definite financial interest in the success of Jalen's concession; 10% or 12% of the sales price of every record sold by Jalen, whether 'bootleg' or legitimate, found its way — both literally and figuratively — into the coffers of the Green Company. We therefore conclude, on the particular facts before us, that Green's relationship to its infringing licensee, as well as its strong concern for the financial success of the phonograph record concession, renders it liable for the unauthorized sales of the 'bootleg' records. . . .

For much the same reasons, the imposition of vicarious liability in the case before us cannot be deemed unduly harsh or unfair. Green has the power to police carefully the conduct of its concessionaire Jalen; our judgment will simply encourage it to do so, thus placing responsibility where it can and should be effectively exercised. Green's burden will not be unlike that quite commonly imposed upon publishers, printers, and vendors of copyrighted materials. Indeed, the record in this case reveals that the 'bootleg' recordings were somewhat suspicious on their face; they bore no name of any manufacturer upon the labels or on the record jackets, as is customary in the trade. Moreover, plaintiffs' agent and attorneys wrote to Green in March and April 1958, requesting information regarding certain of the 'bootleg' records and finally, upon receiving no reply from Green, threatening to institute suit for copyright infringement. The suit was in fact commenced the following month. Although these last-recited facts are not essential to our holding of copyright infringement by Green, they reinforce our conclusion that in many cases, the party found strictly liable is in a position to police the conduct of the 'primary' infringer. . . .

Reversed and remanded.

Sony Corporation of America, et al.
v.
Universal City Studios, Inc., et al.
464 U.S. 417 (1984)

JUSTICE STEVENS delivered the opinion of the Court.

I

The two respondents in this action, Universal City Studios, Inc., and Walt Disney Productions, produce and hold the copyrights on a substantial number of motion pictures and other audiovisual works. In the current marketplace, they can exploit their rights in these works in a number of ways: by authorizing theatrical exhibitions, by licensing limited showings on cable and network television, by selling syndication rights for repeated airings on local television stations, and by marketing programs on prerecorded videotapes or videodiscs. . . .

Petitioner Sony manufactures millions of Betamax video tape recorders and markets these devices through numerous retail establishments . . .

The respondents and Sony both conducted surveys of the way the Betamax machine was used by several hundred owners during a sample period in 1978. Although there were some differences in the surveys, they both showed that the primary use of the machine for most owners was "time-shifting" — the practice of recording a program to view it once at a later time, and thereafter erasing it. Time-shifting enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch. Both surveys also showed, however, that a substantial number of interviewees had accumulated libraries of tapes. Sony's survey indicated that over 80% of the interviewees watched at least as much regular television as they had before owning a Betamax. Respondents offered no evidence of decreased television viewing by Betamax owners.

Sony introduced considerable evidence describing television programs that could be copied without objection from any copyright holder, with special emphasis on sports, religious, and educational programming. For example, their survey indicated that 7.3% of all Betamax use is to record sports events, and representatives of professional baseball, football, basketball, and hockey testified that they had no objection to the recording of their televised events for home use. . . .

III

The Copyright Act does not expressly render anyone liable for infringement committed by another. . . . The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity. . . .

If liability is to be imposed on Sony in this case, it must rest on the fact that tit has sold equipment with constructive knowledge of the fact that its customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory. The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law. In the Patent Act both the concept of infringement and the concept of contributory infringement are expressly defined by statute. The prohibition against contributory infringement is confined to the knowing sale of a component especially made for use in connection with a particular patent. There is no suggestion in the statute that one patentee may object to the sale of a product that might be used in connection with other patents. Moreover, the Act expressly provides that the sale of a "staple article or commodity of commerce suitable for substantial noninfringing use" is not contributory infringement.

When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent, the public interest in access to that article of commerce is necessarily implicated. A finding of contributory infringement does not, of course, remove the article from the market altogether; it does, however, give the patentee effective control over the sale of that item. Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.

For that reason, in contributory infringement cases arising under the patent laws the Court has always recognized the critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant. These cases deny the patentee any right to control the distribution of unpatented articles unless they are "unsuited for any commercial noninfringing use." . Unless a commodity "has no use except through practice of the patented method," *id., at 199*, the patentee has no right to claim that its distribution constitutes contributory infringement. "To form the basis for contributory infringement the item must almost be uniquely suited as a component of the patented invention." P. Rosenberg, Patent Law Fundamentals § 17.02[2] (2d ed. 1982). "[A] sale of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce."

We recognize there are substantial differences between the patent and copyright laws. But in both areas the contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible. The staple article of commerce doctrine must strike a balance between a copyright holder's legitimate demand for effective — not merely symbolic — protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.

IV.

The question is thus whether the Betamax is capable of commercially significant noninfringing uses. In order to resolve that question, we need not explore *all* the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether on the basis of the facts as found by the District Court a significant number of them would be noninfringing. Moreover, in order to resolve this case we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, noncommercial time-shifting in the home. It does so both (A) because respondents have no right to prevent other copyright holders from authorizing it for their programs, and (B) because the District Court's factual findings reveal that even the unauthorized home time-shifting of respondents' programs is legitimate fair use.

A. *Authorized Time-Shifting*

. . . In addition to the religious and sports officials identified explicitly by the District Court, two items in the record deserve specific mention. . . .

Second is the testimony of Fred Rogers, president of the corporation that produces and owns the copyright on Mister Rogers' Neighborhood. The program is carried by more public television stations than any other program. Its audience numbers over 3,000,000 families a day. He testified that he had absolutely no objection to home taping for noncommercial use and expressed the opinion that it is a real service to families to be able to record children's programs and to show them at appropriate times. [27]

27 "Some public stations, as well as commercial stations, program the 'Neighborhood' at hours when some children cannot use it. I think that it's a real service to families to be able to record such programs and show them at appropriate times. I have always felt that with the advent of all of this new technology that allows people to tape the 'Neighborhood' off-the-air, and I'm speaking for the 'Neighborhood' because that's what I produce, that they then become much more active in the programming of their family's television life. Very frankly, I am opposed to people being programmed by others. My whole approach in broadcasting has always been 'You are an important person just the way you are. You can make healthy decisions.' Maybe I'm going on too long, but I just feel that anything that allows a person to be more active in the control of his or her life, in a healthy way, is important." *Id.*, at 2920-2921. See also Defendants' Exh. PI, p. 85.

If there are millions of owners of VTR's who make copies of televised sports events, religious broadcasts, and educational programs such as Mister Rogers' Neighborhood, and if the proprietors of those programs welcome the practice, the business of supplying the equipment that makes such copying feasible should not be stifled simply because the equipment is used by some individuals to make unauthorized reproductions of respondents' works. The respondents do not represent a class composed of all copyright holders. Yet a finding of contributory infringement would inevitably frustrate the interests of broadcasters in reaching the portion of their audience that is available only through time-shifting.

Of course, the fact that other copyright holders may welcome the practice of time-shifting does not mean that respondents should be deemed to have granted a license to copy their programs. Third-party conduct would be wholly irrelevant in an action for direct infringement of respondents' copyrights. But in an action for *contributory* infringement against the seller of copying equipment, the copyright holder may not prevail unless the relief that he seeks affects only his programs, or unless he speaks for virtually all copyright holders with an interest in the outcome. In this case, the record makes it perfectly clear that there are many important producers of national and local television programs who find nothing objectionable about the enlargement in the size of the television audience that results from the practice of time-shifting for private home use. The seller of the equipment that expands those producers' audiences cannot be a contributory infringer if, as is true in this case, it has had no direct involvement with any infringing activity.

B. *Unauthorized Time-Shifting*

[The Court held that videotaping a program at home for the purposes of watching it later was a fair use, and thus not an infringement of copyright.]

JUSTICE BLACKMUN, with whom JUSTICE MARSHALL, JUSTICE POWELL, and JUSTICE REHNQUIST join, dissenting.

. . . I therefore conclude that 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. See *ante*, at 440-441. If virtually all of the product's use, however, is to infringe, contributory liability may be imposed; if no one would buy the product for noninfringing purposes alone, it is clear that the manufacturer is purposely profiting from the infringement, and that liability is appropriately imposed. In such a case, the copyright owner's monopoly would not be extended beyond its proper bounds; the manufacturer of such a product contributes to the infringing activities of others and profits directly thereby, while providing no benefit to the public sufficient to justify the infringement.

The Court of Appeals concluded that Sony should be held liable for contributory infringement, reasoning that "[videotape] recorders are manufactured, advertised, and sold for the primary purpose of reproducing television programming," and "[virtually] all television programming is copyrighted material." *659 F.2d, at 975*. While I agree with the first of these propositions, [42] the second, for me, is problematic. The key question is not the amount of television programming that is copyrighted, but rather the amount of VTR usage that is infringing. [43] Moreover, the parties and their *amici* have argued vigorously about both the amount of television programming that is covered by copyright and the amount for which permission to copy has been given. The proportion of VTR recording that is infringing is ultimately a question of fact, [44] and the District Court specifically declined to make findings on the "percentage of legal versus illegal home-use recording." *480 F.Supp., at 468*. In light of my view of the law, resolution of this factual question is essential. I therefore would remand the case for further consideration of this by the District Court.

. . .

The Court has adopted an approach very different from the one I have outlined. It is my view that the Court's approach alters dramatically the doctrines of fair use and contributory infringement as they have been developed by Congress and the courts. Should Congress choose to respond to the Court's decision, the old doctrines can be resurrected. As it stands, however, the decision today erodes much of the coherence that these doctrines have struggled to achieve.

Electro Source, LLC v. Brandess-Kalt-Aetna Group, Inc.

458 F.3d 931 (9th Cir. 2006)

McKEOWN, Circuit Judge.

. . . Ronald Mallett owned federal Trademark No. 2,073,287 (the "Pelican Mark"), consisting of the word "pelican" below an outline of a flying pelican in a circle, for a backpack/ luggage line. His business had enjoyed some modest success but later was set back by dwindling prospects. Nonetheless, Mallett kept plugging, selling a few backpacks and promoting them at trade shows for several years until he assigned the Pelican Mark to Electro Source, LLC ("Electro Source"). Because he continued to transport and sell his trademarked goods in commerce, he never ceased using the Pelican Mark. The district court concluded, however, that Mallet's use of the mark while depleting his inventory was neither bona fide nor in the ordinary course of trade, and that he therefore abandoned the mark. . . .

Pelican Products, Inc. and Brandess-Kalt-Aetna Group, Inc. (collectively "PPI") manufacture, market, and distribute a variety of products under the trademarks "Pelican Products," "Pelican," and "Peli Products." PPI also registered the mark "www.pelican.com." Electro Source commenced suit against PPI in 2002, setting forth a variety of claims, including trademark infringement of its Pelican Mark. PPI responded with various counterclaims and defenses alleging, among other things, that Mallett had abandoned the Pelican Mark prior to the assignment to Electro Source. PPI moved for summary judgment. The district court agreed with PPI that the Pelican Mark had been abandoned, thus rendering the subsequent assignment to Electro Source ineffective. The court ordered cancellation of the Pelican Mark but denied PPI's application for attorneys' fees. Electro Source appeals the determination of abandonment and the cancellation order, and PPI cross-appeals the denial of attorneys' fees.

This appeal focuses on a single legal question: does the Lanham Act mandate a finding of trademark abandonment where the record on summary judgment supports an inference that the trademark holder persisted in exhausting excess inventory of trademarked goods at reduced prices through good faith marketing and sales, despite the decline of his business?

The Lanham Act defines abandonment as (1) discontinuance of trademark use *and* (2) intent not to resume such use:

> A mark shall be deemed to be "abandoned" if ... the following occurs:
> (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the *bona fide use* of such mark made in the *ordinary course of trade,* and not made merely to reserve a right in a mark.

15 U.S.C. § 1127 (emphasis added).

Neither "bona fide use" nor "ordinary course of trade" is defined in the statute. Both phrases, however, also appear in the statute's definition of "use in commerce," which provides:

> The term "use in commerce" means *the bona fide use of a mark in the ordinary course of trade,* and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—
> (1) on goods when—
> (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto ... and
> (B) the goods are sold or transported in commerce....

Id. (emphasis added). Because "trademark" is defined under the statute in part by the "bona fide intention to use [it] in commerce," *id.,* and because both "use in commerce" and "use" for the purposes of abandonment mean "bona fide use ... in the course of ordinary trade," the meaning of "use" for the purposes of abandonment necessarily signifies "use in commerce" and thus includes the placement of a mark on goods sold or transported. *See Money Store v. Harriscorp Fin., Inc.,* 689 F.2d 666, 676 (7th Cir.1982).

Section 1127 thus provides that "use" of a trademark defeats an allegation of abandonment when: the use includes placement on goods sold or transported in commerce; is bona fide;[3] is made in the ordinary course of trade; and is not made merely to reserve a right in a mark.

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[3] We note that "bona fide" is not defined in § 1127. *Black's Law Dictionary* provides two similar definitions for "bona fide": "1. Made in good faith; without fraud or deceit. 2. Sincere; genuine." *Id.* at 186 (8th ed.2004). These definitions are unsurprising, as the term "bona fide" in common parlance means " 'made or carried out in good faith; sincere.' " *Nike, Inc. v. McCarthy,* 379 F.3d 576, 582 (9th Cir.2004) (quoting THE AMERICAN HERITAGE COLLEGE DICTIONARY 158 (3d. ed.2000)).

Critically, for present purposes, nothing in the plain meaning of § 1127 excludes from the protections of the statute use of a trademark by a struggling or even a failing business that meets these requirements.

PPI does not challenge the fact that good faith sales of goods bearing the Pelican Mark were made during the critical time period (from 1998, when Mallett's business was clearly suffering, until the Pelican Mark was assigned to Electro Source in 2002). Instead, PPI argues that "those transactions were not made and could not have been 'bona fide' trademark uses because they were not made by or in connection with any business to which goodwill accrued" in light of Mallett's alleged intent to abandon his business after his inventory was depleted.

The district court implicitly adopted PPI's formulation, which is predicated on prospective abandonment. In its summary judgment order, the district court correctly recited the elements of abandonment, but went on to weigh the evidence and "find, as a matter of law, that Mallett abandoned" the Pelican Mark because Mallett's sales, characterized as attempts to merely "rid oneself of inventory," were not bona fide uses in the ordinary course of trade.

This summary judgment conclusion was erroneous for two reasons. Although it acknowledged that abandonment is generally a factual issue in resolving the issue the court weighed evidence and drew inferences against Mallett as to his intent and as to what constituted sales in the ordinary course of trade. This approach contravenes the rule on summary judgment that all reasonable inferences are to be made in favor of the non-moving party. In addition, the district court did not hew to the strict statutory standard for abandonment, which requires complete discontinuance of use, even for a business on its way out. If there is continued use, a prospective intent to abandon the mark or business does not decide the issue of abandonment.

Abandonment under § 1127 requires an intent not to resume trademark use, as opposed to a prospective intent to abandon the mark in the future. This distinction is not merely semantic. An intent not to *resume* use presupposes that the use has already ceased—the first prong of the abandonment statute. In contrast, a prospective intent to abandon says nothing about whether use of the mark has been discontinued.

Of course, we recognize that "[n]othing in the statute entitles a registrant who has formerly used a mark to overcome a presumption of abandonment arising from subsequent non-use by simply averring a subjective affirmative 'intent not to abandon.' " *Imperial Tobacco Ltd. v. Philip Morris, Inc.,* 899 F.2d 1575, 1581 (Fed.Cir.1990). However, a prospective declaration of intent to cease use in the future, made during a period of legitimate trademark use, does not meet the intent not to resume standard. Thus, the district court's collapsing of the standards was at odds with the statute.

Consequently, unless the trademark use is actually terminated, the intent not to resume use prong of abandonment does not come into play. *See Money Store,* 689 F.2d at 675-76. In *Money Store,* a trademark holder decided to stop using its trademark, yet continued to make some good faith use of the mark on billboard displays until it sold and assigned the mark. The court held "[t]he statutory definition makes clear ... that abandonment requires *discontinuance of use* .... Although United's use of the mark may have declined by the date of the assignment, any use ...

of the mark was 'in commerce' " and defeats abandonment. *Id.* at 675-76. The question, then, is whether Mallett ceased use of the mark before assignment, not whether Mallett harbored an intent to cease use in the future. . . .

Our decision in *Carter-Wallace, Inc. v. Procter & Gamble Co.* offers a bright line rule: "Even a single instance of use is sufficient against a claim of abandonment of a mark if such use is made in good faith." 434 F.2d 794, 804 (9th Cir.1970). In *Carter-Wallace,* the trademark holder made nominal sales over a period of four years in order to maintain the mark while the trademark rights were litigated in court:

During the period of the above litigation and thereafter defendant sold deodorant products with the mark SURE, albeit in small quantities. Defendant has not advertised or promoted SURE deodorant other than by listing the product in trade directories. Defendant's sales of SURE deodorant were not made for profit but for the purpose of continuing the business ... so that the SURE mark would be available for use on a major advertised product when the legal problems ... were resolved.

Id. at 798.

We rejected the argument that the trademark had been abandoned because "only nominal" sales were made "with the sole intent of sustaining the mark." *Id.* at 803. Rather, we held that the mark had not been abandoned because the trademark holder "proferred [sic] legitimate business reasons for its action" in waiting for the trademark ownership issues to be fully litigated and resolved.

Good faith nominal or limited commercial sales of trademarked goods are sufficient, we held, to avoid abandonment, where the circumstances legitimately explained the paucity of the sales.

The district court did not follow *Carter-Wallace's* principle that a single legitimate sale satisfies the use criteria of § 1127. Instead the court assumed that declining sales, discounted sales, depletion of inventory, and the decision not to sue potential infringers were factors that, in combination, were tantamount to discontinuance of bona fide use in the ordinary course of trade. The court made that determination as a matter of law in the face of obvious factual disputes. . . .

The same general notion merits consideration in the trademark context. Indeed, it is not unusual for a troubled or failing business to sell and assign its trademark, along with the corresponding goodwill and the remaining business. Some business and financial firms even specialize in rescuing troubled companies, rehabilitating the business, and capitalizing on their goodwill and intellectual property, including trademarks. If trademark protection were stripped the minute a company runs into financial trouble or decides to liquidate, the two cornerstone interests in trademark would be defeated— protection of the public through source identification of goods and protection of the registrant's investment in the trademark.

Looking at the circumstances of this case, we evaluate the legal requirements for abandonment against the record of Mallett's sales and his transport of Pelican Mark goods, making all reasonable inferences in favor of Electro Source as the non-moving party. There are no allegations that Mallett's activities were feigned, non-commercial, insufficiently public, or made merely to reserve the mark. Neither are there allegations that Mallett's efforts were unreasonable in relation to his circumstances—a continuing yet failing business trying to sell excess inventory—or to the relevant market. To the contrary, the record suggests that in the ordinary course of his small, struggling business, Mallett transported and publicly displayed his Pelican Mark goods over a number of years in an earnest effort to sell them, and made actual sales. These are core trademark activities that necessarily contemplate trading upon the goodwill of the mark.

In sum, the record does not support summary judgment in favor of PPI on the claim of abandonment. We therefore reverse the district court's grant of summary judgment as to abandonment and vacate the order canceling the Pelican Mark. . . .

Barcamerica Int'l USA Trust
v.
Tyfield Importers, Inc.
289 F.3d 589 (9th Cir. 2002)

O'SCANNLAIN, Circuit Judge.

We must decide whether a company engaged in "naked licensing" of its trademark, thus resulting in abandonment of the mark and ultimately its cancellation.

This case involves a dispute over who may use the "Leonardo Da Vinci" trademark for wines.

Barcamerica International USA Trust ("Barcamerica") traces its rights in the Leonardo Da Vinci mark to a February 14, 1984 registration granted by the United States Patent and Trademark Office ("PTO"), on an application filed in 1982. [FN1] On August 7, 1989, the PTO acknowledged the mark's "incontestability." *See* 15 U.S.C. § 1115(b). Barcamerica asserts that it has used the mark continuously since the early 1980s. In the district court, it produced invoices evidencing two sales per year for the years 1980 through 1993: one to a former employee and the other to a barter exchange company. Barcamerica further produced invoices evidencing between three and seven sales per year for the years 1994 through 1998. These include sales to the same former employee, two barter exchange companies, and various sales for "cash." The sales volume reflected in the invoices for the years 1980 through 1988 range from 160 to 410 cases of wine per year. Barcamerica also produced sales summaries for the years 1980 through 1996 which reflect significantly higher sales volumes; these summaries do not indicate, however, to whom the wine was sold.

In 1988, Barcamerica entered into a licensing agreement with Renaissance Vineyards ("Renaissance"). Under the agreement, Barcamerica granted Renaissance the nonexclusive right to use the "Da Vinci" mark for five years or 4,000 cases, "whichever comes first," in exchange for $2,500. The agreement contained no quality control provision. In 1989, Barcamerica and Renaissance entered into a second agreement in place of the 1988 agreement.

The 1989 agreement granted Renaissance an exclusive license to use the "Da Vinci" mark in the United States for wine products or alcoholic beverages. The 1989 agreement was drafted by Barcamerica's counsel and, like the 1988 agreement, it did not contain a quality control provision. In fact, the only evidence in the record of any efforts by Barcamerica to exercise "quality control" over Renaissance's wines comprised (1) Barcamerica principal George Gino Barca's testimony that he occasionally, informally tasted of the wine, and (2) Barca's testimony that he relied on the reputation of a "world-famous winemaker" employed by Renaissance at the time the agreements were signed.[3] (That winemaker is now deceased, although the record does not indicate when he died.) Nonetheless, Barcamerica contends that Renaissance's use of the mark inures to Barcamerica's benefit.

Cantine Leonardo Da Vinci Soc. Coop. a.r.l. ("Cantine"), an entity of Italy, is a wine producer located in Vinci, Italy. Cantine has sold wine products bearing the "Leonardo Da Vinci" tradename since 1972; it selected this name and mark based on the name of its home city, Vinci. Cantine began selling its "Leonardo Da Vinci" wine to importers in the United States in 1979. Since 1996, however, Tyfield Importers, Inc. ("Tyfield") has been the exclusive United States importer and distributor of Cantine wine products bearing the "Leonardo Da Vinci" mark. During the first eighteen months after Tyfield became Cantine's exclusive importer, Cantine sold approximately 55,000 cases of wine products bearing the "Leonardo Da Vinci" mark to Tyfield. During this same period, Tyfield spent between $250,000 and $300,000 advertising and promoting Cantine's products, advertising in *USA Today,* and such specialty magazines as *The Wine Spectator, Wine and Spirits,* and *Southern Beverage Journal.*

Cantine learned of Barcamerica's registration of the "Leonardo Da Vinci" mark in or about 1996, in the course of prosecuting its first trademark application in the United States. Cantine investigated Barcamerica's use of the mark and concluded that Barcamerica was no longer selling any wine products bearing the "Leonardo Da Vinci" mark and had long since abandoned the mark. As a result, in May 1997, Cantine commenced a proceeding in the PTO seeking cancellation of Barcamerica's registration for the mark based on abandonment. Barcamerica responded by filing the instant action on January 30, 1998, and thereafter moved to suspend the proceeding in the PTO. The PTO granted Barcamerica's motion and suspended the cancellation proceeding.

Although Barca has been aware of Cantine's use of the "Leonardo Da Vinci" mark since approximately 1993, Barcamerica initiated the instant action only after Tyfield and Cantine commenced the proceeding in the PTO. A month after Barcamerica filed the instant action, it

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[3] After the commencement of this litigation, Barcamerica proposed a new agreement to Renaissance. The proposed agreement included a quality control provision, and the letter from Barcamerica's attorney proposing this new agreement acknowledged that the agreement "addresses requirements of trademark law that the licensor maintain some control over the licensed product." Renaissance never accepted Barcamerica's invitation to enter into this new agreement. In 1999, Barcamerica again acknowledged it had an obligation to perform quality control for the licensed product and requested that Renaissance execute a declaration stating, *inter alia,* that Barcamerica had been involved in the quality control of the licensed product. Renaissance refused to execute this declaration, because it was "neither truthful nor accurate." . . .

moved for a preliminary injunction enjoining Tyfield and Cantine from any further use of the mark. The district court denied the motion, finding, among other things, that "there is a serious question as to whether [Barcamerica] will be able to demonstrate a bona fide use of the Leonardo Da Vinci mark in the ordinary course of trade and overcome [the] claim of abandonment." *Barcamerica Int'l U.S.A. Trust v. Tyfield Importers, Inc.,* No. CV-98-00206-FCD, at 4-5 (E.D. Cal. filed Apr. 13, 2000) (Damrell, J.).

Thereafter, Tyfield and Cantine moved for summary judgment on various grounds. The district court granted the motion, concluding that Barcamerica abandoned the mark through naked licensing. . . . This timely appeal followed. . . .

Barcamerica first challenges the district court's conclusion that Barcamerica abandoned its trademark by engaging in naked licensing. It is well-established that "[a] trademark owner may grant a license and remain protected provided quality control of the goods and services sold under the trademark by the licensee is maintained." *Moore Bus. Forms, Inc. v. Ryu,* 960 F.2d 486, 489 (5th Cir.1992). But "[u]ncontrolled or 'naked' licensing may result in the trademark ceasing to function as a symbol of quality and controlled source." *McCarthy on Trademarks and Unfair Competition* § 18:48, at 18-79 (4th ed.2001). Consequently, where the licensor fails to exercise adequate quality control over the licensee, "a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark." *Moore,* 960 F.2d at 489. Such abandonment "is purely an 'involuntary' forfeiture of trademark rights," for it need not be shown that the trademark owner had any subjective intent to abandon the mark. *McCarthy* § 18:48, at 18-79. Accordingly, the proponent of a naked license theory "faces a stringent standard" of proof. *Moore,* 960 F.2d at 489.

Judge Damrell's analysis of this issue in his memorandum opinion and order is correct and well-stated, and we adopt it as our own. As that court explained,

> . . . The lack of an express contract right to inspect and supervise a licensee's operations is not conclusive evidence of lack of control. "[T]here need not be formal quality control where 'the particular circumstances of the licensing arrangement [indicate] that the public will not be deceived.' " *Moore Bus. Forms, Inc.,* 960 F.2d at 489 (quoting *Taco Cabana Int'l, Inc.* [*v. Two Pesos, Inc.,* 932 F.2d 1113, 1121 (5th Cir.1991)]). Indeed, "[c]ourts have upheld licensing agreements where the licensor is familiar with and relies upon the licensee's own efforts to control quality." *Morgan Creek Prods., Inc. v. Capital Cities/ABC, Inc.,* 22 U.S.P.Q.2d 1881, 1884 (C.D.Cal.1991).
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> Here, there is no evidence that [Barcamerica] is familiar with or relied upon Renaissance's efforts to control quality. Mr. Barca represents that Renaissance's use of the mark is "controlled by" plaintiff "with respect to the nature and quality of the wine sold under the license," and that "[t]he nature and quality of Renaissance wine sold under the trademark is good." [Barcamerica]'s sole evidence of any such control is Mr. Barca's own apparently random tastings and his reliance on Renaissance's reputation. According to Mr. Barca, the quality of Renaissance's wine is "good" and at the time plaintiff began licensing the mark to Renaissance, Renaissance's winemaker was Karl Werner, a "world famous" winemaker.

> Mr. Barca's conclusory statements as to the existence of quality controls is insufficient to create a triable issue of fact on the issue of naked licensing. While Mr. Barca's tastings perhaps demonstrate a minimal effort to monitor quality, Mr. Barca fails to state when, how often, and under what circumstances he tastes the wine. Mr. Barca's reliance on the reputation of the winemaker is no longer justified as he is deceased. Mr. Barca has not provided any information concerning the successor winemaker(s). While Renaissance's attorney, Mr. Goldman, testified that Renaissance "strive[s] extremely hard to have the highest possible standards," he has no knowledge of the quality control procedures utilized by Renaissance with regard to testing wine. Moreover, according to Renaissance, Mr. Barca never "had any involvement whatsoever regarding the quality of the wine and maintaining it at any level." [Barcamerica] has failed to demonstrate any knowledge of or reliance on the actual quality controls used by Renaissance, nor has it demonstrated any ongoing effort to monitor quality.
>
> [Barcamerica] and Renaissance did not and do not have the type of close working relationship required to establish adequate quality control in the absence of a formal agreement. No such familiarity or close working relationship ever existed between [Barcamerica] and Renaissance. Both the terms of the licensing agreements and the manner in which they were carried out show that [Barcamerica] engaged in naked licensing of the "Leonardo Da Vinci" mark. Accordingly, [Barcamerica] is estopped from asserting any rights in the mark.

On appeal, Barcamerica does not seriously contest any of the foregoing. Instead, it argues essentially that because Renaissance makes good wine, the public is not deceived by Renaissance's use of the "Da Vinci" mark, and thus, that the license was legally acceptable. This novel rationale, however, is faulty. Whether Renaissance's wine was objectively "good" or "bad" is simply irrelevant. What matters is that Barcamerica played no meaningful role in holding the wine to a standard of quality—good, bad, or otherwise. As McCarthy explains,

It is important to keep in mind that "quality control" does not necessarily mean that the licensed goods or services must be of "high" quality, but merely of equal quality, whether that quality is high, low or middle. *The point is that customers are entitled to assume that the nature and quality of goods and services sold under the mark at all licensed outlets will be consistent and predictable.*

McCarthy § 18:55, at 18-94 (emphasis added) (footnotes omitted). And "it is well established that where a trademark owner engages in naked licensing, without any control over the quality of goods produced by the licensee, such a practice is *inherently deceptive* and constitutes abandonment of any rights to the trademark by the licensor." *First Interstate Bancorp v. Stenquist,* 16 U.S.P.Q.2d 1704, 1706 (N.D.Cal.1990).

Certainly, "[i]t is difficult, if not impossible to define in the abstract exactly how much control and inspection is needed to satisfy the requirement of quality control over trademark licensees." *McCarthy,* § 18:55, at 18-94. And we recognize that "[t]he standard of quality control and the degree of necessary inspection and policing by the licensor will vary with the wide range of licensing situations in use in the modern marketplace." *Id.,* at 18-95. But in this case we deal with a relatively simple product: wine. Wine, of course, is bottled by season. Thus, at the very least, one might have expected Barca to sample (or to have some designated wine connoisseur sample) on an annual basis, in some organized way, some adequate number of bottles of the Renaissance wines which were to bear Barcamerica's mark to ensure that they were of sufficient quality to be called "Da Vinci." But Barca did not make even this minimal effort.

We therefore agree with Judge Damrell, and hold that Barcamerica engaged in naked licensing of its "Leonardo Da Vinci" mark—and that by so doing, Barcamerica forfeited its rights in the mark. We also agree that cancellation of Barcamerica's registration of the mark was appropriate.

For the foregoing reasons, the decision of the district court is affirmed.

COMMENTS

1. *Policy underlying the Abandonment Defense.* Whether abandonment occurs because of non-use, as alleged in *Electro Source*, or because of naked licensing, as established in *Barcamerica*, the loss of rights reflects two underlying purposes of trademark law, protecting consumers from confusion and protecting the trademark owner's investment in goodwill. In *Electro Source*, the district court reasoned that Mallet had no further interest in investing in its goodwill because Mallet was going out of business. The appellate court replied that allowing a company that was going out of business to retain its trademark protected prior investments in goodwill and protected consumers who relied on that investment. As the court points out, goodwill in a trademark may be a valuable asset, indeed the most valuable asset of a failing company. A company that has stopped using its trademark, however, is no longer exploiting its goodwill and consumers are no longer relying on it. The court in *Barcamerica* was dealing with a situation in which there was no signal to consumers on which consumers could rely. Trademarks indicate both that goods so marked come from a particular source and that they have particular characteristics. A licensed mark that is subject to no quality controls does not indicate that the goods come from the owner of the mark (they come from the licensee) nor does it guarantee that the goods have any particular characteristics. As the court observed, "the trademark ceas[es] to function as a symbol of quality and controlled source." Naked licensing, it said, "is *inherently deceptive*."

2. *Quantity of Use Necessary to Avoid Abandonment.* Lanham Act § 45 creates a presumption of abandonment with no intent to resume use when there is non-use for three years, but that presumption may be rebutted by showing legitimate business reasons for the trademark owner's conduct that would show an intent to resume. The "good faith" requirement for "use in commerce" and the "intent to resume" language make it necessary to consider why the trademark owner only used the mark occasionally or neglected it for several years. Inferences about intent and good faith are drawn from the surrounding circumstances. In *Carter-Wallace*, discussed in *Electro Source*, the nominal sales using the SURE mark in connection with deodorant over a period of four years were made to reserve rights to a make during the course of litigation, not for profit but for the legitimate "purpose of continuing the business." While a few casual sales may not suffice to establish rights initially, as the discussion of Zazú Hair Designs in Chapter 2 demonstrated, a few casual sales may be enough to retain rights if the trademark owner is going out of business.

Desire to maintain trademark rights is not enough to prevent abandonment. For instance, a "trademark maintenance program" designed to retain rights in order to keep an attractive mark out of the hands of competitors will not suffice, even if it includes some minimal commercial use of the mark, because it is not a "good faith" use. See La Societe Anonyme des Parfum le Falion v. Jean Patou, Inc., 495 F.2d 12 65 (2d Cir. 1974). Similarly, "a mere trickle of business," 89 sales in 20 years designed solely to establish and maintain the trademark right was held to be inconsistent with commercial exploitation in Uncas Mfg. Co. v. Clark & Coombs Co., 309 F.2d 818 (1st Cir. 1962). And in Anvil Brand Inc. v. Consol. Foods Corp., 464 F.Supp. 474 (S.D.N.Y. 1978), the use of leftover trademark labels were affixed to random promotional shirts in an attempt to maintain trademark rights was held not to be a good faith commercial use.

3. *Quantity of Control Necessary to Avoid Abandonment.* Courts look at the facts to determine the nature of the relationship between the trademark owner and licensee. The trademark owner in *Barcamerica* exercised no control and only engaged in occasional and casual tasting of the licensee's wine. By contrast, in Arner v. Sharper Image Corp., 39 U.S.P.Q.2d 1282 (C.D.Cal. 1995), the court found that the relationship between the inventor of a mechanized tie rack and manufacturers of that invention demonstrated sufficient control. The analysis started, as it did in *Barcamerica*, with consideration of the contractual relationship between the parties. In the license, the trademark owner retained some rights (such as the right to terminate the relationship in the event a key employee left the employ of the licensee) that might have formed the basis for the right to control quality. A provision requiring regular inspections or supervision might be optimal but is not required if there is other evidence of actual control and may not be sufficient if there is no actual control. In *Arner*, the trademark owner had a close personal relationship with several key employees and relied on them for quality control and had regular discussions with the licensee regarding design and manufacturing of the tie racks. This evidence was sufficient to defeat the abandonment claim.

4. *Improper Tacking as Abandonment.* Occasionally a trademark owner will begin to use a modified version of a mark to which it has a legal right. "Tacking" (or "tacking on") is the term used to describe the carryover of trademark rights from an earlier to a later version of the mark. A restaurant owner might begin his operation of a restaurant using the service mark LONE STAR STEAKHOUSE and later change the name of the restaurant and started using the mark LONE STAR CAFÉ. The date of first use of the LONE STAR STEAKHOUSE mark would carry over to the LONE STAR CAFÉ mark for the purpose of establishing priority only if the marks create the same, continuing commercial impression. Consumers should consider both as the same mark. If the marks do not create the same commercial impression, the former mark might be considered abandoned if the other requirements are met. If they do create the same commercial impression, the rights continue despite continued use of only the modified version. An example of commercial impressions that are not the same occurred in Data Concepts, Inc, v. Digital Consulting, Inc., 150 F.3d 620 (6th Cir. 1998), in which the holder of a trademark on the stylized initials "dci" shown in the logo in the margin was not permitted to tack-on later use of the initials DCI.

The implication of tacking-on is that priority, the question of who used a mark first, depends on whether the rights from the first version of the mark carry over to the second version. Imagine that a restauranteur first used the LONE STAR STEAKHOUSE mark but later changed to the LONE STAR CAFÉ mark. After the change, a second restaurant owner opened a restaurant using the service mark LONE STAR STEAKS. If the first sued the second for trademark infringement, the argument between the parties might have three logical steps:

1. The defendant, second restauranteur, could argue that her mark, LONE STAR STEAKS was not confusingly similar to LONE STAR CAFÉ.

2. The plaintiff might respond that LONE STAR STEAKS is confusingly similar to LONE STAR STEAKHOUSE and the rights from that earlier mark are tacked onto the newer mark. Because LONE STAR STEAKS is more likely to be confused with LONE STAR STEAKHOUSE, the infringement claim is more likely to be successful.

3. The defendant would then argue that the LONE STAR STEAKHOUSE mark had been abandoned, so the only relevant comparison was with the new mark LONE STAR CAFÉ. This argument is characterized as a claim that the newer version was improperly tacked onto the original mark.

Whether the old mark had been abandoned depends on whether it is permissible to tack the rights associated with the old version onto the new version onto the old version. At this point, the court would decide whether the newer and old versions conveyed the same commercial impression.

A related form of tacking-on applies to use of a mark on goods similar enough to the goods on which the mark was originally used so that consumers have the commercial impression that the goods come from the same source. The goods must be "substantially identical." Cessation of use of the TUFFHIDE mark on leather wallets might not constitute abandonment if the mark continues to be used on leather purses, but might if the mark is only used on leather upholstery. Attempted reliance on the date of first use of the TUFFHIDE mark to establish priority for the use of TUFFHIDE on upholstery might constitute impermissible tacking-on.

AMF Incorporated
v.
Sleekcraft Boats
599 F.2d 341 (9th Cir. 1979)

In this trademark infringement action, [1] the district court, after a brief non-jury trial, found appellant AMF's trademark was valid, but not infringed, and denied AMF's request for injunctive relief. [2]

1 The complaint alleged two other theories of recovery, unfair competition and dilution. Under these facts, the unfair competition count adds nothing. Appellant's dilution theory was not proved at trial: the Slickcraft mark was not shown to be strong enough to be diluted, nor did the evidence show that use of appellee's mark on his boats would tarnish the Slickcraft image. Thus, we need not decide whether California recognizes a cause of action for dilution. See generally *HMH Publishing Co. v. Lambert, 482 F.2d 595, 599 (CA 9 1973).*

2 AMF also sought an accounting. On appeal AMF has effectively abandoned its request for an accounting.

AMF and appellee Nescher [3] both manufacture recreational boats. AMF uses the mark Slickcraft, and Nescher uses Sleekcraft. The crux of this appeal is whether concurrent use of the two marks is likely to confuse the public. The district judge held that confusion was unlikely. We disagree and remand for entry of a limited injunction.

3 Sleekcraft Boats, wholly owned by Nescher, is also a party-appellee. We refer to both as Nescher.

I. FACTS

AMF's predecessor used the name Slickcraft Boat Company from 1954 to 1969 when it became a division of AMF. The mark Slickcraft was federally registered on April 1, 1969, and has been continuously used since then as a trademark for this line of recreational boats.

Slickcraft boats are distributed and advertised nationally. AMF has authorized over one hundred retail outlets to sell the Slickcraft line. For the years 1966-1974, promotional expenditures for the Slickcraft line averaged approximately $ 200,000 annually. Gross sales for the same period approached $ 50,000,000.

After several years in the boat-building business, appellee Nescher organized a sole proprietorship, Nescher Boats, in 1962. This venture failed in 1967. In late 1968 Nescher began anew and adopted the name Sleekcraft. Since then Sleekcraft has been the Nescher trademark. The name Sleekcraft was selected without knowledge of appellant's use. After AMF notified him of the alleged trademark infringement, Nescher adopted a distinctive logo and added the identifying phrase "Boats by Nescher" on plaques affixed to the boat and in much of its advertising. (See Appendix A). The Sleekcraft mark still appears alone on some of appellee's stationery, signs, trucks, and advertisements.

The Sleekcraft venture succeeded. Expenditures for promotion increased from $ 6,800 in 1970 to $ 126,000 in 1974. Gross sales rose from $ 331,000 in 1970 to over $ 6,000,000 in 1975. Like AMF, Nescher sells his boats through authorized local dealers.

Slickcraft boats are advertised primarily in magazines of general circulation. Nescher advertises primarily in publications for boat racing enthusiasts. Both parties exhibit their product line at boat shows, sometimes the same show. . . .

V. FACTORS RELEVANT TO LIKELIHOOD OF CONFUSION

In determining whether confusion between related goods is likely, the following factors are relevant:

1. strength of the mark;
2. proximity of the goods;
3. similarity of the marks;
4. evidence of actual confusion;
5. marketing channels used;

6. type of goods and the degree of care likely to be exercised by the purchaser;

7. defendant's intent in selecting the mark; and

8. likelihood of expansion of the product lines.

We discuss each serially.

1. Strength of the mark

A strong mark is inherently distinctive, for example, an arbitrary or fanciful mark; it will be afforded the widest ambit of protection from infringing uses. See, e. g., *National Lead Co. v. Wolfe, 223 F.2d 195, 199* (CA 9), Cert. denied, *350 U.S. 883, 76 S. Ct. 135, 100 L. Ed. 778 (1955)* (Dutch Boy not used geographically or descriptively, but in a "fictitious, arbitrary and fanciful manner"). A descriptive mark tells something about the product; it will be protected only when secondary meaning is shown. See *Miss Universe, Inc. v. Patricelli, 408 F.2d 506 (CA 2 1969)*; Cf. *Hesmer Foods, Inc. v. Campbell Soup Co., 346 F.2d 356* (CA 7), Cert. denied, *382 U.S. 839, 86 S. Ct. 89, 15 L. Ed. 2d 81 (1965)* (barbecue beans used as a description, not a trademark). In between lie suggestive marks which subtly connote something about the products. Although less distinctive than an arbitrary or fanciful mark and therefore a comparatively weak mark, a suggestive mark will be protected without proof of secondary meaning. *Watkins Products, Inc. v. Sunway Fruit Products, Inc., 311 F.2d 496 (CA 7 1962)*.

Slickcraft is, AMF asserts, a fanciful mark and therefore entitled to wide protection. This assertion is incorrect. The issue, as we view it, is whether Slickcraft is descriptive or suggestive of appellant's boats.

The district court did not make any explicit finding regarding the strength of appellant's mark. Implicitly, however, the findings indicate the mark was viewed as suggestive: proof of secondary meaning was not offered or discussed, and yet the district court concluded that the mark Slickcraft was valid and deserved some protection from potential infringement.

Whether Slickcraft is suggestive or descriptive is a close question. The line separating the two is uncertain; extrapolating the line from precedent would be impossible. Compare *Van Camp Sea Food Co. v. Alexander B. Stewart Organizations, 18 C.C.P.A. 1415, 50 F.2d 976, 979* (Cust. & Pat.App. 1931) With *Van Camp Sea Food Co. v. Packman Bros., 4 F. Supp. 522 (D.N.J.1933)*, *Aff'd 79 F.2d 511* (3 Cir. 1935).

Although the distinction between descriptive and suggestive marks may be inarticulable, several criteria offer guidance. See generally McCarthy, Supra, at §§ 11:21-11:22. The primary criterion is "the imaginativeness involved in the suggestion," Restatement of Torts § 721, Comment a (1938): that is, how immediate and direct is the thought process from the mark to the particular product. From the word Slickcraft one might readily conjure up the image of appellant's boats, yet a number of other images might also follow. A secondary criterion is whether granting the trademark owner a limited monopoly will in fact inhibit legitimate use of the mark by other sellers. There is no evidence here that others have used or desire to use Slickcraft in describing their goods. Another criterion is whether the mark is actually viewed by the public as an indication of the product's origin or as a self-serving description of it. See *Carter-Wallace, Inc. v. Procter & Gamble Co., 434 F.2d 794 (CA 9 1970)*. We think buyers probably will understand that Slickcraft is a trademark, particularly since it is generally used in conjunction with the mark AMF. (See Appendix A). Based on the above criteria and our reading of the district court's findings, we hold that Slickcraft is a suggestive mark when applied to boats.

Although appellant's mark is protectible and may have been strengthened by advertising, it is a weak mark entitled to a restricted range of protection. Thus, only if the marks are quite similar, and the goods closely related, will infringement be found.

2. Proximity of the goods

For related goods, the danger presented is that the public will mistakenly assume there is an association between the producers of the related goods, though no such association exists. Cf. *Stork Restaurant, Inc. v. Sahati, 166 F.2d at 356* (restaurants with same name in different geographical and price markets). The more likely the public is to make such an association, the less similarity in the marks is requisite to a finding of likelihood of confusion. Thus, less similarity between the marks will suffice when the goods are complementary,

Although these product lines are non-competing, they are extremely close in use and function. In fact, their uses overlap. Both are for recreational boating on bays and lakes. Both are designed for water skiing and speedy cruises. Their functional features, for the most part, are also similar: fiberglass bodies, outboard motors, and open seating for a handful of people. Although the Sleekcraft boat is for higher speed recreation and its refinements support the market distinction the district court made, they are so closely related that a diminished standard of similarity must be applied when comparing the two marks.

3. Similarity of the marks

The district court found that "the two marks are easily distinguishable in use either when written or spoken." Again, there is confusion among the cases as to whether review of this finding is subject to the clearly erroneous standard.

In resolving this dispute, we must be mindful of exactly what the district court determined. Although in some cases similarity of the marks has been equated with likelihood of confusion, the two inquiries are separate:

> "Viewing the foundational question as one of "confusing similarity' is improper because it merges analysis of one of the preliminary inquiries with the conceptually distinct step of applying the statutory standard. [7] The marks may be similar in appearance (foundational fact) yet not likely to cause confusion as to their source, particularly when all the factors are considered. Using this approach, similarity of appearance and the remaining factors provide foundational facts and should be assessed on review under the clearly erroneous rule.
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> [7] " 'Confusing similarity' is another way of stating the "likelihood of confusion'."

J. B. Williams Co., Inc. v. LeConte Cosmetics, Inc., 523 F.2d at 192. Thus, as in J. B. Williams Co., even when the evidence is not in conflict, the district court's findings on similarity of the marks must be upheld unless clearly erroneous.

Similarity of the marks is tested on three levels: sight, sound, and meaning. See *Plough, Inc. v. Kreis Laboratories, 314 F.2d 635, 638 (CA 9 1963).* Each must be considered as they are encountered in the marketplace. Although similarity is measured by the marks as entities, similarities weigh more heavily than differences.

Standing alone the words Sleekcraft and Slickcraft are the same except for two inconspicuous letters in the middle of the first syllable. See *Communications Satellite Corp. v. Comcet, Inc., 429 F.2d at 1249* (only slight visual difference between Comsat and Comcet); *Polaroid Corp. v. Polaraid, Inc., 319 F.2d 830 (CA 7 1963)* (Polaroid cameras and lenses and Polaraid heating and refrigeration systems); Cf. *Drexel Enterprises, Inc. v. Hermitage Cabinet Shop, Inc., 266 F. Supp. 532, 538 (N.D.Ga. 1967)* (addition of single letter on name of furniture line does not change appearance). To the eye, the words are similar.

In support of the district court's finding, Nescher points out that the distinctive logo on his boats and brochures negates the similarity of the words. We agree: the names appear dissimilar when viewed in conjunction with the logo, but the logo is often absent. The exhibits show that the word Sleekcraft is frequently found alone in trade journals, company stationery, and various advertisements.

Nescher also points out that the Slickcraft name is usually accompanied by the additional trademark AMF. As a result of this consistent use, Nescher argues, AMF has become the salient part of the mark indicative of the product's origin. See *Rockwood Chocolate Co. v. Hoffman Candy Co., 372 F.2d 552, 555, 54 C.C.P.A. 1061 (1967)* (likelihood of confusion found for Cup-o-Gold and Bag-o-Gold, but not for Rockwood Bag-o-Gold); Cf. *John Morrell & Co. v. Reliable Packing Co., 295 F.2d 314 (CA 7 1961)* (both parties used house name to identify origin of prepared hams).

Although Nescher is correct in asserting that use of a housemark can reduce the likelihood of confusion, *Ye Olde Tavern Cheese Products, Inc. v. Planters Peanuts Division, Standard Brands, Inc., 261 F. Supp. 200, 205-06 (N.D.Ill.1966)*, Aff'd per curiam, *394 F.2d 833* (7 Cir. 1967), the effect is negligible here even though AMF is a well-known house name for recreational equipment. The exhibits show that the AMF mark is down-played in the brochures and advertisements; the letters AMF are smaller and skewed to one side. Throughout the promotional materials, the emphasis is on the Slickcraft name. Accordingly, we find that Slickcraft is the more conspicuous mark and serves to indicate the source of origin to the public. See *Celanese Corp. v. DuPont De Nemours & Co., 154 F.2d 143, 33 C.C.P.A. 857 (1946)* (DuPont the more conspicuous part of mark, but consumers more likely to remember Clar-apel as the indicator of origin; thus, Clar-apel is dominant part of DuPont Clar-apel mark).

Another argument pressed by Nescher is that we should disregard the common suffix "craft" and compare Slick and Sleek alone. Although these are the salient parts of the two marks, we must consider the entire mark. Craft, a generic frequently used in trademarks on boats, is not itself protectible, yet the common endings do add to the marks' similarity. See *Brown-Forman Distillery Co. v. Arthur M. Bloch Liquor Importers, Inc., 99 F.2d 708, 710 (CA 7 1938)* ("Old" itself cannot be infringed, but can be considered in assessing similarity of Old Forester and Old Foster). The difference between Slick and Sleek is insufficient to overcome the overall visual similarity.

Sound is also important because reputation is often conveyed word-of-mouth. We recognize that the two sounds can be distinguished, but the difference is only in a small part of one syllable. In *G. D. Searle & Co. v. Chas. Pfizer & Co., 265 F.2d 385 (CA 7 1959)*, Cert. denied, *361 U.S. 819, 80 S. Ct. 64, 4 L. Ed. 2d 65 (1959)*, the court reversed the trial court's finding that Bonamine sounded "unlike" Dramamine, stating that: "Slight differences in the sound of trademarks will not protect the infringer." *Id. at 387*. The difference here is even slighter. In a case in which the difference in sound corresponds closely with the instant appeal, the Court of Customs and Patent Appeals held that the sounds Pediglo and Pechglo were similar. *Vanity Fair*

Mills, Inc. v. Pedigree Fabrics, Inc., 161 F.2d 226, 228, 34 C.C.P.A. 1043 (1947). In reversing the patent commissioner's decision allowing the Pediglo mark to be registered, the court said that the question was not a "close one." Id. See also *Celanese Corp. v. DuPont De Nemours & Co., 154 F.2d at 145, 33 C.C.P.A. 857* (Clar-apel and Clarifoil "sound very nearly alike"); *David Sherman Corp. v. Heublein, Inc., 340 F.2d 377, 381 (CA 8 1965)* (Smirnoff and Sarnoff "strikingly alike when spoken").

Neither expert testimony nor survey evidence was introduced below to support the trial court's finding that the marks were easily distinguishable to the eye and the ear. Compare *G. D. Searle & Co., supra* (expert testimony offered on phonetic similarity). The district judge based his conclusion on a comparison of the marks. After making the same comparison, we are left with a definite and firm conviction that his conclusion is incorrect. See, e. g., *Syntex Laboratories, Inc. v. Norwich Pharmacal Co., 437 F.2d 566, 569 (CA 2 1971)* (Vagitrol and Vagestrol).

The final criterion reinforces our conclusion. Closeness in meaning can itself substantiate a claim of similarity of trademarks. See, e. g., *S. C. Johnson & Son, Inc. v. Drop Dead Co., 210 F. Supp. 816 (S.D.Cal.1962)*, *Aff'd, 326 F.2d 87* (9 Cir. 1963) (Pledge and Promise). Nescher contends the words are sharply different in meaning. This contention is not convincing; the words are virtual synonyms. Webster's New World Dictionary of the American Language 1371 (1966).

Despite the trial court's findings, we hold that the marks are quite similar on all three levels. See *National Lead Co. v. Wolfe, 223 F.2d at 201.*

4. Evidence of actual confusion

Evidence that use of the two marks has already led to confusion is persuasive proof that future confusion is likely. *Plough, Inc. v. Kreis Laboratories, 314 F.2d at 639.* Proving actual confusion is difficult, however, *G. D. Searle & Co. v. Chas. Pfizer & Co., 265 F.2d at 389*, and the courts have often discounted such evidence because it was unclear or insubstantial. E. g., *Carter-Wallace, Inc. v. Procter & Gamble Co., 434 F.2d at 800* (letters did not show actual confusion); Cf. *Norm Thompson Outfitters, Inc. v. General Motors Corp., 448 F.2d at 1295* (showing insufficient to establish secondary meaning).

AMF introduced evidence that confusion had occurred both in the trade and in the mind of the buying public. A substantial showing of confusion among either group might have convinced the trial court that continued use would lead to further confusion. See *Continente v. Continente, 378 F.2d 279, 281-82 (CA 9 1967).*

The district judge found that in light of the number of sales and the extent of the parties' advertising, the amount of past confusion was negligible. We cannot say this finding is clearly erroneous though we might have viewed the evidence more generously.

Because of the difficulty in garnering such evidence, the failure to prove instances of actual confusion is not dispositive. *Drexel Enterprises, Inc. v. Hermitage Cabinet Shop, Inc., 266 F. Supp. at 537.* Consequently, this factor is weighed heavily only when there is evidence of past confusion or, perhaps, when the particular circumstances indicate such evidence should have been available.

5. Marketing channels

Convergent marketing channels increase the likelihood of confusion. McCarthy, Supra, at § 24.6. There is no evidence in the record that both lines were sold under the same roof except at boat shows; the normal marketing channels used by both AMF and Nescher are, however, parallel. Each sells through authorized retail dealers in diverse localities. The same sales methods are employed. The price ranges are almost identical. Each line is advertised extensively though different national magazines are used; the retail dealers also promote the lines, by participating in smaller boat shows and by advertising in local newspapers and classified telephone directories. Although different submarkets are involved, the general class of boat purchasers exposed to the products overlap.

6. Type of goods and purchaser care

Both parties produce high quality, expensive goods. According to the findings of fact, the boats "are purchased only after thoughtful, careful evaluation of the product and the performance the purchaser expects."

In assessing the likelihood of confusion to the public, the standard used by the courts is the typical buyer exercising ordinary caution. See *HMH Publishing Co. v. Lambert, 482 F.2d 595, 599 n. 6 (CA 9 1973)*. Although the wholly indifferent may be excluded, McCarthy, Supra, at § 23:27, the standard includes the ignorant and the credulous. *Stork Restaurant, Inc. v. Sahati, 166 F.2d at 358*; See *Drexel Enterprises, Inc. v. Hermitage House Furniture, Inc., 309 F. Supp. 1389, 1390 (D.S.C. 1970)*. When the buyer has expertise in the field, a higher standard is proper though it will not preclude a finding that confusion is likely. *American Drill Bushing Co. v. Rockwell Manufacturing Co., 342 F.2d at 1019, 52 C.C.P.A. 1173* (expertise in field differentiated from expertise as to trademarks). Similarly, when the goods are expensive, the buyer can be expected to exercise greater care in his purchases; again, though, confusion may still be likely. See *Omega Importing Corp. v. Petri-Kine Camera Co., 451 F.2d 1190, 1195 (CA 2 1971)* (warns against undue reliance on the "supposed sophistication" and care of consumers when expensive goods are involved).

The parties vigorously dispute the validity of the trial court's finding on how discriminating the average buyer actually is. Although AMF presented expert testimony to the contrary, the court's finding is amply supported by the record. The care exercised by the typical purchaser, though it might virtually eliminate mistaken purchases, does not guarantee that confusion as to association or sponsorship is unlikely.

The district court also found that trademarks are unimportant to the average boat buyer. Common sense and the evidence indicate this is not the type of purchase made only on "general impressions." See *Fleischmann Distilling Corp. v. Maier Brewing Co., 314 F.2d at 161*. This inattention to trade symbols does reduce the possibilities for confusion. Restatement of Torts § 731(g).

The high quality of defendant's boats is also relevant in another way. The hallmark of a trademark owner's interest in preventing use of his mark on related goods is the threat such use poses to the reputation of his own goods. See *Triumph Hosiery Mills, Inc. v. Triumph International Corp., 308 F.2d at 197*. When the alleged infringer's goods are of equal quality, there is little harm to the reputation earned by the trademarked goods. Yet this is no defense, for present quality is no assurance of continued quality. See *Aunt Jemima Mills Co. v. Rigney & Co., 2 Cir., 247 F. 407 at 410*. The wrong inheres in involuntarily entrusting one's business reputation to another business; See *Ross-Whitney Corp. v. Smith, Kline & French Laboratories, 207 F.2d 190, 197 (CA 9 1953)*; AMF, of course, cannot control the quality of Sleekcraft boats. In addition, what may be deemed a beneficial feature in a racing boat may be seen as a deficiency to a person seeking a craft for general-purpose recreation; the confused consumer may then decide, without even perusing one, that a Slickcraft boat will not suit his needs. Finally, equivalence in quality may actually contribute to the assumption of a common connection.

7. Intent

The district judge found that Nescher was unaware of appellant's use of the Slickcraft mark when he adopted the Sleekcraft name. There was no evidence that anyone attempted to palm off the latter boats for the former. And after notification of the purported infringement, Nescher designed a distinctive logo. We agree with the district judge: appellee's good faith cannot be questioned.

When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived. Good faith is less probative of the likelihood of confusion, yet may be given considerable weight in fashioning a remedy.

8. Likelihood of expansion

Inasmuch as a trademark owner is afforded greater protection against competing goods, a "strong possibility" that either party may expand his business to compete with the other will weigh in favor of finding that the present use is infringing. Restatement of Torts § 731(b) & Comment c. When goods are closely related, any expansion is likely to result in direct competition. Compare *Communications Satellite Corp. v. Comcet, Inc., 429 F.2d at 1253*. The evidence shows that both parties are diversifying their model lines. The potential that one or both of the parties will enter the other's submarket with a competing model is strong.

VI. REMEDY

Based on the preceding analysis, we hold that Nescher has infringed the Slickcraft mark.

Boston Professional Hockey Association, Inc.
v.
Dallas Cap & Emblem Mfg., Inc.

510 F.2d 1004 (5th Cir. 1975)

RONEY, Circuit Judge:

Nearly everyone is familiar with the artistic symbols which designate the individual teams in various professional sports. The question in this case of first impression is whether the unauthorized, intentional duplication of a professional hockey team's symbol on an embroidered emblem, to be sold to the public as a patch for attachment to clothing, violates any legal right of the team to the exclusive use of that symbol. Contrary to the decision of the district court, we hold that the team has an interest in its own individualized symbol entitled to legal protection against such unauthorized duplication.

The National Hockey League (NHL) and thirteen of its member hockey teams [1] brought this action to enjoin Dallas Cap & Emblem Manufacturing, Inc., from manufacturing and selling embroidered emblems depicting their trademarks. All plaintiffs assert a cause of action for common law unfair competition. The NHL and twelve of the plaintiff teams have secured federal registration of their team symbols as service marks for ice hockey entertainment services and seek relief . . . .

The Facts

The controlling facts of the case at bar are relatively uncomplicated and uncontested. Plaintiffs play ice hockey professionally. In producing and promoting the sport of ice hockey, plaintiffs have each adopted and widely publicized individual team symbols. During the 1971-72 season, more than eight million fans attended NHL games where they saw the team marks displayed on the jerseyfronts of the players and throughout the game programs. For each game on national television, between ten and twenty million hockey enthusiasts saw plaintiffs' marks. Other fans observed the team marks during more than 300 locally televised games a season and on a weekly television series entitled "National Hockey League Action" which is syndicated in over 100 markets. These figures do not include the millions who were exposed to plaintiffs' marks through sporting news coverage in newspapers, magazinesand on television.

Plaintiffs have authorized National Hockey League Services, Inc. (NHLS) to act as their exclusive licensing agent. NHLS has licensed various manufacturers to use the team symbols on merchandise and has granted to one manufacturer, Lion Brothers Company, Inc., the exclusive license to manufacture embroidered emblems depicting the marks in question. In the spring of 1972, NHLS authorized the sale of NHL team emblems in connection with the sale of Kraft candies. That promotion alone was advertised on more than five million bags of candy.

Defendant Dallas Cap & Emblem Manufacturing, Inc., is in the business of making and selling embroidered cloth emblems. In August of 1968 and June of 1971, defendant sought to obtain from NHLS an exclusive license to make embroidered emblems representing the team motifs. Although these negotiations were unsuccessful, defendant went ahead and manufactured and sold without authorization emblems which were substantial duplications of the marks. During the month of April 1972, defendant sold approximately 24,603 of these emblems to sporting goods stores in various states. Defendant deliberately reproduced plaintiffs' marks on embroidered emblems and intended the consuming public to recognize the emblems as the symbols of the various hockey teams and to purchase them as such. . . .

A cause of action for the infringement of a registered mark in violation of *15 U.S.C.A. § 1114* exists where a person uses (1) any reproduction, counterfeit, copy or colorable imitation of a mark; (2) without the registrant's consent; (3) in commerce; (4) in connection with the sale, offering for sale, distribution or advertising of any goods; (5) where such use is likely to cause confusion, or to cause mistake or to deceive. . . .

The Case

The difficulty with this case stems from the fact that a reproduction of the trademark itself is being sold, unattached to any other goods or services. The statutory and case law of trademarks is oriented toward the use of such marks to sell something other than the mark itself. The district court thought that to give plaintiffs protection in this case would be tantamount to the creation of a copyright monopoly for designs that were not copyrighted. The copyright laws are based on an entirely different concept than the trademark laws, and contemplate that the copyrighted material, like patented ideas, will eventually pass into the public domain. The trademark laws are based on the needed protection of the public and business interests and there is no reason why trademarks should ever pass into the public domain by the mere passage of time.

Although our decision here may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs, we think that the two become so intermeshed when viewed against the backdrop of the common law of unfair competition that both the public and plaintiffs are better served by granting the relief sought by plaintiffs.

Underlying our decision are three persuasive points. *First*, the major commercial value of the emblems is derived from the efforts of plaintiffs. *Second*, defendant sought and ostensibly would have asserted, if obtained, an exclusive right to make and sell the emblems. *Third*, the sale of a reproduction of the trademark itself on an emblem is an accepted use of such team symbols in connection with the type of activity in which the business of professional sports is engaged. We need not deal here with the concept of whether every artistic reproduction of the symbol would infringe upon plaintiffs' rights. We restrict ourselves to the emblems sold principally through sporting goods stores for informal use by the public in connection with sports activities and to show public allegiance to or identification with the teams themselves.

As to 15 U.S.C.A. § 1114.

Plaintiffs indisputably have established the first three elements of a *§ 1114* cause of action. Plaintiffs' marks are validly registered and defendant manufactured and sold emblems which were (1) substantial duplications of the marks, (2) without plaintiffs' consent, and (3) in interstate commerce. The issue is whether plaintiffs have proven elements four and five of an action for mark infringement under the Lanham Act, i.e., whether the symbols are used in connection with the sale of goods and whether such use is likely to cause confusion, mistake or deception.

The fourth requisite of a *§ 1114* cause of action is that the infringing use of the registered mark must be in connection with the sale, offering for sale, distribution or advertising of any goods. Although the district court did not expressly find that plaintiffs had failed to establish element four, such a finding was implicit in the court's statement that "in the instant case, the registered trade mark is, in effect, the product itself."

Defendant is in the business of manufacturing and marketing emblems for wearing apparel. These emblems are the products, or goods, which defendant sells. When defendant causes plaintiffs' marks to be embroidered upon emblems which it later markets, defendant uses those marks in connection with the sale of goods as surely as if defendant had embroidered the marks upon knit caps. *See Boston Professional Hockey Association, Inc. v. Reliable Knitting Works, Inc., 178 U.S.P.Q. (BNA) 274 (E.D.Wis.1973)*. The fact that the symbol covers the entire face of defendant's product does not alter the fact that the trademark symbol is used in connection with the sale of the product. The sports fan in his local sporting goods store purchases defendant's fabric and thread emblems because they are embroidered with the symbols of ice hockey teams. Were defendant to embroider the same fabric with the same thread in other designs, the resulting products would still be emblems for wearing apparel but they would not give trademark identification to the customer. The conclusion is inescapable that, without plaintiffs' marks, defendant would not have a market for his particular product among ice hockey fans desiring to purchase emblems embroidered with the symbols of their favorite teams. It becomes clear that defendant's use of plaintiffs' marks is in connection with the sale, offering for sale, distribution, or advertising of goods and that plaintiffs have established the fourth element of a *§ 1114* cause of action.

The fifth element of a cause of action for mark infringement under *15 U.S.C.A. § 1114* is that the infringing use is likely to cause confusion, or to cause mistake or to deceive. . . . The confusion question here is conceptually difficult. It can be said that the public buyer *knew* that the emblems portrayed the teams' symbols. Thus, it can be argued, the buyer is not confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.

The plaintiffs, with the exception of Toronto, have satisfied all elements of a cause of action for mark infringement in violation of *15 U.S.C.A. § 1114*. Plaintiffs are entitled to an injunction permanently enjoining defendant from the manufacture and sale, in interstate commerce, of emblems embroidered with substantial duplications of plaintiffs' marks without plaintiffs' consent, and such other relief as might flow from the facts. . . .

Mattel, Inc.
v.
MCA Records, Inc.

296 F.3d 894 (9th Cir. 2000)

KOZINSKI, Circuit Judge:

If this were a sci-fi melodrama, it might be called Speech-Zilla meets Trademark Kong.

I

Barbie was born in Germany in the 1950s as an adult collector's item. Over the years, Mattel transformed her from a doll that resembled a "German street walker," as she originally appeared, into a glamorous, long-legged blonde. Barbie has been labeled both the ideal American woman and a bimbo. She has survived attacks both psychic (from feminists critical of her fictitious figure) and physical (more than 500 professional makeovers). She remains a symbol of American girlhood, a public figure who graces the aisles of toy stores throughout the country and beyond. With Barbie, Mattel created not just a toy but a cultural icon.

With fame often comes unwanted attention. Aqua is a Danish band that has, as yet, only dreamed of attaining Barbie-like status. In 1997, Aqua produced the song Barbie Girl on the album *Aquarium*. In the song, one bandmember impersonates Barbie, singing in a high-pitched, doll-like voice; another bandmember, calling himself Ken, entices Barbie to "go party." (The lyrics are in the Appendix.) Barbie Girl singles sold well and, to Mattel's dismay, the song made it onto Top 40 music charts.

Mattel brought this lawsuit against the music companies who produced, marketed and sold Barbie Girl. . . .

III

A. A trademark is a word, phrase or symbol that is used to identify a manufacturer or sponsor of a good or the provider of a service. *See New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 305 (9th Cir. 1992)*. It's the owner's way of preventing others from duping consumers into buying a product they mistakenly believe is sponsored by the trademark owner. A trademark "informs people that trademarked products come from the same source." *Id. at 305 n.2*. Limited to this core purpose — avoiding confusion in the marketplace — a trademark owner's property rights play well with the *First Amendment*. "Whatever *first amendment* rights you may have in calling the brew you make in your bathtub 'Pepsi' are easily outweighed by the buyer's interest in not being fooled into buying it." *Trademarks Unplugged*, *68 N.Y.U.L. Rev. 960, 973 (1993)*.

The problem arises when trademarks transcend their identifying purpose. Some trademarks enter our public discourse and become an integral part of our vocabulary. How else do you say that something's "the Rolls Royce of its class?" What else is a quick fix, but a Band-Aid? Does the average consumer know to ask for aspirin as "acetyl salicylic acid?" *See Bayer Co*. v. *United Drug Co., 272 F. 505, 510 (S.D.N.Y. 1921)*. Trademarks often fill in gaps in our vocabulary and add a contemporary flavor to our expressions. Once imbued with such expressive value, the trademark becomes a word in our language and assumes a role outside the bounds of trademark law.

Our likelihood-of-confusion test, see *AMF Inc*. v. *Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979)*, generally strikes a comfortable balance between the trademark owner's property rights and the public's expressive interests. But when a trademark owner asserts a right to control how we express ourselves — when we'd find it difficult o describe the product any other way (as in the case of aspirin), or when the mark (like Rolls Royce) has taken on an expressive meaning apart from its source-identifying function — applying the traditional test fails to account for the full weight of the public's interest in free expression.

The *First Amendment* may offer little protection for a competitor who labels its commercial good with a confusingly similar mark, but "trademark rights do not entitle the owner to quash an unauthorized use of the mark by another who is communicating ideas or expressing points of view." *L.L. Bean, Inc*. v. *Drake Publishers, Inc., 811 F.2d 26, 29 (1st Cir. 1987)*. Were we to ignore the expressive value that some marks assume, trademark rights would grow to encroach upon the zone protected by the *First Amendment*. *See Yankee Publ'g, Inc*. v. *News Am. Publ'g, Inc., 809 F. Supp. 267, 276 (S.D.N.Y. 1992)* ("When unauthorized use of another's mark is part of a communicative message and not a source identifier, the *First Amendment* is implicated in opposition to the trademark right."). Simply put, the trademark owner does not have the right to control public discourse whenever the public imbues his mark with a meaning beyond its source-identifying function. *See Anti-Monopoly, Inc*. v. *Gen. Mills Fun Group, 611 F.2d 296, 301 (9th Cir. 1979)* ("It is the source-denoting function which trademark laws protect, and nothing more.").

B. There is no doubt that MCA uses Mattel's mark: Barbie is one half of Barbie Girl. But Barbie Girl is the title of a song about Barbie and Ken, a reference that — at least today — can only be to Mattel's famous couple. We expect a title to describe the underlying work, not to identify the producer, and Barbie Girl does just that.

The Barbie Girl title presages a song about Barbie, or at least a girl like Barbie. The title conveys a message to consumers about what they can expect to discover in the song itself; it's a quick glimpse of Aqua's take on their own song. The lyrics confirm this: The female singer, who calls herself Barbie, is "a Barbie girl, in [her] Barbie world." She tells her male counterpart (named Ken), "Life in plastic, it's fantastic. You can brush my hair, undress me everywhere/ Imagination, life is your creation." And off they go to "party." The song pokes fun at Barbie and the values that Aqua contends she represents. *See Cliffs Notes, Inc*. v. *Bantam Doubleday Dell Publ'g Group, 886 F.2d 490, 495-96 (2d Cir. 1989)*. The female singer explains, "I'm a blond bimbo girl, in a fantasy world/Dress me up, make it tight, I'm your dolly."

The song does not rely on the Barbie mark to poke fun at another subject but targets Barbie herself. *See Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 580, 127 L. Ed. 2d 500, 114 S. Ct. 1164 (1994)*; *see also Dr. Seuss Ents., L.P*. v. *Penguin Books USA, Inc., 109 F.3d 1394, 1400 (9th Cir. 1997)*. This case is therefore distinguishable from *Dr. Seuss*, where we held that the book *The Cat NOT in the Hat*! borrowed Dr. Seuss's trademarks and lyrics to get attention rather than to mock *The Cat in the Hat*! The defendant's use of the Dr. Seuss trademarks and copyrighted works had "no critical bearing on the substance or style of" *The Cat in the Hat!*, and therefore could not claim *First Amendment* protection. *Id. at 1401*. *Dr. Seuss* recognized that, where an artistic work targets the original and does not merely borrow another's property to get attention, *First Amendment* interests weigh more heavily in the balance. *See id. at 1400-02*; *see also Harley-Davidson, Inc*. v. *Grottanelli, 164 F.3d 806, 812-13 (2d Cir. 1999)* (a parodist whose expressive work aims its parodic commentary at a trademark is given considerable leeway, but a claimed parodic use that makes no comment on the mark is not a permitted trademark parody use).

The Second Circuit has held that "in general the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression." *Rogers v. Grimaldi, 875 F.2d 994, 999 (2d Cir. 1989)*; *see also Cliffs Notes*, 886 F.2d at 494 (quoting *Rogers, 875 F.2d at 999*). *Rogers* considered a challenge by the actress Ginger Rogers to the film *Ginger and Fred*. The movie told the story of two Italian cabaret performers who made a living by imitating Ginger Rogers and Fred Astaire. Rogers argued that the film's title created the false impression that she was associated with it.

At first glance, Rogers certainly had a point. Ginger was her name, and Fred was her dancing partner. If a pair of dancing shoes had been labeled Ginger and Fred, a dancer might have suspected that Rogers was associated with the shoes (or at least one of them), just as Michael Jordan has endorsed Nike sneakers that claim to make you fly through the air. But Ginger and Fred was not a brand of shoe; it was the title of a movie and, for the reasons explained by the Second Circuit, deserved to be treated differently.

A title is designed to catch the eye and to promote the value of the underlying work. Consumers expect a title to communicate a message about the book or movie, but they do not expect it to identify the publisher or producer. *See Application of Cooper, 45 C.C.P.A. 923, 254 F.2d 611, 615-16 (C.C.P.A. 1958)* (A "title ...identifies a specific literary work, ...and is not associated in the public mind with the ...manufacturer." (internal quotation marks omitted)). If we see a painting titled "Campbell's Chicken Noodle Soup," we're unlikely to believe that Campbell's has branched into the art business. Nor, upon hearing Janis Joplin croon "Oh Lord, won't you buy me a Mercedes-Benz?," would we suspect that she and the carmaker had entered into a joint venture. A title tells us something about the underlying work but seldom speaks to its origin:

> Though consumers frequently look to the title of a work to determine what it is about, they do not regard titles of artistic works in the same way as the names of ordinary commercial products. Since consumers expect an ordinary product to be what the name says it is, we apply the Lanham Act with some rigor to prohibit names that misdescribe such goods. But most consumers are well aware that they cannot judge a book solely by its title any more than by its cover.

Rogers, 875 F.2d at 1000 (citations omitted).

Rogers concluded that 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 the work." *Id. at 999* (footnote omitted). We agree with the Second Circuit's analysis and adopt the *Rogers* standard as our own.

Applying *Rogers* to our case, we conclude that MCA's use of Barbie is not an infringement of Mattel's trademark. Under the first prong of *Rogers*, the use of Barbie in the song title clearly is relevant to the underlying work, namely, the song itself. As noted, the song is about Barbie and the values Aqua claims she represents. The song title does not explicitly mislead as to the source of the work; it does not, explicitly or otherwise, suggest that it was produced by Mattel. The *only* indication that Mattel might be associated with the song is the use of Barbie in the title; if this were enough to satisfy this prong of the *Rogers* test, it would render *Rogers* a nullity. We therefore agree with the district court that MCA was entitled to summary judgment on this ground. We need not consider whether the district court was correct in holding that MCA was also entitled to summary judgment because its use of Barbie was a nominative fair use. . . .

APPENDIX

"Barbie Girl" by Aqua
-Hiya Barbie!
-Hi Ken!
-You wanna go for a ride?
-Sure, Ken!
-Jump in!
-Ha ha ha ha!
(CHORUS:)
I'm a Barbie girl, in my Barbie world
Life in plastic, it's fantastic
You can brush my hair, undress me everywhere
Imagination, life is your creation
Come on Barbie, let's go party!
(CHORUS) I'm a blonde bimbo girl, in a fantasy world
Dress me up, make it tight, I'm your dolly
You're my doll, rock and roll, feel the glamour in pink
Kiss me here, touch me there, hanky-panky
You can touch, you can play
If you say "I'm always yours," ooh ooh

CHORUS)
(BRIDGE:)
Come on, Barbie, let's go party, ah ah ah yeah
Come on, Barbie, let's go party, ooh ooh, ooh ooh
Come on, Barbie, let's go party, ah ah ah yeah
Come on, Barbie, let's go party, ooh ooh, ooh ooh
Make me walk, make me talk, do whatever you please
I can act like a star, I can beg on my knees
Come jump in, be my friend, let us do it again
Hit the town, fool around, let's go party
You can touch, you can play
You can say "I'm always yours"
You can touch, you can play
You can say "I'm always yours"
(BRIDGE)
(CHORUS x2)
(BRIDGE)
-Oh, I'm having so much fun!
-Well, Barbie, we're just getting started!
-Oh, I love you Ken!

United States Patent [19]
Lukehart

[11] Patent Number: 4,800,666
[45] Date of Patent: Jan. 31, 1989

[54] **METHOD AND APPARATUS FOR TEMPORARILY IMMOBILIZING AN EARTHWORM**

[76] Inventor: **Loren Lukehart,** 4391 Greer, Boise, Id. 83703

[21] Appl. No.: **161,144**

[22] Filed: **Feb. 26, 1988**

[51] **Int. Cl.**[4] **A01K 97/02**

[52] **U.S. Cl.** **43/4;** 43/4.5; 43/55

[58] **Field of Search** 43/4, 4.5, 54.1, 55, 43/56, 57.1

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[57] **ABSTRACT**

Method and apparatus for immobilization of an earthworm **13** to facilitate the baiting of a fishing hook. To immobilize the earthworm, the earthworm is partially coated with sharp grained sand **11** having a grain size of less than 1/20th of an inch. The apparatus **10** for carrying out the method consists of rectangular container **12** and a reservoir of sharp grained sand **11** and cover **14.** Placing earthworm **13** in the apparatus **10** and allowing earthworm **13** to at least partially coat itself with sharp grained sand **11,** results in the temporary immobilization of earthworm **13.** Earthworm **13** is then impaled on the fishing hook by the fisherman. As soon a the baited hook is immersed in water, the sand is rinsed from earthworm **13** and it resumes wiggling.

3 Claims, 1 Drawing Sheet

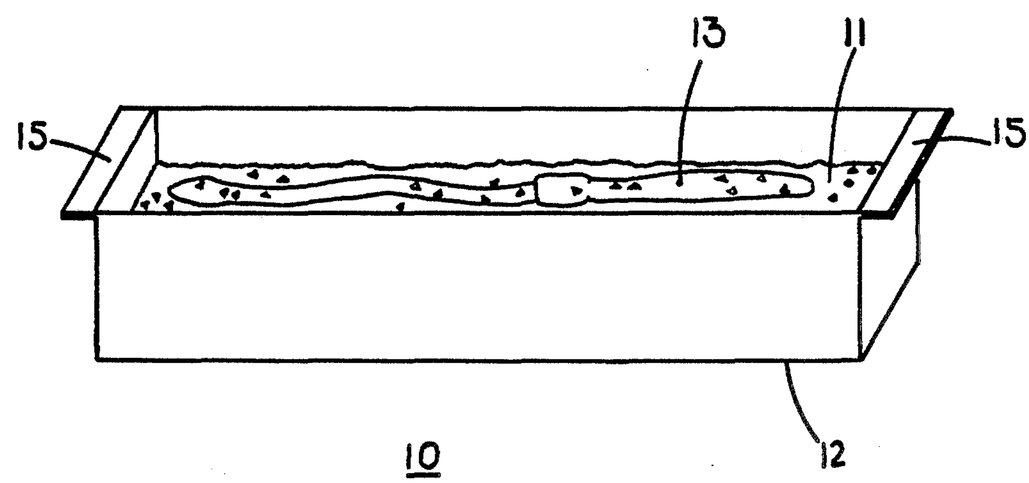


FIG. 1

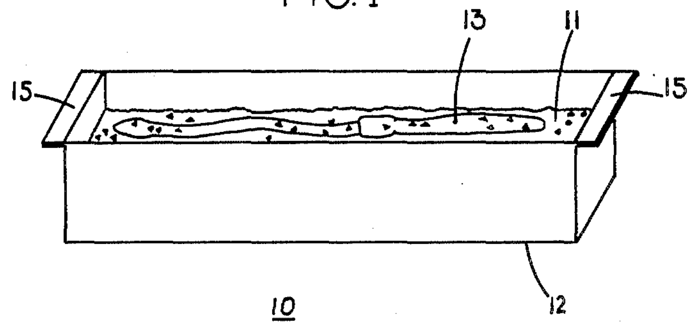


FIG. 2

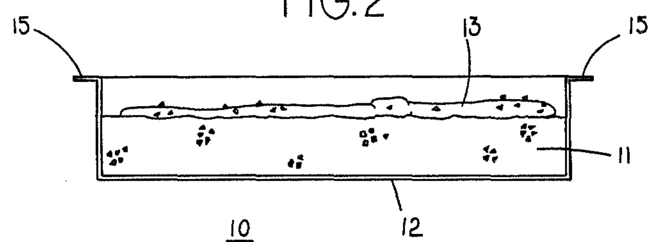
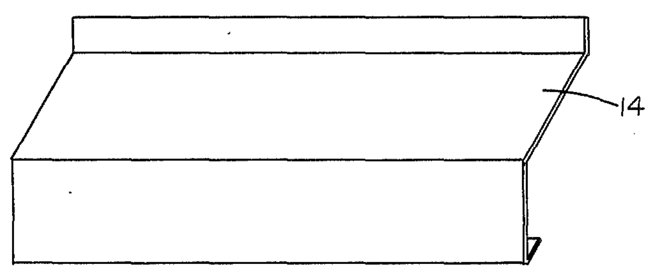


FIG. 3



METHOD AND APPARATUS FOR TEMPORARILY IMMOBILIZING AN EARTHWORM

BACKGROUND OF THE INVENTION

1. Technical Field.

This invention relates to the immobilization of live bait for use in fishing. In particular, the invention relates to a method and apparatus for the dewiggling of earthworms.

2. Background Art.

The use of live bait in fishing has long been known to be one of the most effective means for catching fish. The problem with live bait is that any creature has a natural tendency to resist the baiting process. A further complication in the specific case of earthworms is that they are naturally slimy. The ability of the earthworm to curl its body in almost any direction, connected with the fact that it is coated with slimy film, makes it extremely difficult for the fisherman to impale the earthworm with the fishing hook.

GRAHAM, U.S. Pat. No. 2,257,879, discloses a bait box having a compartment that is filled with a dry sand. The worm is dropped into the dry sand which adheres to the worm's body which makes it easier for the fisherman to hold onto the worm. The problem with the method is that the worm is still able to wiggle and curl its body, making it difficult for the fisherman to impale the worm on the fishing hook.

Accordingly, it is the object of this invention to provide a means for immobilizing an earthworm and thereby facilitating the impalement of the earthworm on a fishing hook by the fisherman.

DISCLOSURE OF INVENTION

These objects are accomplished by coating the earthworm with small sharp grained sand. Small sharp grained sand, as opposed to regular dry sand, has a dramatic affect on the worm's ability to curl its body.

A small rectangular container of sufficient length to harbor an earthworm is partially filled with sharp grained sand having a grain size equal or less than 1/20th of an inch. The rectangular container is also fitted with a removable cover which prevents sand spillage during transport. To dewiggle a worm, the fisherman has to simply set the worm in the rectangular container on top of the sharp grained sand. During the worm's natural locomotion process, the sand becomes partially imbedded in the earthworm and causes an immediate reaction wherein the earthworm completely relaxes. The earthworm is then effectively dewiggled and ready to be impaled onto the fishing hook.

Once the sand coated earthworm is immersed in water, the sand rinses free and the earthworm resume its normal wiggly character.

BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 1 is a top perspective view of the container and sand reservior with a worm.

FIG. 2 is a sectional side view of the container and sand reservoir with a worm.

FIG. 3 is a perspective view of the container cover.

BEST MODE FOR CARRYING OUT INVENTION

Referring to FIGS. **1**, **2** and **3**, an apparatus for the immobilization of earthworms is generally designated as **10** and is illustrated in its preferred embodiment. The first and only step in the immobilization of an earthworm by the preferred method is to coat the earthworm with small sharp grained sand **11** having a grain size equal to or less than 1/20th of an inch by momentarily depositing earthworm **13** on sand **11**.

The preferred apparatus for the immobilization of an earthworm has a reservoir of sharp grained sand **11** having a grain size equal to or less than 1/20th of an inch, and a rectangular container **12** for housing the sand reservoir.

Sand reservoir container **12** is sized for transverse insertion into a standard bait box, not shown. Retainer lips **15** are attached to and extend perpendicularly out from the top edges of the ends of container **12**. Retainer lips **15** are sized for cooperative engagement with the top edges of the sides of the bait box, so that when container **12** is transversely inserted into a bait box it is held suspended above the bottom of the bait box which contains a mixture of live worms and humus material.

Cover **14** is contoured to provide for a seal for sand reservoir container **12** and is held in place by the lid of the standard bait box.

To immobilize earthworm **13**, one merely deposits earthworm **13** on top of sand **11**. During the earthworm's natural locomotion process individual grains of sand **11** become partially imbedded in earthworm **13** and causes an immediate immobilizing reaction in earthworm **13**. As a result earthworm **13** will rapidly straighten out and become immobilized. Since earthworm **13** is covered with grains of sand **11**, it is not only immobilized, but also easy to pick up and handle.

Once earthworm **13** has been impaled upon the fisherman's hook, not shown, and immersed in water, said **11** washes off earthworm **13** and earthworm **13** will resume wiggling.

While there is shown and described the present preferred embodiment of the invention, it is to be distinctly understood that this invention is not limited thereto but may be variously embodied to practice within the scope of the following claims.

Accordingly, what I claim is:

1. An apparatus for temporarily immobilizing an earthworm which comprises:

a container for housing the a reservoir of sand;

a reservoir of sharp sand having a grain size of 1/20th of an inch or less.

2. The apparatus of claim **1** wherein said container further comprises:

a rectangular shaped container for holding a reservoir of sand, said rectangular container having a length slightly less than the width of a standard bait box;

retainer lips attached to and extending perpendicularly from the ends of said rectangular container for cooperative engagement with the top edges of the sides of a standard bait box for transversely suspending and supporting the rectangular container within the bait box;

a cover for cooperative engagement with the rectangular shaped container for containing the sand.

3. A method for immobilizing an earthworm which comprises partially coating said earthworm with a sharp grained sand having a grain size equal to or less than 1/20th of an inch.

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