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# Bright Ideas

A publication of the Intellectual Property Law Section of the New York State Bar Association


## Message from the Chair

By now you should have received the Intellectual Property Law Section's 2003 Calendar of Events. As you can see, the Section has been very busy fulfilling its educational and programming goals for Section members and intellectual property practitioners. The Section's "Bridge the Gap" programs held in New York City and Long Island, respectively, were very well attended. We expect good attendance at the Bridge the Gap programs in Albany and Syracuse on September 24, 2003.

I am also pleased to report the successful introduction of the Section's first MCLE "Roundtable" programs. Our June 5, 2003 Roundtable entitled "Ethical Issues in Patent Searching and Opinions" received an excellent review, and there was a large audience at our August 4, 2003 Roundtable entitled "The Care and Feeding of Intellectual Property Experts." Special thanks to our sponsors RWS Group and Standard & Poor's. Look for announcements about the upcoming MCLE Roundtable program entitled "Economic Issues Surrounding Royalties" on December 9, 2003, sponsored by Berdon LLP. If you have a "Roundtable" topic that you would like to sponsor or host, please let us know.

In addition to the Section's ongoing efforts to provide educational programming in the intellectual property field, this edition of *Bright Ideas* contains a number of excellent articles on topical intellectual property issues, including intellectual property licensing issues; the Berne Convention; the Madrid Protocol; likelihood of confusion analysis in trademark law; the conflict between the First Amendment and unfair competition/right of publicity claims; ISP privacy issues; royalty rights in bankruptcy proceedings; and the recent *Grokster* decision. I hope you enjoy this publication and

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urge you to send in your own articles on intellectual property issues and/or other related events that you think would benefit Section members.

I must also say a word about the Section's first Women in IP event held at Thelen Reid & Priest and organized by the Section's Secretary Joyce L. Creidy. With almost 100 women in attendance, the event offered the ability to network and hear from prominent women in the intellectual property field. Special thanks to Joyce for organizing the event and to our speakers Barbara Kolsun, Vice President & General Counsel of Kate Spade; Elena M. Paul, Executive Director of Volunteer Lawyers for the Arts; Dr. Rochelle Seide, Baker & Botts; Ann Atkinson, Vice President & General Counsel of A&E Television Network; and Sharon Carlstedt, Thelen Reid & Priest for participating as speakers in this event. The program was such a success that the Section has decided to make it an annual event.

The Section has just completed its first publication for the New York State Bar Association LegalEase Pamphlet Series. Special thanks to Mimi Netter, the Section's Editor, as well as to the individual writers Robert W. Clarida; Victoria Cundiff; Philip A. Furgang; Deborah I. Resnick; and Richard Ravin. The Section's Intellectual Property LegalEase Pamphlet is expected to be published in late 2003 or early 2004.

One event not listed in the 2003 Calendar was the Section's co-sponsorship of the American Chemical Society program held at the Javits Center in New York. The event took place on September 9, 2003, and provided a look at pharmaceutical/chemical intellectual property issues. For materials distributed at this event, please contact Cathy Teeter at (518) 487-5573. The Section will look to co-sponsor other events with other organizations and requests that you provide information about other co-sponsorship opportunities for the Section.

I hope you have enjoyed your summer and that you can join us for the Section's Fall Meeting on October 9-12, 2003 at The Sagamore Hotel on Lake George.

**Marc A. Lieberstein**

# Thank You

The Intellectual Property Law Section extends its gratitude to the following for their significant sponsorship over the past year:

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# From Concept to Commercialization: Practical Insights on the Intersection Between Intellectual Property and Corporate Law

By Richard E. Honen and Benjamin M. Farber

## I. Introduction

Richard E. Honan

Intellectual property practitioners concentrate on the protection and defense of property, ideas, and improvements and advise clients on the measures necessary to achieve these objectives. Members of the corporate bar regularly deal in the transactional context where ownership and/or usage of goods and services is conveyed from one party to another.

The intersection between corporate and intellectual property law has been fertile ground for a variety of issues relating to developers and owners of intellectual property. To provide full service to clients, practitioners must utilize an interdisciplinary approach in order to maintain the balance between protecting the intellectual property and capitalizing on transactional opportunities that may present themselves at the various stages of development, ranging from the inception of an idea to the shrink-wrapped end product.

The dynamics between the intellectual property and corporate disciplines have become all the more relevant throughout upstate New York with the recent initiatives to increase coordination among representatives of government, university research departments, commercial consortia, and industry in general.[1] The marshalling of efforts among these various groups has started to pay dividends, particularly in the areas of nanotechnology, biotechnology, and security. With the strengthening of support for technological development by state and local government, universities, and industry, the upstate region has benefited from increased notoriety in the venture capital community. A natural by-product of this development is that intellectual property practitioners in the region are asked with increasing frequency to advise would-be entrepreneurs, established businesses, as well as educational institutions about transactional possibilities at all points in the intellectual property development spectrum.

This article focuses on some of the corporate law issues that intellectual property practitioners are likely to confront in the course of advising their clients, with a particular emphasis on issues facing start-up companies.

Benjamin M. Farber

## II. Conception

Often an individual conceives of an idea or improvement on existing intellectual property while that individual is employed by another party. The individual may have developed the idea in the course of carrying out his/her work functions. In many instances, the individual is interested in developing the idea or improvement as a business venture separate from his or her employer. The initial inquiry from a corporate law standpoint concerns the parties' respective rights to the idea. The starting point is the specific language contained in the employment or work-for-hire agreement.

To the extent that no employment agreement exists between the parties, the rules are different for research and development (R&D) employees than for non-R&D employees. For employees hired specifically to create and develop ideas, the employer owns the inventions generated by those employees under the work-for-hire doctrine,[2] although the scope of employment will not always be construed by courts as broadly as the employer may prefer. For employees hired to perform jobs other than research and development ("general employees"), the employee is entitled to retain ownership of an invention even though his/her employment may cover the same field of effort as the invention.[3] If the inventions generated by general employees are unrelated to the job function or are made away from the job site, they often are determined to be the exclusive property of the employee.[4]

Given that the rules that apply in the absence of an employment agreement are somewhat employee-friendly, many employers require their employees (even general employees) to execute employment agreements containing provisions whereby the employees assign title to the employer with respect to all inventions developed by the employee during the term of his or her employment. These agreements generally impose several obligations on employees: first, that the employee transfer rights in patent applications and patents to the employer; second, that the employee aid the employer in the patent prosecution; and third, that the employee cooperate in the perfection of the employer's rights in the invention. The employment agreement may also include a "trailer clause," giving the employer rights in inventions developed by employees for a certain period of time after the employee's employment has been terminated.[5]

Employment agreements that provide the employer with rights in the employee's invention play such an important role in transactions that early-stage venture capital investors include review of these agreements as part of their due diligence investigation of a company targeted as a potential investment. Further, early-stage venture capital investors may require that, to the extent the employment agreements are not in place or the provisions of the agreements are not suitably structured, the relevant employees execute additional agreements as a condition of their providing funding to the company.

The lawyer tasked with drafting the employment agreements on behalf of the employer must ensure that the definitions of "ideas" and "improvements" and the scope of employment are written broadly in order to provide the employer with security of ownership in any potential inventions developed by employees.

## III. Transfers of Intellectual Property to the Start-Up Company

The start-up company typically obtains intellectual property either by a direct transfer of rights from the entrepreneur or by way of a transfer of rights from a third party, such as a university or an existing business.

When the entrepreneur transfers his or her intellectual property rights, there are two important points relating to the intellectual property rights that should be addressed. The first is whether the transferor has clear title in the intellectual property and whether these rights may be transferred legally by the entrepreneur. It is possible that the transferor may not own or have a right to transfer all of the rights in the intellectual property. Consequently, the second point concerns the extent of the rights in the intellectual property to be transferred. Often, the rights are transferred in full in return for equity in the start-up company, or the owner of the intellectual property will place restrictions on the intellectual property rights being transferred. It is not uncommon for the owner of the intellectual property rights to want to be able to reclaim the intellectual property rights in the event that the start-up company is unable to commercially exploit such rights. To address this concern, the transfer agreement may require the start-up company to reach benchmarks or milestones before the intellectual property rights fully vest. These milestones are usually based on certain developmental, financial, or commercial goals or objectives of the start-up company.

Start-up companies are advised to ensure that the company obtains all of the rights in the intellectual property that the entrepreneur holds. Potential investors in the start-up company are likely to insist on this as a condition of investing in the entity.

## IV. Transfers of Intellectual Property Rights from Universities

Licensing of intellectual property from a university is often an attractive option for a start-up company. From a documentation standpoint, such a licensing arrangement will involve extensive negotiations between the start-up company and the university over the terms and conditions of a license agreement. However, the set of interests that a university brings to license agreement negotiations is somewhat different than that of a for-profit business. This different mindset is attributable primarily to the fact that, unlike the business entity, shareholder profits are not the chief concern of the typical university. Instead, the university's primary focus is the dissemination of knowledge and ideas for the benefit of society. At the initial stage, however, the university is likely to be interested in licensing the intellectual property rights as opposed to transferring them outright, so that the university will have time to assess whether the start-up company will be successful in commercially exploiting the intellectual property.

One of the catalysts for university involvement in intellectual property licensing is the Bayh-Dole Act.[6] Bayh-Dole allows educational institutions to take title to inventions developed by university staff with the aid of federal funding, grants, etc.[7] It has provided universities with the opportunity to commercialize the intellectual property developed on its campuses.

Many universities have established centralized departments, typically known as technology transfer offices, that act as repositories for university-created technology that has been targeted for commercial development. These departments are charged primarily with responsibility for channeling university-developed intellectual property into the flow of commerce.[8] They are also usually responsible for developing university licensing policy, assisting in the determination as to the university-developed intellectual property that is suitable for commercial development, establishing connections with potential licensors, and, in some instances, having staff attorneys negotiate licensing agreements.[9]

The provisions of a license agreement that are perhaps most often negotiated in the university technology transfer context are exclusivity, indemnification, and licensing fees. Generally speaking, universities that license their intellectual property have a significant interest in finding a firm that will be able to develop the intellectual property into a commercial product or series of products that can be brought to market in the shortest period of time.[10] Technology transfer offices operate with this objective in mind because one of their primary goals is to facilitate public utilization of the university research developments.

Determining whether the start-up company will receive an exclusive license is a fundamental point to be negotiated. If the start-up company is granted an exclusive license, then, aside from the university, it may be the only authorized developer of the technology.[11] If the license is non-exclusive, then the university retains the option to grant rights in the intellectual property to other licensees. Whether a particular license is exclusive or non-exclusive will have a significant impact on the royalty structure that the university imposes on the licensee.

Exclusivity of intellectual property licenses is one way universities attempt to manage the risk involved in licensing. If a university is able to come to an agreement with a prospective licensee whereby the university will grant the licensee a non-exclusive license, the university can increase its chances of developing a commercial product by granting additional licenses to other companies.[12] The likelihood is that the prospective licensee will seek an exclusive license. Given that the road from concept to commercial success invariably includes challenging and unexpected obstacles, the development of a marketable product requires a certain appetite for risk. Nonetheless, licensees will be reluctant to open the risk floodgates by allowing the university to license the same intellectual property to potential competitors. Thus, if there is a demand among various companies to license specific intellectual property from the university, the technology transfer office may closely examine the prospective licensees before granting an exclusive license to a particular firm.

An indemnification provision is used in license agreements to provide parties to the agreement with a remedy in the event that the other party breaches the agreement. The indemnification provision will specify what types of breaches (e.g., breaches of representations, warranties, covenants, etc.) will qualify for indemnification coverage. The remedies that are usually provided in such a provision include compensation for damages and expenses incurred by the damaged party as a result of the breach. It is common for the university to be steadfast in its insistence on a suitable indemnification provision for the benefit of the university.[13] The concern is that if consumers are injured in connection with their usage of the product developed by the licensee, the university is a possible target for product liability litigation. Regardless of the risk involved in the potential products developed, universities are likely to be inflexible on this point, since protecting the university endowment from liability is a top priority for a university technology transfer office.[14] Further, it is not uncommon for the university to require that the licensee maintain product liability insurance and add the university as a beneficiary of the policy.

*"Given that the road from concept to commercial success invariably includes challenging and unexpected obstacles, the development of a marketable product requires a certain appetite for risk."*

Although universities are compensated for the license, they generally do not view the transaction exclusively as a money-making venture. Consequently, universities can afford to be accommodating in the area of licensing fees and royalties.[15] To that end, universities have demonstrated creativity in structuring fees in recognition of the fact that the resources of fledgling companies can be limited. For example, the university may choose to provide the start-up company with flexibility on the timing of the royalty payments. Sometimes the fees may be postponed until the licensee reaches certain milestones (e.g., first commercial sale). Or the university may be willing to accept different types of consideration as payment. In certain instances, a university will agree to take a combination of fees and a small equity position in the company. Though universities are not averse to accepting equity, they generally will not take an equity position greater than fifteen percent. Moreover, universities usually are reluctant to take an active role in the management of the company, as it can potentially conflict with the entity's educational mission. Consequently, universities generally will refrain from requesting a seat on the company's board of directors in conjunction with any equity position that it may acquire.[16]

From the perspective of the start-up company, it is advisable to remind the university technology transfer office that the company has limited financial means and to request an accommodating royalty payment schedule and/or some equity in the company as partial payment of the royalties.

## V. Licensing of Intellectual Property in a Commercial Context

The most prevalent form of commercial transaction involving intellectual property is a licensing arrangement. As discussed in the university licensing context, these licensing arrangements can provide the licensee company with exclusive or non-exclusive rights in the intellectual property. These arrangements may exist between the start-up company and a customer or between a large, established company and a spin-off entity composed of former employees who wish to develop a certain aspect of a parent company's intellectual property with the parent company's blessing. Or two entities may decide to share and jointly develop intellectual property and then divide the resulting inventions.

To the extent a company obtains an invention developed by one or more of its employees and retains rights in that invention by virtue of the respective employment agreements, the company still may decide not to develop the invention into a commercial product. The company may not want to expend resources to develop the invention, or the invention may be beyond the scope of company's specialized range of products. Although there have been situations where companies have assumed the role of venture capitalist and have internally financed the work of employees in developing such inventions,[17] established companies are much more likely to license the intellectual property to a company that can devote the necessary resources to development of the invention.[18]

After a prospective licensee has been identified by the company and the licensee has been given introductory information regarding the intellectual property, the parties typically will execute a confidentiality agreement.[19] The confidentiality agreement permits the prospective licensee to obtain more information about the intellectual property while allowing the licensor to control the dissemination of information about the intellectual property. A confidentiality agreement will bind the respective parties and prevent them from using the confidential information for unauthorized purposes, which could allow the receiving party to compete unfairly or to obtain an advantage with respect to the disclosing party. In many instances, the confidentiality agreement will limit the distribution of the information to those people who are necessary to perform the terms of the underlying licensing agreement.[20]

In negotiating the license agreement, one of the most important provisions is the scope of the license granted. The license can be limited in subject matter, rights granted, and field of usage. The licensee should pay close attention to the scope of the license. Because the licensee will be obligated to make royalty payments based on its ability to develop the licensed intellectual property, the licensee is advised to make sure that (i) the scope of the agreement includes all of the intellectual property that it believes is necessary for the development process and all of the rights that the licensee needs to capitalize on the intellectual property and (ii) the license extends to the areas of functionality and to the territorial locations that the licensee believes are necessary to profit from the transaction.

Another significant negotiating point is the exclusivity of the rights granted. These rights are somewhat intertwined with the territorial rights granted to the licensee. Territorial rights relate to the geographical bounds of a licensee's rights in the intellectual property. For example, a licensee can be granted an exclusive license to the intellectual property only in the United States. The determination of whether to grant exclusive rights is, in certain respects, a measure of the licensor's confidence as to whether the licensee will succeed in developing a commercially viable product. With intellectual property in early-stage development, given the resources that the licensee is likely to commit to (and the risks that the licensee will confront in connection with) intellectual property development, the licensee is likely to insist on an exclusive license. To hedge against locking up the intellectual property with one licensee, the licensor may lobby for a shorter term. Additionally, the granting of an exclusive license will likely translate into a more aggressive royalty structure, which may include larger and/or more frequent periodic payments to the licensor.[21] If the licensee agrees to a non-exclusive license, it may insist on obtaining "most favored nation" status, which would provide that, to the extent the licensor enters into other license agreements, the licensee will receive the benefit of any provisions contained in the other license agreements that are more favorable than the provisions contained in its license agreement.[22]

Another contested area in license agreements is improvements: whether the licensee or the licensor owns rights in any improvements that are made to the intellectual property. To the extent any improvements developed by the licensee complement the existing intellectual property, the licensor will be interested in obtaining rights in the improvement.[23] However, the licensee will argue that it should maintain some, if not all, rights in the improvements that it has developed. In many instances, the licensor will settle for a non-exclusive right to improvements developed by the licensee. Also, it is not uncommon for the parties to agree that the licensee will receive royalties in connection with the licensor's usage of such improvements. Since it is something of a speculative exercise to determine how important these improvements are, the parties may provide in the agreement that they will agree to negotiate a reasonable royalty rate in the future.

From the perspective of the licensor, the royalty provisions are perhaps the most important in the license agreement. The structure of the royalties is largely affected by other provisions. For example, the granting of exclusive rights to the licensee will, in most cases, mean larger royalty payments to the licensor.[24] While royalty payments can be structured in a variety of ways, they generally consist of an initial payment and subsequent periodic payments over the term of the license. Many license agreements will make royalty payments a function of the products sold by the licensee. Consequently, many license agreements require the licensee to keep accurate sales records that may be subject to the licensor's inspection from time to time.[25] To the extent that royalties are linked to the licensee's sales, the licensor may require a minimum royalty payment to be paid periodically to hedge against failure by the licensee to meet agreed-upon performance expectations.[26]

The license agreement also may address the subject of sublicensing. From the perspective of the licensor, it is advisable to obtain a provision that prohibits sublicensing without the licensor's consent. The licensee may wish to make arrangements with other companies to perform specialized work relating to the development of the intellectual property or distribution of the developed product. In that regard, sublicensing has important benefits for the licensee.

## VI. Sale of the Entity

Often, the ultimate exit event for the developer of the intellectual property is a sale, merger, or other business combination of the entity holding the intellectual property. An outside investment also may be made in the entity which is, in effect, a sale of a portion of that entity. This transaction usually will involve a stock or asset purchase agreement containing representations and warranties that specifically address the ownership, freedom from encumbrances and claims, alienability, and protected status of the intellectual property.

## VII. Conclusion

Significant developments arising from the recent technology-focused initiatives in upstate New York are on the horizon and fast approaching. Start-up technology companies are now commonplace in the region, and their number will increase with the help of university incubators and increased recognition by local, state and federal governmental agencies. Practitioners must be prepared to serve and counsel start-ups, established companies, universities, and all other technology-based clients with respect to the disposition of intellectual property rights.

## Endnotes

1. *See, e.g.,* Richard Pérez-Peña, *Albany Chosen as Research Hub For the Next Generation of Chips*, N.Y. Times, July 18, 2002, at A1.
2. *See Cahill v. Regan*, 5 N.Y.2d 292 (1959).
3. *See id.* at 296; *see also United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933).
4. *See* Robert P. Merges, *The Law and Economics of Employee Inventions*, 13 Harv. J.L. & Tech. 1, 6 (1999).
5. *See* Edward L. Raymond, Annotation, *Construction and Effect of Provision of Employment Contract Giving Employer Right to Inventions Made by Employee*, 66 A.L.R. 4th 1135, 1202-04 (1992).
6. 35 U.S.C. §§ 200-12 (2003). *See* Gordon v. Smith & Russell L. Parr, Valuation of Intellectual Property and Intangible Assets 533 (3d ed. 2000); *see also* Alan S. Gutterman & Jacob N. Ehrlich, Technology Development and Transfer: The Transactional and Legal Environment 6 (1997).
7. Under Bayh-Dole, the federal government maintains a nonexclusive, nontransferable, irrevocable, paid-up license to federally funded inventions. *See* 35 U.S.C. § 200 *et seq.* (2003).
8. *See* Smith & Parr, *supra* note 6, at 534.
9. *See id.* at 536.
10. *See id.* at 537-38; *see also* Robert C. Megantz, How to License Technology 85 (1996).
11. As noted later in the article, the concept of exclusivity bears a significant relationship to territorial rights. *See* Part V *infra*.
12. *See* Smith & Parr, *supra* note 6, at 537.
13. *See* 1 Harold Einhorn, Patent Licensing Transactions § 6.06[4] (2003).
14. *See id.*; *see also* Megantz, *supra* note 10, at 85.
15. *See* Smith & Parr, *supra* note 6, at 535 (indicating that generating revenue from licensing transactions is an ancillary objective and is often perceived as a "nice side benefit").
16. *See id*. at 540 (detailing the guidelines for the Harvard University and Johns Hopkins University technology transfer offices).
17. *See* Merges, *supra* note 4, at 45 (discussing the concept of employer-backed spinoffs); *see also* John R. Wilke, *Innovative Ways: Thermo Electron Uses an Unusual Strategy To Create Products*, Wall St. J., Aug. 5, 1993.
18. *See* Jay R. Dratler, Jr., *Licensing Agreements*, in 2 Start-Up & Emerging Companies: Planning, Financing, and Operating the Successful Business 16-5 to 16-6 (Richard D. Harroch ed. 2003).
19. *See* Megantz, *supra* note 10, at 102.
20. Kenneth L. Port et al., Licensing Intellectual Property in the Digital Age 141-42 (1999).
21. *See* Megantz, *supra* note 10, at 76.
22. *See* Brian G. Brunsvold & Dennis P. O'Reilly, Drafting Patent License Agreements 95 (4th ed. 1998).
23. *See* Dratler, *supra* note 18, at 16-30.
24. *See supra* note 21 and accompanying text.
25. *See* Port et al., *supra* note 20 at 282 (indicating that the licensee may incur costs of accounting in connection with reporting royalties); *see also* Brunsvold & O'Reilly, *supra* note 22, at 95.
26. *See* Brunsvold & O'Reilly, *supra* note 22, at 111-12 (providing that a minimum annual royalty may be necessary where "the licensor's income otherwise is dependent on the licensee's performance").

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# Protection of Authors' Moral Rights: U.S. Law and the Berne Convention

By Angelo Somaschini

## I. Introduction

The rapid expansion and integration of the world's economy and the current trend toward globalization have dramatically increased the interdependence among nations over the past few decades.[1] The barriers that once allowed sovereign states to elect and maintain certain desired degrees of isolation have diminished, and the need for states to cooperate economically, culturally, and politically is now pervasive. A nation will find it increasingly difficult to thrive economically if it approaches issues provincially that are global in scope. The pursuit by states of isolationist policies in trade, culture, politics, and intellectual property tends to reduce the benefits enjoyed by states' populations. Nowhere is this more apparent than in the field of copyright law.

This article addresses one significant aspect of international copyright law as it relates to the United States: the problem of moral rights. That is, to what extent has U.S. law failed to incorporate international community values and standards in dealing with the moral rights of authors. The article examines the protection of moral rights (i.e., non-economic control by creators of copyrighted works) under U.S. law and the protection of those rights under international law (i.e., the Berne Convention).[2] Specifically, Part II defines moral rights in copyright law; Part III lays out the circumstances giving rise in international law to the Berne Convention and analyzes the Berne Convention's treatment of moral rights; Part IV examines the means of moral rights protection available in domestic law prior to U.S. accession to Berne; Part V discusses the issues raised by U.S. accession to Berne; Part VI analyzes moral rights protection introduced into domestic law after U.S. accession to Berne; and Part VII concludes that the protection afforded moral rights by U.S. law does not meet the requirements of the Berne Convention.

## II. The Definition of Moral Rights in Copyright Law

Moral rights in a copyrighted work may be defined broadly as the rights of the creator to maintain a certain degree of control over the work after the relevant rights of economic exploitation have been sold, licensed, or otherwise transferred.

Moral rights assume that the creator of an original work protected by copyright law has continuing rights in his work which include both (i) rights connected with the economic exploitation of the work and (ii) independent and separate rights to protect the unique intellectual and personal attributes that are embedded in the work because of the author's creative efforts.[3]

Moral rights are personal to the creator of the work. In copyrighted works, there is a distinction between the surviving moral rights and the relevant economic rights. Unlike the rights of economic exploitation, moral rights are not "based on any theory of property, for whatever 'property' the creator may possess exists in the [economic] rights protected by the copyright statute."[4]

Moral rights are perpetual in duration and may not be transferred. Economic rights are limited by statute and pass to the legal successors at the death of the creator, if they have not already been transferred by the creator.[5] The special protection accorded moral rights after the creator's death by civil law copyright statutes has been argued to lie in "the need of society for protection of the integrity of its cultural heritage."[6]

The doctrine of moral rights assumes that the outcome of an author's creative process is not only a tangible work that can be traded as a commodity on the marketplace but also necessarily embodies the character and personality of its author.

Moral rights include several different rights, and such rights vary from jurisdiction to jurisdiction. Four moral rights generally are recognized in domestic civil law systems and constitute an analytical common denominator:[7] (i) the right of publication; (ii) the right of paternity; (iii) the right of integrity; and (iv) the right of withdrawal.

### A. The Right of Publication

The right of publication is the author's right in the first instance to decide whether or not to publish his work. It is the author's exclusive power both to determine the timing and scope of publication and to decide whether to publish the work. This prerogative of the creator carries significant consequences. For example, creditors executing against an unpublished manuscript, or purchasers acquiring an unpublished work of art at a bankruptcy sale, may not publish such works without the author's consent.[8]

### B. The Right of Paternity

The right of paternity affords the author of a copyrighted work the right to be identified and recognized as author. A claim of authorship by anyone else would violate his or her right of paternity. Under the moral right of paternity, an author must be identified as such with respect to his works and, correlatively, must not be identified as the author of works that he did not create. Any false attribution of authorship to a person violates that person's moral right not to be identified as the author of somebody else's creation.

### C. The Right of Integrity

The right of integrity aims to prevent any unauthorized modification of the work. Any distortion, mutilation, or alteration of a protected work made without the author's consent would violate the author's moral right of integrity.

### D. The Right of Withdrawal

Finally, the right of withdrawal allows an author to remove his or her work from the public. For example, French law entitles an author to purchase at wholesale prices all of the remaining copies of the author's work,[9] and Spanish law entitles an artist to withdraw his work from the public by paying full compensation to the current owner.[10] This right is less commonly recognized than the other three moral rights, arguably because of the significant practical problems that its exercise would engender.

Unlike economic rights, moral rights in a copyrighted work are, at least theoretically, inalienable and perpetual in duration. They cannot be sold, traded, or waived. They are not extinguished by the creator's death. Rather, they continue to exist, and the power to enforce them vests in someone else. An important issue for domestic copyright statutes and international law is to determine in whom moral rights in copyrighted works vest at the creator's death.[11]

## III. Moral Rights in International Law

The doctrine of moral rights[12] in intellectual property law has philosophical roots in both the French revolution's redefinition of copyright based on natural law and in German idealism's view that creation of a work is a manifestation of an author's individual will.[13] During the nineteenth century, these theoretical principles were translated into legal rules and further developed by French courts, which were the first to use the phrase *droit moral* as a formal term of art.[14] The doctrine of moral rights worked its way across European civil law countries and established itself as a generally accepted feature of European domestic copyright statutes. France is normally considered the source of moral rights, and the *droit moral* remains a baseline for the analysis of the doctrine.

In contrast with continental Europe, common-law countries did not accept the legal premises of moral rights and thus were traditionally reluctant to provide statutory protection to such rights. Anglo-American common law developed instead an array of doctrines capable of providing authors something akin to moral rights protection by bending and adapting existing remedies at common law in certain cases and under limited circumstances.[15]

The United Kingdom, for instance, an original party to the Berne Convention, has no statutory moral rights protection. When moral rights were adopted in the Berne Convention,[16] the British delegation was assured that remedies available in equity and common law in the United Kingdom were adequate to meet the U.K.'s obligations under the Convention.[17]

The United States has not enacted comprehensive legislation to protect moral rights even after joining the Berne Convention. The U.S. legal regime of moral rights protection remains a patchwork of common law and statutory (state and federal) legal devices. The extent of such protection and its failure to meet the Berne Convention requirements is discussed in detail in Part IV.

### A. A Brief History of the Berne Convention

The Berne Convention is the primary international treaty providing international protection of copyrights. At present, 149 states,[18] including all major producers of copyrighted works, are parties to the Convention and are members of the World Intellectual Property Organization (WIPO), the international organization established to administer the Berne Convention (as well as some other treaties dealing with intellectual property protection). The Convention establishes a comprehensive and detailed system of rights and obligations that protects and facilitates the dissemination of copyrighted works across state borders.

The Berne Convention[19] opened for signature on September 9, 1886[20] in Berne, Switzerland.[21] The agreement reflected a growing need in the late nineteenth century to protect authored works from international piracy and unauthorized copying.[22] An expanding demand for printed materials was making it lucrative for many publishers to reprint unauthorized versions or translations of foreign creative works.

As a general matter, copyright is a right defined by domestic statutes.[23] It affords protection only to copyright holders that have secured their rights under domestic copyright law. Absent special arrangements, copyright holders are not protected under the copyright laws of other states. International copyright protection may be secured in only two ways: (1) by obtaining separate and independent copyright protection in each of the countries where such protection is sought, in compliance with the laws of each country; or (2) through international treaties that provide for the mutual recognition and protection of the literary and intellectual property of the citizens of the nations that are parties to such treaties.

Traditionally, the domestic legal character of copyright meant that foreign authors whose works were pirated had little recourse against the publishers. Prior to the Berne Convention, a few states had attempted to regulate international copyright issues by means of bilateral treaties based on the principle of reciprocity.[24] However, a system of reciprocal bilateral treaties is far from the best arrangement among states for multilateral copyright protection. For one thing, treaties based on reciprocity almost never offer both parties equal benefits. For example, if country X exports to country Y more copyrighted works than it imports from it, a bilateral treaty between them based on reciprocity will be advantageous for X and disadvantageous for Y. Countries that have little or no publishing industry have a powerful disincentive to enter such treaties.[25]

In 1852 France decided unilaterally[26] to extend copyright protection not only to works from countries that agreed to protect French works, but also to countries that did not. [27] That initiative was a decisive step toward a new international law principle: the principle of "national treatment." A state that is a party to a treaty based on national treatment is obligated to give the other signatory's copyrighted works the same protection it gives the works authored by its nationals under domestic law.

However, a bare principle of national treatment does not guarantee uniform international protection. The copyright statutes of the various states normally are different and may set forth rights and obligations that may be markedly unbalanced to the extent they reflect the different situations of the respective domestic copyright markets.[28]

For the national treatment principle to work effectively and uniformly, a system of minimum domestic standards must be added, whereby each state, in protecting the rights of copyright owners from other states, would also have to comply with certain minimum standards of protection.

The Berne Convention represents the first major concerted multinational effort to find a remedy for the international piracy of copyrighted works.[29] It is based on the principle of national treatment coupled with minimum standards of protection.

The Convention recognizes and protects two sets of authors' rights in copyrighted works: (1) traditional rights of economic exploitation, such as the right to reproduce, translate, perform, display, broadcast, make motion pictures, make adaptations and abridgements, etc., and (2) moral rights.

The goal and strategic design of the Convention have not changed since 1886. Berne was intended to create a mechanism by which contracting countries would first implement minimum domestic law standards of moral rights protection which would then lead to the emergence of a uniform international law of copyright.[30] Individual countries were free to give foreign works stronger protection in their domestic laws than required by the Convention, but in no case could they accord weaker protection.

### B. The Berne Convention's Treatment of Moral Rights

Because of the substantial influence of France and other civil law signatory states, the doctrine of *droit moral* worked its way into the Berne Convention. Moral rights were introduced in the Berne Convention by the Rome Revision Convention of 1928.[31] Specifically, the Rome Revision Convention adopted a new article of the Berne Convention, i.e., article 6*bis*, which defines only two of the four rights that are generally included in the category of moral rights:[32] the right of paternity and the right of integrity.

Consistent with the Berne Convention's original strategic design,[33] the moral rights set forth by the Rome Revision Convention initially had a limited scope. These rights were gradually strengthened over time and expanded by subsequent revision conventions.[34] Today, the Berne Convention's regulation of moral rights is controlled by article 6*bis* as last amended by the Paris revision convention of 1971:[35]

> (1) Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation, or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.
>
> (2) The rights granted to the author in accordance with the preceding paragraph shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exercisable by the persons or institutions authorized by the legislation of the country where protection is claimed. However, those countries whose legislation, at the moment of their ratification of or accession to this Act, does not provide for the protection after the death of the author of all the rights set out in the preceding paragraph may provide that some of these rights may, after his death, cease to be maintained.

(3) The means of redress for safeguarding the rights granted by this Article shall be governed by the legislation of the country where protection is claimed.

Article 6*bis* sets forth a legal regime of moral rights that is significantly less stringent than the general doctrine of moral rights under domestic laws in several respects. First, in paragraph (1) article *6bis* does not recognize the right of publication and the right of withdrawal, which are part of the general doctrine of moral rights.[36] Second, article 6*bis* does not address the alienability issue. Rather, it deals in detail solely with duration and provides a much less stringent requirement than perpetuity. Third, paragraph (2) recognizes that a creator's moral rights following his death last only for a minimum period consisting of the duration of his copyright. Fourth, article 6*bis* does not require member states which, at the time of accession to the Berne Convention, did not recognize a dead author's moral rights set forth in paragraph (1) to grant such *post mortem* protection. Finally, in dealing with means of redress, paragraph (3) provides no remedy. It provides only that member states may provide a remedy under domestic law.

The legal regime of moral rights set forth in article 6*bis* represents the minimum standard of protection that states parties to the Berne Convention must afford authors from other member states. Any country that becomes a party to the Berne Convention undertakes the obligation to enact in its domestic statutes a level of protection of these specific moral rights at least equivalent to that afforded by article 6*bis*.

This requirement constituted a thorny impediment to U.S. adherence to the Berne Convention for over a century.[37]

## IV. Moral Rights Protection in U.S. Law Prior to U.S. Accession to Berne

In the United States, copyright law is utilitarian in the sense that it bestows upon authors a set of exclusive property rights (i.e., the right to exclude others from certain uses of a copyrighted work) for a limited time as an economic incentive to produce original works of authorship. It is "not primarily for the benefit of authors, but primarily for the benefit of the public."[38]

Civil law nations take a different approach. Under civil law, copyright protects primarily author's rights,[39] both personal and economic; public benefits are incidental to such protection. Consistently, in European civil law jurisdictions an author retains indefinitely inalienable personal rights (i.e., moral rights) even after the author's economic rights in the work have expired or have been transferred.[40] This has been regarded by U.S. copyright doctrine as an impermissible encroachment on the freedom of copyright holders to dispose of their property as they see fit.

A key goal of American copyright law is to motivate authors to produce a steady flow of creative works for the benefit of the general public. Any mechanism that provides authors with means to protect their personal rights, especially once the property rights in the created works have expired or have been transferred, is seen in the United States as an obstacle to achieving the goals of copyright law and as inconsistent with the law's economic underpinnings.[41]

Under U.S. law, the incentive for authors to create and disseminate their works flows from an explicit constitutional grant of power that enables Congress to "promote the Progress of Science and useful Arts by securing for limited Times to Authors [. . .] the exclusive Right to their [. . .] Writings."[42] The concept of moral rights is not mentioned in the Constitution, and the natural law theory of moral rights was rejected by an early decision of the U.S. Supreme Court.[43] In a more recent decision, the Court of Appeals for the Second Circuit did not recognize the existence of moral rights in the United States.[44]

While U.S. common law arguably provides a certain degree of protection to rights that are equivalent to moral rights, the U.S. Copyright Act has never contained any express mention of moral rights.[45]

A number of domestic legal sources have been utilized by U.S. courts over time to develop and apply remedies for violations of authors' rights similar or functionally equivalent to moral rights. Several sources of common and statutory law have been identified[46] that in one way or another potentially afford means for moral rights protection in the United States: (i) some provisions of the Copyright Act that deal with derivative works and mechanical licensing;[47] (ii) section 43(a) of the Lanham Act proscribing false designation of origin, false description, and false representation of works, including intellectual and artistic works; (iii) decisions under section 43(a) of the Lanham Act; (iv) state and federal decisions protecting moral rights under state common law principles;[48] and (v) state statutes protecting moral rights.

### A. Copyright Act

The U.S. Copyright Act provides no right of paternity or of integrity protection. It requires[49] only that the author of a work be indicated in the application for copyright registration, but this provision does not afford the author the right to have his or her name placed on the work, as is understood to be required under Berne.[50]

Section 106(2), which prohibits the making of derivative works without the author's consent, has been argued to provide a sufficient degree of right of integrity protection.[51] The definition of derivative work,[52] the argument goes, includes, among a number of forms in which a work may be "recast, transformed, or adapted," also works "consisting of editorial revisions, annotations, elaborations, or *other modifications*" of the preexisting work (emphasis added); hence, unauthorized "distortions, mutilations, or other modifications" would constitute copyright infringements and would be actionable as such.

That argument is unconvincing for several reasons. First, section 106(2) protects only alterations of a copyrighted work that produce a distinct work of authorship (i.e., a derivative work). Modifications, mutilations, or the destruction of the original work are not protected. Second, the right to make derivative works does not seem to include the right to make *any* change "but rather only changes that result in bona fide adaptation. Thus, changes that are distortions or mutilations would not be included."[53]

Third, section 106(2) gives the exclusive right to make derivative works only to the "copyright owner." There is no protection of the author's right once he or she has transferred the copyright to someone else:

> [T]he right to make derivative works is transferable. If the right to make derivative works includes the right of integrity, and if the right to make derivative works is transferred, what concept in copyright law is left to comply with article 6*bis* which states that the right of integrity subsists in the author "[i]ndependently of the author's economic rights and even after transfer of the said rights?"[54]

Another possible source of protection of the right of integrity is section 115 of the U.S. Copyright Act. Section 115 deals with compulsory licenses for phonorecords of nondramatic musical works. It contains provisions[55] that afford the right of integrity a level of protection that facially appears to comply with Berne. However, the scope of this section is very limited and specialized and represents a minimal exception rather than the rule.

Finally, some scholars have argued[56] that the doctrine of copyright infringement would afford general protection against unauthorized modifications of a copyrighted work resulting in any distorted version of the work (i.e., not only against those unauthorized modifications which result in derivative works). Such protection, it is argued unconvincingly, would comply with the right of integrity requirements under the Berne Convention. Each of the two cases upon which the argument relies[57] is grounded in a breach of contract (i.e., violation by a licensee of the licensed right to use the copyrighted work) and not on copyright infringement. The problem is that in general copyright infringement situations, the relevant action may only be brought by the copyright owner. This may be a person other than the author. In such cases, if the copyright owner decides not to bring action, the author is left with no means of redress under section 115.

### B. Lanham Act and Decisions Under It

Section 43(a) of the Lanham Act[58] has been applied to protect both the right of paternity and the right of integrity on the basis of unfair competition theories under the language prohibiting any "false designation of origin" and "false or misleading description [or] representation of fact" in connection with a work of authorship.

The Lanham Act, unlike the Copyright Act, entitles not only the copyright owner but also "any person who believes that he or she is or is likely to be damaged" by the proscribed conduct to sue. A transfer of copyright in a work by the author does not preclude the author from bringing action in case of a violation of his or her rights. In theory, the entitlement of authors to a judicial remedy appears to comply with the Berne Convention requirements.[59] In practice, however, the burden to prove damages weighs on authors quite severely and effectively scuttles the right to sue.

With respect to the right of paternity, in *Smith v. Montoro*[60] the omission of an author's name in selling copyrighted works was held to violate section 43(a) in that it would constitute an "implied reverse passing off"[61] (dissemination of an author's work without attribution of authorship implies a work made-for-hire and this would be a false designation of origin under the Lanham Act). As was noted,[62] the argument is unconvincing because (1) there is no other known authority to support a generalized conclusion and (2) the view expressed is *dictum*.

*Smith v. Montoro* is more useful in a case involving a false claim of authorship by another as creator of the author's work than in the situation just mentioned. The court applied section 43(a) to find for an actor whose name had been replaced by that of another actor in a motion picture's credits. The court "dealt with misattribution rather than non-attribution" of authorship.[63] Thus, a creator would have a means to vindicate a claim to authorship under the *Smith v. Montoro* application of section 43(a) in like cases. Section 43(a) also would be violated by a false attribution to an author of another's work.[64]

A number of decisions have upheld a right of integrity under section 43(a).[65] The leading authority is *Gilliam v. American Broadcasting Co.*[66] In *Gilliam*, the television network ABC aired a television program authored by the British writers known as "Monty Python" after making unauthorized editings. Monty Python termed them an "appalling mutilation" and sued ABC. The asserted violation of section 43(a) was the distortion of the author's work and subsequent presentation to the public of the distorted work under the author's name. This created a false impression of the work's origin. The court found that "an allegation that a defendant has presented to the public a "garbled," [. . .] distorted version of plaintiff's work seeks to redress the very rights sought to be protected by the Lanham Act, [section 43(a)], and should be recognized as stating a cause of action under that statute."[67]

The *Gilliam* court referred specifically to concept of moral rights:

> American copyright law, as presently written,[68] does not recognize moral rights or provide a cause of action for their violation, since the law seeks to vindicate the economic, rather than the personal, rights of authors. Nevertheless, the economic incentive for artistic and intellectual creation that serves as the foundation for American copyright law [. . .] cannot be reconciled with the inability of artists to obtain relief for mutilation or misrepresentation of their work to the public on which the artists are financially dependent. Thus courts have long granted relief for misrepresentation of an artist's work by relying on theories outside the statutory law of copyright, such as contract law [or] the tort of unfair competition."[69]

Thus, section 43(a) appears to afford a reasonably viable means to protect the Berne Convention moral rights in certain cases.

However, such protection generally is not available. At least three barriers exist to its generalized application to authors' claims. First, the Lanham Act is a federal law and requires that a work be introduced into interstate commerce in order for the author to be entitled to seek protection under the Act.[70] Second, a violation of the author's right of paternity or integrity may only receive protection under the Act if consumers are found to be, or likely to be, deceived by the violation.[71] Third, an author must establish standing to sue.[72]

As a consequence, violations (1) that involve works not introduced into interstate commerce, (2) that are found not to be deceptive, or (3) from which the author has not been able to prove to have been, or likely to be, damaged will not be actionable. This significantly restricts the availability of the remedies under section 43(a) and does not appear to comply with the Berne requirements.

### C. Common-Law Principles

The notion that certain common-law doctrines may be bent and adapted by courts to protect moral rights is not new. In a 1940 article, it was asserted that the common law adequately protects moral rights.[73] The author analyzed several doctrines developed and applied by courts in English and American decisions over more than one century and contrasted them to civil-law doctrines. The article conceded that common law afforded poor moral rights protection in comparison with the protection afforded by the robust statutory devices available in civil-law jurisdictions.[74]

The protection gap widened over the next decades. American courts construed narrowly any moral rights remedy invoked by plaintiffs under common-law doctrines.[75]

Specifically, two common-law theories have been variedly applied in U.S. cases involving violations of rights equivalent to Article 6*bis* moral rights: (1) common law of contracts and (2) common law of torts.

#### 1. Common Law of Contracts

With respect to the right of paternity, some courts have held that an author's claim to have his or her name placed on the author's work may only be enforced if a contract explicitly requires it.[76] In itself, this notion is not particularly helpful. For example, an author who has contracted with a publisher to have his name prominently shown on the cover of all copies of his book would be entitled to seek and obtain remedy for breach of contract if his name is omitted or replaced by someone else's name. Clearly, authors who have scant or no contractual power will find no relief in such rulings.[77] However, the common-law contract theory has more recently been invoked to find an implied covenant of good faith or fair dealing in contracts involving works of authorship. [78] Such an implied covenant, which would be grounded in the prevailing practice of authorship attribution, requires that authors be identified on their works when there is a contract, even if the contract does not explicitly set forth such an obligation.

As to the right of integrity, the same basic principles of protection based either on explicit contractual clauses or implied covenant would apply in cases of mutilations or substantial alterations of the work.[79]

The contractual theory affords no remedies against violations in the absence of a contract.[80] Whether the rights in question be explicitly negotiated and set forth in a contract or impliedly construed by courts on the basis of a contract, such a system of moral rights protection, based on voluntary agreements, does not meet the requirements of Article 6*bis*. In fact, the Berne Convention mandates member states to guarantee obligatory protection of moral rights.[81]

#### 2. Common Law of Tort

U.S. tort law generally affords no protection to the right to claim authorship.[82] However, violations of an author's right of paternity (e.g., the wrongful omission of the author's name from a work or the wrongful attribution of an author's work to another) may result in material economic injury. Arguably, these injuries fall in the realm of "willful/prima facie tort[s]."[83]

Tort law may provide a more viable chance of redress against violations of the right of integrity. Unauthorized modifications of a copyrighted work have been found to constitute the tort of libel.[84] The publication of a modified version of a work under the author's name without the author's consent also has been found to violate that author's right of privacy or publicity.[85]

Both tort theories, however, have very limited application. First, a libel may only be claimed by an author if his or her reputation has been hurt by the unauthorized modifications. This requirement makes the libel only a viable remedy for relatively well-known authors. Little-known or unknown authors would have no means of redress.[86] Second, a libel cause of action does not survive the injured party's death,[87] and this falls short of the duration requirements of moral rights under article 6*bis*. Third, it is questionable, at best, whether an author could raise a libel cause of action in the case of total destruction of his or her work[88] Fourth, a cause of action for invasion of privacy brought by an author against, e.g., a publisher who placed the author's name on a distorted version of his or her work without the author's consent would require the author to prove that the publisher profited from such act.[89] This cause of action apparently would be precluded whenever the outcome of the publisher's endeavor is not profitable.

### D. State Statutes

Several states have statutes affording creators of "works of fine art" a varied and mostly inconsistent array of means to protect their right of paternity and right of integrity.[90] With the enactment of the federal Visual Artists Rights Act (VARA),[91] most of the state protection was embedded in federal law. But some aspects of state statutes remain outside the scope of the VARA[92] and may still be utilized by fine artists against violations of their Berne moral rights.

A discussion of each state statute as it relates to fine artists' moral rights with a view to determining whether it complies with article 6*bis* is outside the scope of this article.[93] But even assuming that state moral rights statutes generally are in compliance with Berne, two fundamental objections exist: (1) most states do not have any moral rights statutes and, hence, the obligations under article 6*bis* (which is a U.S. international law obligation, not a state obligation) would not be fulfilled; (2) even if all states enacted Berne-compliant fine artists' moral rights protection statutes (or even generalized authors' moral rights protection statutes, for that matter) the final result would be an inconsistent patchwork of legal definitions, norms, and remedies, which would not likely meet the U.S. obligation of uniform national treatment under Berne.

## V. U.S. Accession to the Berne Convention: The Problem of Moral Rights

In the early years of its history, the United States had little literary tradition of its own.[94] Books were imported, mostly from England for obvious language reasons. The country saw no reason to extend copyright protection to imported foreign works[95] even though this meant that American works had no protection abroad. In fact, the cost of forfeiting foreign protection for American works was overwhelmingly offset by the savings on the royalties that would have had to be paid on imported works.

Such a copyright policy did not please the rest of the world, particularly the English, who were the main losers from it. In the 1830s, pressure to extend American copyright to foreign authors began to build. American and English writers and publishers set out to lobby together for a bilateral treaty between the United States and England.[96] But they were opposed by American publishers who did not want to pay royalties to English copyright holders even though they were already protected by high tariffs on imported books. As a result, no treaty came into being, and the United States continued to apply its original copyright policies. When the Berne Convention first opened for signature in 1886, the United States remained strongly committed to the legal arrangements set out in the Copyright Act of 1790.[97]

The most notable non-economic reason for the U.S. rejection of the Berne Convention involved the incompatibility of the treatment of moral rights under U.S. domestic copyright law and the Convention.[98] The incompatibility resulted from the different legal traditions followed in the United States on one hand and in the overwhelming majority of the Berne signatories on the other. This incompatibility may be traced to the different way the United States and European civil law countries regard the culture and doctrine of copyright.[99]

Naturally, throughout this long period of copyright isolation, the United States was under intense pressure to join the Convention. The international community, especially those states that were members of the Convention, resented the United States' policy of refusing to provide generalized protection to foreign works.[100] Until the end of World War II, however, when the United States ceased to be a net importer of copyrighted works to begin a process that eventually turned it into a major producer, the country resisted all efforts aimed at persuading it to join the Convention.

Toward the end of World War II, as the United States became a net exporter of creative works, pressures to join an international multilateral copyright treaty started to develop inside the United States. Piracy of American copyrighted materials abroad began to hurt domestic producers. A transformation such as this shows "a pattern of reversals" in the history of the Berne Convention "frequently associated with dramatic irony." [101]

Indeed, in the nineteenth century the European members had wanted the U.S. to become a party to the Berne Convention in an effort to stop American piracy of European copyrighted materials. The U.S. kept out of it for a long time, justifying its refusal in the name of public welfare, i.e., public access to foreign works at low prices. Now the U.S. was experiencing the adverse effects of other countries' public access to U.S. works, and, as a result, there was a call in the U.S. for regulations to protect foreign works for precisely the same reasons that the Europeans had been asserting for the previous century.[102]

In 1976, when the Copyright Act of 1909 underwent a major revision, a new wave of domestic and international pressure reduced considerably the distance between U.S. copyright law and the Berne Convention and paved the way for the United States' eventual adherence in the late 1980s.

After the enactment of the Copyright Act of 1976, the United States experienced an exponential increase in the piracy of its copyrighted materials, especially computer programs, musical recordings, and motion pictures, and finally came to realize that the country was a sort of "copyright outcast."

Indeed, the "dramatic irony" pattern mentioned above[103] was coming to completion. In fact, the membership of the Berne Convention had expanded greatly over more than one century, and not being a member was increasingly undermining the United States' ability to negotiate international agreements in the field of intellectual property protection. As the U.S. government argued at the time, "U.S. adherence to the Berne Convention would strengthen its position in discussions and negotiations with other governments regarding the protection they afford the works of U.S. authors under their copyright law."[104]

In 1988, after more than a century, the United States was finally ready to join the Berne Convention. In order to be able to accede to the Convention, the U.S. had to make considerable changes in its domestic copyright law, which was based on principles, and contained a number of norms and standards, that were incompatible with the Convention's principles, norms, and standards.

Congress treated the Berne Convention as a non self-executing treaty under the U.S. Constitution. In so doing, the Congress made the Convention not directly applicable by domestic courts and bound itself to carry out the relevant international law obligations undertaken by the U.S. by means of implementing legislation. Such implementing legislation is the Berne Convention Implementation Act of 1988 (BCIA).[105]

Section 2 of the BCIA sets out the boundaries within which the Congress chose to confine the Berne Convention in the context of U.S. domestic law. It reads:

> The Congress makes the following declarations:
> (1) The Convention for the Protection of Literary and Artistic Works, signed at Berne, Switzerland, on September 9, 1886, and all acts, protocols, and revisions thereto (hereafter in this Act referred to as the "Berne Convention") are not self-executing under the Constitution and laws of the United States.
> (2) The obligations of the United States under the Berne Convention may be performed only pursuant to appropriate domestic law.
> (3) The amendments made by this Act, together with the law as it exists on the date of the enactment of this Act, satisfy the obligations of the United States in adhering to the Berne Convention and no further rights or interests shall be recognized or created for that purpose.

Sections 2(1) and 2(2) set forth in the clearest terms that the Berne Convention is not the law of the land and that no domestic rights or obligations may flow from it unless specifically provided for by domestic law.

Section 2(3) contains a statement that carries important consequences with respect to moral rights, i.e., that the amendments made by the BCIA along with the "law that exists on the date of [its] enactment" fulfill the international law obligations of the United States under the Berne Convention, and no further legislative intervention is required.

The BCIA provides for a number of amendments to the Copyright Act of 1976,[106] but it makes no reference to moral rights, nor does it contain any new norm designed to introduce in the U.S. legal system a moral rights regime equivalent to the Berne Convention moral rights regime.

Thus, under the declaration set forth in section 2(3) of the BCIA, the definition and protection of moral rights is to be found elsewhere in the U.S. legal system or else the United States would violate its international law obligations under the Convention with respect to moral rights recognition and protection.

Congress in the BCIA stated that domestic law did not need to be modified in order for the U.S. to comply with article 6*bis* of the Berne Convention because rights equivalent to authors' moral rights were already recognized and adequately protected in the United States under common law and statutes.[107]

The process that led the United States to eventually accede to the Berne Convention had been characterized all along by heated controversies and ongoing political and scholarly debate.[108] At the time of the congressional discussions that preceded the enactment of the BCIA, American public opinion was still largely divided on the subject.[109] Thus, Congress not surprisingly adopted a "minimalist" approach[110] in order to earn the greatest support for the BCIA. In practical terms, this meant that compliance with the Berne Convention was politically viable and achievable only if it caused as little disruption as possible in domestic law. As a result, the issue of moral rights, arguably the stickiest on the table, was left untouched, and these rights were not incorporated into domestic copyright law.

The thorniness of the issues surrounding U.S. adherence to the Berne Convention, and of the moral rights issue especially, may be fully appreciated by considering that Congress felt compelled to include specific provisions in the BCIA to further reinforce the concept that the Convention had no effect on the protection of moral rights available under domestic law, which remained the sole source of rights and obligations in the U.S. with respect to these rights. Legally, in light of the declarations made in section 2 of the BCIA, such provisions are redundant, but they powerfully convey the pressures that Congress was under and the caution with which it proceeded.

The provisions in question, which amended the Copyright Act,[111] are set forth in section 3 of the BCIA, which reads as follows:

> (a) RELATIONSHIP WITH DOMESTIC LAW.—The provisions of the Berne Convention—
>
> (1) shall be given effect under title 17, as amended by this Act, and any other relevant provision of Federal or State law, including the common law; and
>
> (2) shall not be enforceable in any action brought pursuant to the provisions of the Berne Convention itself.
>
> (b) CERTAIN RIGHTS NOT AFFECTED.—The provisions of the Berne Convention, the adherence of the United States thereto, and satisfaction of United States obligations thereunder, do not expand or reduce any right of an author of a work, whether claimed under Federal, State, or the common law—
>
> (1) to claim authorship of the work; or
>
> (2) to object to any distortion, mutilation, or other modification of, or other derogatory action in relation to, the work, that would prejudice the author's honor or reputation.

Section 3(a) formalizes an absolute prohibition against the U.S. judiciary enforcing any action brought before it under the Berne Convention. That article 6*bis* of the Berne Convention had no effect *per se* in addition, reduction, or modification of existing U.S. law stems from the fact that the Convention is not self-executing and, hence, no cause of action can be directly raised under it. And yet, this principle, which is made into a general positive domestic norm by section 3(a), is forcefully repeated by section 3(b) specifically for moral rights. As to which existing laws would provide a level of moral rights protection sufficient to meet the requirements of article 6*bis*, Congress pointed to the domestic statutory and common-law sources discussed above in Part IV.[112]

The Berne Convention and the implementing BCIA, which prohibits courts from directly applying the Convention but contains no express regulation of moral rights of its own, went into force in the United States on March 1, 1989.

## VI. The Visual Artists Rights Act of 1990

Two years after authorizing the United States to join the Berne Convention through the enactment of the BCIA,[113] Congress passed the Visual Artists Rights Act (VARA),[114] which introduced into U.S. copyright law for the first time some elements of explicit Berne moral rights protection.

The VARA provides a limited category of authors (i.e., creators of works of "visual arts" as defined by the Act)[115] with both the right of paternity and the right of integrity.

With respect to the right of paternity, the VARA recognizes the following author's rights: (i) the right to claim authorship,[116] (ii) the right to prevent the author's name from being placed on works that he or she did not create,[117] and (iii) the right to prevent the use of the author's name in the event of a distortion, mutilation, or other modification of the work which would be prejudicial to the author's honor or reputation.[118]

As to the right of integrity, the VARA defines the following author's rights: (i) the right to prevent any intentional distortion, mutilation, or other modification of the work which would be prejudicial to the author's honor or reputation[119] and (ii) the right to prevent the destruction of a work of recognized stature.[120]

On its face, the VARA recognizes and protects moral rights in compliance with the requirements of article 6*bis*.

In fact, the Act bestows these rights solely upon the author, "whether or not the author is the copyright owner."[121] However, the VARA protection is severely limited.

First, the subject matter covered by the VARA is restricted to a narrowly defined category of works of "visual art."[122] It does not cover any other work of authorship provided for in the Copyright Act. Hence, only the moral rights of a very thin set of authors are protected. Authors of the overwhelming majority of copyrighted works, including a substantial subset of non-VARA works of visual art,[123] are not entitled to any VARA protection.

The general duration of the moral rights recognized by the VARA (i.e., "the life of the author,")[124] is significantly shorter than the duration requirement of the Berne Convention (i.e., "at least until the expiry of the economic rights").[125]

Finally, the VARA allows an author to knowingly and voluntarily waive the moral rights[126] protected by the Act, provided that the waiver results from a written instrument signed by the author. The very existence in the VARA of an author's prerogative to waive his or her moral rights makes the Act incompatible with the Berne Convention, which intends authors' moral rights to be non-waivable.[127]

With respect to VARA interpretation and application, there is disagreement among scholars as to whether the Act is being construed narrowly rather than expansively by courts.[128] The existing case law, however, is not developed enough to permit a conclusive assessment.

The VARA does not seem to have changed the pre-existing U.S. legal regime of moral rights in a significant way.

## VII. Conclusion

U.S. law does not afford authors an adequate level of moral rights protection under the Berne Convention.

With the exception of an extremely narrow subset of visual artists' moral rights defined by the VARA and by similar state statutes, the U.S. Copyright Act does not recognize authors' moral rights.

Article 6*bis* of the Berne Convention is predicated on the principle that authors' moral and economic rights are separate. The Copyright Act deals with moral and economic rights as a legally indivisible set, granting all powers and prerogatives to the copyright owner. Whenever the copyright owner is someone other than the author, the author normally is left without a specific remedy against violations of his or her moral rights.

The moral rights protection available in U.S. law is indirect, variable, and limited. It is scattered across a patchwork of common law doctrines and statutes. Authors occasionally may obtain protection in certain circumstances through the available means, but the overall system is problematic and uncertain. In addition, U.S. courts tend to construe and apply these remedies narrowly rather than expansively.

Finally, a fundamental question with respect to the effectiveness of overall moral rights protection in the United States is raised by the enactment of the VARA. In authorizing the U.S. to join the Berne Convention, the Congress asserted that U.S. law provided a level of moral rights protection compatible with Berne and that no further means of protection of these rights needed to be legislated.[129] Yet, two years later Congress enacted the VARA, which for the first time recognized and protected moral rights explicitly. If U.S. law already adequately protected moral rights, as Congress asserted at the time of the enactment of the BCIA, why was VARA necessary?

There is no simple answer to that intriguing question, as it raises a problematic dilemma.[130] Either Congress erred in finding the existing protection of moral rights under U.S. law adequate or VARA is at best a virtually useless piece of redundant legislation and at worst a harmful law.

Whatever the answer, the fact remains that the protection of authors' moral rights under U.S. law is inadequate and does not meet the relevant international law obligation undertaken by the United States in joining the Berne Convention.

## Endnotes

1. J. H. Jackson, W. J. Davey & A. O. Syckes, Jr., Legal Problems of International Economic Relations 1 (3d ed. 1995) ('"Interdependence' may be overused, but it accurately describes our world today. Economic forces flow with great rapidity from one country to the next.")
2. Berne Convention for the Protection of Artistic and Literary Works, 25 U.S.T. 1341, 828 U.N.T.S. 221, (hereinafter, "Berne Convention," "Convention," or "Berne").
3. M. A. Roeder, *The Doctrine of Moral Right: A Study in the Law of Artists, Authors and Creators*, 53 Harv. L. Rev. 554, 557 (1940).
4. *Id.* at 564.
5. *Id.* at 574-75.
6. *Id.* at 575.
7. J. M. Dine, *Authors' Moral Rights in Non-European Nations: International Agreements, Economics, Mannu Bhandari, and the Dead Sea Scrolls*, 16 Mich. J. Int'l L. 545, 551 (1995).
8. Roeder, *supra* note 3, at notes 33-34 and accompanying text.
9. *See* French Law No. 57-298 (2 March 1957), art. 32 (*droit de retrait ou de repentir*).
10. Dine, *supra* note 7.
11. Roeder, *supra* note 3, at 574 (pointing out that some moral rights must die with the creator because of their specific structure or scope).

12. The use of the phrase "moral rights," which is a literal translation of the French phrase *droit moral*, has been criticized because the rights encompassed in *droit moral* do not refer solely to a notion of morality. However, the phrase "moral rights" is now universally accepted by scholars who write in English as a legal term of art used to designate specific authors' personal rights in works of authorship other than economic exploitation rights. *See* R. Rosenthal Kwall, *Copyright and the Moral Rights: Is an American Marriage Possible?*, 38 Vand. L. Rev. 1 n.6 (1985).

13. N. C. Suhl, *Moral Rights Protection in the United States Under the Berne Convention: A Fictional Work?*, 12 Fordham Intell. Prop. Media & Ent. L.J. 1203, 1208 (2002).

14. *Id.* at 1210.

15. Roeder, *supra* note 3, at 578.

16. *See infra* note 31 and accompanying text.

17. E. J. Damich, *Moral Rights in the United States and Article 6bis of the Berne Convention: A Comment on the Preliminary Report of the Ad Hoc Working Group on U.S. Adherence to the Berne Convention*, 10 Colum.-VLA J.L. & Arts 655, 656 (1986) (arguing that the adequacy of U.K. common-law protection of moral rights under Berne is questionable).

18. The list of member states as of July 15, 2002 may be found on the WIPO Web site *at* www.wipo.org/treaties/documents/english/word/e-berne.doc (last visited Oct. 8, 2002).

19. Berne Convention for the Protection of Literary and Artistic Works, *supra* note 2.

20. The Convention went into effect on December 5, 1887 among the following signatory states: Belgium, France, Germany, Haiti, Italy, Spain, Switzerland, Tunisia, and the United Kingdom. It has since been adhered to by the overwhelming majority of the world's states. *See supra* note 18**.**

21. The Convention was subsequently revised in Paris in 1896; in Berlin in 1908; again in Berne in 1914; in Rome in 1928; in Brussels in 1948; in Stockholm in 1967; and again in Paris in 1971.

22. The historical origins and legal background of the Berne Convention are wittily described in P. Goldstein, Copyright's Highway, ch. 5 (1994).

23. R. A. Gorman & J. C. Ginsburg, Copyright: Cases and Materials 3 (2002) (quoting *Donaldson v. Becket* (H.L. 1774)), in which the House of Lords determined that copyright had never existed as a right at common law).

24. By entering a bilateral copyright treaty, two states undertake to provide the citizens of the other state with the same protection that each state's domestic copyright law accords its own citizens. For a thorough discussion of the principle of reciprocity in international law, *see, e.g.,* E. Decaux, La Reciprocite en Droit International (Bibliotheque de Droit International, vol. LXXXII) (1980).

25. If country X has no publishing industry, it will be better off rejecting all forms of international copyright protection in the short run. In the long run, such a choice may turn X into a haven for unprotected foreign works, thus preventing a domestic publishing industry from coming into being altogether.

26. *See* the French Decree of 1852 in S. P. Ladas, The International Protection of Literary and Artistic Property 27-28 (1938).

27. The French initiative resulted in the establishment of twenty-three bilateral copyright treaties between France and as many other countries.

28. Nations that are strong producers of copyrighted works will tend to enact extensive, sophisticated, and effectively enforced copyright protection laws; nations that have a poor domestic production of copyrighted works and tend to rely on works imported from abroad will usually have weak mechanisms in place.

29. An exhaustive theoretical analysis of the Berne Convention may be found in M. B. Nimmer & P. E. Geller, eds., International Copyright Law and Practice (1988).

30. P. Burger, *The Berne Convention: Its History and its Key Role in the Future*, 3 J.L. & Tech. 1, 16 (1988).

31. Rome Revision, done on June 2, 1928, 123 L.N.T.S. 217.

32. *See supra* note 5 and accompanying text.

33. *See supra* note 30 and accompanying text.

34. P. Burger, *supra* note 30, at 29-48.

35. Berne Convention for the Protection of Artistic and Literary Works, *supra* note 2, art. 6*bis*.

36. *See supra* Part II.

37. *See* Part V *infra*.

38. Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 3-6 (1961), reproduced in Gorman & Ginsburg, *supra* note 23, at 14.

39. *See id.* The difference is shown by the very names copyright is dubbed in major civil law countries' laws: *droit d'auteur* (France), *Urheberrecht* (Germany), and *diritto d'autore* (Italy).

40. *See supra* note 5 and accompanying text.

41. For a discussion of economic aspects of copyright *see, e.g.,* Landes & Posner, *An Economic Analysis of Copyright Law*, reported in Gorman and Ginsburg, *supra* note 23, at 20-27.

42. U.S. Const., art. I, § 8, cl. 8.

43. *Wheaton v. Peters,* 33 U.S. 591, 654-68 (1834).

44. *Miller v. Commissioner*, 299 F.2d 706, 709 n.5 (2d Cir. 1962).

45. Conversely, article 1 of the Berne Convention unequivocally states that the Convention was created to protect the "rights of authors," and article 6*bis* defines two basic moral rights among such rights. *See supra* note 36 and accompanying text.

46. The Ad Hoc Working Group, *Final Report of the Ad Hoc Working Group on U.S. Adherence to the Berne Convention*, 10 Colum.-VLA J.L. & Arts 513, 548 (hereinafter, "Final Report of the Ad Hoc Working Group").

47. 17 U.S.C. § 106(2) and § 115(a)(2).

48. Specifically, protection would be afforded by common-law theories of contract, on one side, and of tort (libel and violation of the right of privacy/publicity), on the other.

49. 17 U.S.C. § 409(2) ("The application for copyright registration shall be made on a form prescribed by the Register of Copyrights and shall include—[. . .] the name and nationality or domicile of the author or authors.")

50. Final Report of the Ad Hoc Working Group, *supra* note 46, at 551.

51. *Id.* at 554.

52. 17 U.S.C. § 101.

53. *See* Damich, *supra* note 17, at 659.

54. *Id*.

55. 17 U.S.C. § 115(a)(2) ("A compulsory license includes the privilege of making a musical arrangement of the work to the extent necessary to conform it to the style or manner of interpretation of the performance involved, *but the arrangement shall not change the basic melody or fundamental character of the work*, and shall not be subject to protection as a derivative work under this title, except with the express consent of the copyright owner." (emphasis added)).

56. C. G. Ludolph & G. E. Merenstein, *Authors' Moral Rights in the U.S. and the Berne Convention,* 19 Stetson L.R. 201, 219-20 (1989) (relying on *Gilliam v. American Broadcasting Co.,* 538 F.2d 14 (2d

Cir. 1976), and *Midway Mfg. Co. v. Artic Int'l, Inc.*, 704 F.2d 1009 (7th Cir. 1983). In both cases, licensees of copyrighted works altered the works to an extent that went beyond the terms of the license and that constituted an alleged copyright infringement.).

57. *See supra* note 56.

58. 15 U.S.C. § 1125(a)(1)(A) ("Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which [. . .] is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person [. . .] shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.").

59. For a detailed analysis of the requirements of section 43(a) respecting authors' claims, *see* Suhl, *supra* note 13, at 1219-21.

60. 648 F.2d 602 (9th Cir. 1982).

61. Final Report of the Ad Hoc Working Group, *supra* note 46, at 553 (citing the opinion of M. Nimmer).

62. Damich, *supra* note 17, at 658 (citing the opposing view of *Design v. Sterling Precision*, 231 F. Supp. 106, 115 (1964), which held that only the application of a false designation of origin, not the removal of a true designation, is actionable under the Lanham Act).

63. *Id.* at n.19 and accompanying text.

64. Final Report of the Ad Hoc Working Group, *supra* note 46, at 553 (citing *Follett v. Arbor House*, 497 F. Supp. 304 (S.D.N.Y. 1980), and *Geisel v. Poynter Products, Inc.*, 295 F. Supp. 331 (S.D.N.Y. 1968)).

65. *Id.* at 555 (citing *Gilliam, supra*; *Jaeger v. American Int'l Pictures, Inc.*, 330 F. Supp. 274 (S.D.N.Y. 1971), *Prouty v. NBC*, 26 F. Supp. 265 (D. Mass. 1939), and *Autry v. Republic Prods.*, 104 F. Supp. 918 (S.D. Cal. 1952)).

66. *Gilliam v. American Broadcasting Co.*, 538 F.2d 14.

67. 538 F.2d at 29.

68. At the time of the *Gilliam* decision, this was the Copyright Act of 1905.

69. *Gilliam*, 538 F.2d at 24.

70. Ludolph & Merenstein, *supra* note 56, at 219.

71. *Id.*

72. Suhl, *supra* note 13, at note 116 and accompanying text.

73. Roeder, *supra* note 3.

74. T. F. Cotter, *Pragmatism, Economics, and the Droit Moral*, 76 N.C.L. Rev. 1, nn.72-73 and accompanying text (1997).

75. *Id.* at nn.74-76 and accompanying text.

76. Final Report of the Ad Hoc Working Group, *supra* note 46, at 551-52 (citing *Harris v. Twentieth Century-Fox Film Corp.*, 43 F. Supp. 119 (S.D.N.Y. 1942), and *Vargas v. Esquire, Inc.*, 164 F.2d 522 (7th Cir. 1947)).

77. Ludolph and Merenstein, *supra* note 56, at note 80 and accompanying text.

78. Final Report of the Ad Hoc Working Group, *supra* note 46, at 552 (citing *Van Valkenburg Nooger & Neville, Inc. v. Hayden Publishing Co.*, 30 N.Y.2d 34 (1972), *Zilg v. Prentice-Hall*, 717 F.2d 671 (2d Cir. 1983), and *Harms, Inc. v. Tops Music Enterprises*, 160 F. Supp. 77 (S.D. Cal. 1958)).

79. Final Report of the Ad Hoc Working Group, *supra* note 46, at 555.

80. Damich, *supra* note 17, at 657.

81. *Id.* (citing the opinion of M. Nimmer).

82. Damich, *supra* note 17, at 658. *See also* Ludolph & Merenstein, *supra* note 56, at 214 ("American courts have been reluctant to announce a moral rights tort doctrine.").

83. Final Report of the Ad Hoc Working Group, *supra* note 46, at 553.

84. *Id.* at 555 (citing *Kerby v. Hal Roach Studios*, 53 Cal. App. 205 (Cal. Dist. Ct. App. 1942), *Edison v. Viva Int'l Ltd.*, 70 A.D.2d 379 (1980), and *Clevenger v. Baker Voorhis & Co.*, 8 N.Y.2d 187 (1960), and 14 N.Y.2d 536 (1964)).

85. *Id.* (citing *Zim v. Western Publishing Co.*, 573 F.2d 1318 (5th Cir. 1978), *Jaeger v. American Int'l Pictures, Inc.*, 330 F. Supp. 274, *Big Seven Music v. Lennon*, 554 F.2d 504 (2d Cir. 1977), and *Stevens v. NBC*, 76 Cal. Rptr 106 (Cal. Ct. App. 1969)).

86. Ludolph and Merenstein, *supra* note 56, at 215-16 (pointing out that authors and artists who are so widely known as to qualify as public figures face a tougher burden in claiming libel because they are required to prove actual malice, and concluding that "it is most advantageous for United States authors to be well known enough to have a protectable reputation, but not quite famous enough to be public figures").

87. *Id.*

88. Damich, *supra* note 17, at note 37 and accompanying text (pointing out that in some cases the destruction of an author's only existing work or best work could indeed hurt his or her reputation and, hence, give rise to a libel cause of action).

89. Ludolph & Merenstein, *supra* note 56, at 217.

90. Gorman & Ginsburg, *supra* note 23, at 539 (listing California, New York, Massachusetts, New Jersey, Maine, Connecticut, Louisiana, New Mexico, Pennsylvania, and Rhode Island.)

91. *See infra* Part VI.

92. *See* Gorman & Ginsburg, *supra* note 23, at 540 (arguing that, even if state laws and the VARA now overlap to some extent, they are not completely consistent with respect to either subject matter covered or conduct prohibited, and quoting *Wojnarowicz v. American Family Association*, 745 F. Supp. 130 (S.D.N.Y. 1990) as a good illustration of some of the differences in purpose and scope between federal and state rights).

93. A discussion of New York's Artists' Authorship Rights Act's treatment of the right of paternity and the right of integrity can be found in Ludolph & Merenstein, *supra* note 56, at 220-22.

94. *See* Goldstein, *supra* note 22, at 182.

95. Under the very first federal copyright statute, "the importation or vending, reprinting or publishing within the United States of any map, chart, book or books, written, printed, or published by any person not a citizen of the United States" was legal. *See* Public Law, Copyright of Books & C, May 31, 1790, sec. 5, 1 Stat. 124, 125.

96. Charles Dickens was most vocal among the English writers who took part in the effort. He traveled to the United States in 1842 to seek support for the international copyright movement. *See* D. Nimmer, *Time and Space*, 39 IDEA 501, 506 (1998).

97. *See supra* note 38.

98. For a discussion of the legal incompatibilities between U.S. law and the Convention, *see* D. Lambelet, *Internationalizing the Copyright Code: An Analysis of Legislative Proposals Seeking Adherence to the Berne Convention*, 76 Geo. L.J. 467, 483-504 (1987).

99. Moral rights were not the only stumbling block. In addition to the fundamental issue of principle raised by these rights, further legal incompatibilities existed that made the adherence of the United States to the Berne Convention problematic. One material incompatibility was the Convention provision that enjoyment and exercise of author's rights shall not be subject to any formality. Another incompatibility involved the different treatment of

fair use. Finally, there were some less substantial differences between U.S. law and the Convention with respect to the protection to be accorded architectural works, the regulation of mandatory licenses, and other minor items. Although not as structurally severe as the moral rights issue, these differences, too, contributed to keeping the U.S. out of the Berne Convention for over a century.

100. The United States was not refusing protection altogether. The Chace Act of 1891 had empowered the President to extend copyright to foreign works. But the Act contained such strictures as to make the protection quite hard to obtain. In order to be protected, foreign copyrighted works were subject to the same formality requirements imposed on domestic works; in addition, the Act introduced a "manufacturing clause" requiring all copies of foreign literary works to be printed in the U.S. *See* Public Law, Copyright, Mar. 3, 1891 (Chace Act), 51 Stat. 1106.

101. S. Tiefenbrunn, *A Hermeneutic Methodology and How Pirates Read and Misread the Berne Convention*, 17 Wis. Int'l L.J. 1, 5 (1999).

102. Because of structural differences between its domestic law and the Berne Convention, the United States did not join the Convention immediately. Rather, it proposed in 1947 to form a new treaty, the Universal Copyright Convention (UCC, signed at Geneva Sept. 6, 1952, ratified by the President Nov. 5, 1954, entered into force Sept. 16, 1955, 6 U.S.T. 2731), which would make it possible for all the different copyright doctrines to coexist. The UCC was based on national treatment, but it mandated only minimal requirements as to what such treatment ought to be. The UCC sets forth only a bland requirement to grant "adequate and effective protection of the rights of [foreign] authors and other copyright proprietors" (art. I), and it tolerates the imposition of formalities (art. III). Many Berne Convention members also joined the UCC. Under the UCC national treatment principle, American copyrighted materials were entitled in foreign countries to the same protection those countries accorded their own copyrighted works. The United States was, in turn, bound to give those countries' works the protection of U.S. copyright law. This arrangement allowed the U.S. to obtain a certain degree of international protection while preserving all the features of its domestic law.

103. *See supra*, note 101 and accompanying text.

104. *The Implications, both Domestic and International, of U.S. Adherence to the International Union for the Protection of Literary and Artistic Works: Hearings Before the Subcomm. on Patent, Copyrights and Trademarks of the Senate Comm. on the Judiciary*, 99th Cong., 1st Sess., at 139 (1987) (testimony of C. Michael Hathaway).

105. P.L. No. 100-568, 102 Stat. 2853 (1988).

106. The BCIA was codified into the Copyright Act at 17 U.S.C. §§ 101, 104, 116, 116A, 205, 301, 401-408, 411, 501, 504, 801.

107. H.R. Rep. No. 100-609, 100th Cong., 2nd Sess., pt. III, at 38 ("The Committee on the Judiciary of the House of Representatives has determined that existing law enables the United States to adhere to the Berne Convention"); 134 Cong. Rec. S14, at 553 (Oct. 5, 1988) (Statement of Sen. DeConcini).

108. *See, e.g.*, *U.S. Adherence to the Berne Convention: Hearings Before the Subcommittee on Patents, Copyrights and Trademarks of the Senate Committee on the Judiciary*, 99th Cong., 1st & 2nd Sess. 50 (1985-1986); Sen. P. Leahy, *Time for the United States to Join the Berne Convention*, 3 J.L. & Tech. 177 (1988); A. B. Sackler, *The United States Should not Adhere to the Berne Convention*, 3 J.L. & Tech. 207 (1988).

109. Gorman & Ginsburg, *supra* note 23, at 533.

110. D. Ross, *The United States Joins the Berne Convention: New Obligations for Authors' Moral Rights?*, 68 N.C.L. Rev. 363, 367 (1990).

111. 17 U.S.C. § 104(c).

112. The Congress adopted the conclusions contained in the Final Report of the Ad Hoc Working Group, *supra* note 46.

113. *See supra* note 105.

114. P.L. 101-650, Title VI, 104 Stat. 5089 (1990), codified as 17 U.S.C. § 101 and § 106A.

115. *See* notes 122-23 *infra*.

116. 17 U.S.C. § 106A(a)(1)(A).

117. 17 U.S.C. § 106A(a)(1)(B).

118. 17 U.S.C. § 106A(a)(2).

119. 17 U.S.C. § 106A(a)(3)(A).

120. 17 U.S.C. § 106A(a)(1)(B).

121. 17 U.S.C. § 106A(b).

122. 17 U.S.C. § 101 ("A 'work of visual art' is—(1) a painting, drawing, print, or sculpture existing in single copies, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of two hundred or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or (2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.").

123. 17 U.S.C. § 101 ("A work of visual art does not include—(A) (i) any poster, map, globe, chart, technical drawing, diagram, model, applied art, motion picture or other audiovisual work, book, magazine, newspaper, periodical, data base, electronic information service, electronic publication, or similar publication; (ii) any merchandising item or advertising, promotional, descriptive, covering, or packaging material or container; (iii) any portion or part of any item described in clause (i) or (ii); (B) any work made for hire; or (C) any work not subject to copyright protection under this title.").

124. 17 U.S.C. § 106A(d)(1).

125. Berne Convention, *supra* note 2, art. 6*bis*(2).

126. 17 U.S.C. § 106A(e) in connection with § 113(d).

127. R. J. Sherman, *The Visual Artists Rights Act of 1990: American Artists Burned Again*, 17 Cardozo L. Rev. 373, 413 (1995).

128. *See, e.g.,* L. Nakashima, *Visual Artists' Moral Rights in the United States: An Analysis of the Overlooked Need for States to Take Action*, 41 Santa Clara L. Rev. 203, 216-217 (2000) ("A number of cases have been brought under VARA. However, the majority of those cases were resolved with little or no interpretation of VARA. In many cases, the court found VARA inapplicable because the plaintiff's work did not constitute a 'work of visual art'."); Gorman and Ginsburg, *supra* note 23, at 535 ("There have been a number of recent cases testing the coverage of the Visual Artists Rights Act; they evidence a judicial inclination to construe the act generously.").

129. *See supra* note 107 and accompanying text.

130. Sherman, *supra* note 127, at 428.

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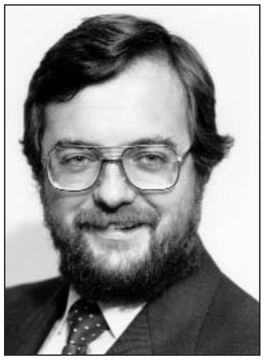
# The Madrid Protocol: Pros and Cons for U.S. Companies

By David A. Latham and Verena von Bomhard



## I. Introduction

The Madrid Protocol Implementation Act was enacted by the United States on November 2, 2002. Provided the instrument of accession is deposited on time, the Act will take effect one year later, i.e., on Monday, November 3, 2003. The USPTO has published Proposed Rules of Practice for Trademark-Related Filings under the Madrid Protocol Implementation Act ("proposed Rules of Practice"), available at www.uspto.gov/web/trademarks/fr_madrid.htm. Once all the final hurdles have been taken, U.S. companies finally will be able to seek trademark protection by means of international registrations in any of the 57 countries that have adopted the Madrid Protocol to date.

*"The Madrid system provides an easy and cost-effective way of filing trademark applications in a multitude of countries. . . ."*

The international system of registration (Madrid system) is a "one-stop shopping system" managed by the International Bureau of the World Intellectual Property Organisation (WIPO) in Geneva, Switzerland. The system has existed under the Madrid Agreement for more than 100 years. Because of several perceived shortcomings of the Madrid Agreement, the Madrid Protocol was created. This allowed the United States, along with the UK, Japan, Australia and other important countries to join the system.[1]

The Madrid system facilitates the filing of trademark applications in any country that participates in the system. A trademark owner in a Madrid country must have a domestic—"basic"—application or registration in place. Based on this application or registration, the international application can be submitted, designating those Madrid Protocol countries where the trademark owner wishes to obtain trademark protection. WIPO processes the application, registers and publishes it, and notifies the national offices in each designated country of the application. The national offices have 12 to 18 months to raise objections to the registration. Only if this happens will a local agent have to become involved in the country where objections were raised. Where no objections are raised within the time limit, or objections are overcome, the international registration is granted. This results in a registration which, in the country in question, has the same effect as a national registration. In other words, an international registration leads to a bundle of national rights. It is not a single registration for a number of countries, as the Community trademark is.

## II. Main Features of the Madrid System

The Madrid system provides an easy and cost-effective way of filing trademark applications in a multitude of countries, including all countries of the European Union, countries of Eastern Europe and the former Soviet Union, Australia, Japan, China, and a number of African countries. A full list of these countries is annexed to this article. The international registration can be obtained alongside national or regional registrations for the same countries. The basic requirement for the trademark owner is to be a national of or be domiciled in or have a real and effective establishment in a country that is member to the Madrid Protocol and to have obtained a trademark application or registration in that country ("country of origin").

### A. Filing of the International Application: Overview

Once the trademark owner has a basic application or registration in place, he can file the international application. Under the proposed Rules of Practice, this must be done in English; other Protocol languages (French and soon also Spanish) are not an option for U.S. companies. The application is not filed with WIPO directly but with the "office of origin," i.e., for U.S. companies, the USPTO. The USPTO will only accept electronic applications filed via the Trademark Electronic Application System (TEAS).

The application must be accompanied by the payment of fees. There are two sets of fees: the national "certification" fee, which must be paid to the office of origin, and the international fees. These can be paid either directly to WIPO in Swiss francs or to the USPTO in U.S. dollars. Although under the Madrid Protocol the payment of fees is not a requirement for an application date being granted, the USPTO will not process the application unless the full fees are paid. The international application must mirror the basic application or registration in that it must be for the same mark and cover the same (or less) goods and services. The Convention priority of the basic application or registration can be claimed if the international application is made within six months of filing the basic application, provided the national office forwards the application to WIPO within no more than two months. This should not be a problem with the USPTO, which will communicate with WIPO electronically. WIPO examines the application for formal requirements, registers and publishes it in the WIPO Gazette of International Trademarks, and notifies the national offices of the designated countries. Following that, the trademark offices in the designated countries examine the application as to their compliance with the national law.

*"If protection is ultimately refused in any given country, it has no impact on the international registration as a whole."*

### B. Objections to the International Application

The Madrid Protocol allows its member countries 18 months to issue a preliminary refusal of protection under the local law. Most Protocol countries have made use of this provision, while others have maintained the 12-month maximum provided in the Madrid Agreement. If no preliminary refusal is issued within this period, the registration is granted in the particular country.

A refusal can be based on absolute (distinctiveness, etc.) or relative (earlier rights, oppositions) grounds. It can also concern classification issues, in spite of WIPO examining classification as well. It can further be total or partial, i.e., concern the application as a whole or only a part of the goods and services covered by the application. Once a preliminary refusal has been issued, the trademark owner can choose either to lose trademark protection in the country in question within the scope of the refusal or to defend the application. To defend the application, the owner has to instruct a local agent. The ensuing proceedings before the national offices do not differ from those in the event of a normal national trademark application and will be in the local language.

If protection is ultimately refused in any given country, it has no impact on the international registration as a whole. As the trademark owner can freely choose to designate any given number of designated countries, refusal in any of these will not influence the applications or registrations in the other countries. There is, therefore, no "all-or-nothing-rule" under the Madrid system.

### C. Bundle of National Registrations: User Requirement, Maintenance, Renewals, Assignments

The international registration is equivalent to a bundle of as many national registrations as designated countries that have not refused protection. This means that the trademark must be used in each country in accordance with the national rules in order to maintain its validity and enforceability. In countries where special periodical declarations are required in order to maintain a national registration, the same will have to be observed for the international registration. In this respect, local advice may become necessary.

On the other hand, the renewal periods are the same for the entire international registration, which initially is valid for ten years from the application and renewable for subsequent ten-year periods. Renewals, assignments, and registration of licenses generally will be made in direct correspondence with WIPO and in English only, simplifying the process and reducing the cost.

### D. "Central Attack" and Transformation

During the first five years after registration, the international registration depends on the validity of the basic registration. If, during those five years, the basic registration becomes invalid, or proceedings are initiated that ultimately lead to the cancellation of the basic registration (albeit after the five-year period), the entire international registration is lost. This is called "central attack." In such a case, the international registration can be transformed into national applications in the designated countries, maintaining the original filing or priority date. The ensuing application proceedings, however, require the payment of a full application fee and the appointment of a local trademark attorney. The result is that all the advantages of the international registration are lost, and the trademark owner is in the same position he would have been in from the start had he filed nationally.

### E. Cost

The national "certification" fee to be paid to the USPTO will be in the range of U.S. \$100 to \$150 per class. The international fees, which are calculated in Swiss francs, comprise a basic fee (slightly over U.S. \$500 or almost U.S. \$700, depending on whether the mark is in color)[2], and a so-called supplementary fee. This is about U.S. \$57 (the standard fee under the Madrid Agreement) for a number of countries, while others charge Individual Fees, to which they are entitled under the Madrid Protocol. The result is that the filing fees are lower than going national, although not significantly. The WIPO Web site provides the precise fee schedule (indicated in Swiss francs) at www.wipo.int/Madrid/fees and a very useful fee calculator (www.wipo.int/Madrid/feecalc). To give an initial idea, an international registration for a word mark in one class in all EU member states, including the countries that will accede the EU in May 2004, with the exception of Cyprus and Malta, which have not joined the Madrid system (23 countries in total), the International Fees would be SFR 3,906 or about U.S. $2,850. Adding Switzerland would raise the cost by SFR 600 or U.S. $440.

The main cost savings resulting from filing via WIPO are attributable to the fact that there is no need to appoint local agents for the filing of the application. However, in the event that problems arise in any of the designated countries, a local agent will have to be appointed. It is common for trademark attorneys to charge a basic fee for taking over the representation of an international application, which is close or equivalent to a filing fee. If the international application fails because of a central attack and needs to be transformed in order to maintain the filing or priority date, the costs are ultimately doubled, as the trademark owner, who has already paid the full international filing fees, now also has to pay the regular national filing fees, plus the fees charged by the local agent.

## III. Main Pros and Cons of Madrid Protocol Filing

The main advantages of filing via WIPO lie in the cost savings in the event of a smooth application with no problems in the designated countries. Moreover, the administration of the international registration is easier than that of national registrations in numerous countries, as there is only one renewal date, and renewals, as well as assignments, registration of licenses, etc. are done in direct correspondence with only one central office, namely WIPO. In addition, renewal fees for international registrations are relatively low. One further advantage is that the designated countries are obliged to examine the application within no more than 18 months, a time that is often exceeded with respect to regular national filings.

On the other hand, the central attack, the general dependence of the international registration on the basic registration, and limitations on the freedom to assign the registration are important disadvantages: If the basic registration fails entirely or partially, the entire international registration is lost or limited accordingly. While this need not be catastrophic, as the filing date can be maintained by transforming the international registration into a number of national registrations, the initial positive cost effect is reversed, and the ultimate cost is in fact much higher than in the event of initial national filing. This is particularly disconcerting where the basic application or registration is made in a country where it is difficult to get and maintain a registration, as in the United States.

The international registration cannot be broader than the scope of the basic application or registration. Where the basic application or registration has a very limited specification, the same will be true for the international registration as a whole. A U.S. company therefore will not be able to register for a broad specification in three classes, as permitted in many countries if going the international route. This may put it at a competitive disadvantage, as companies based in countries that permit broad specifications will be able to secure this broader scope by means of an international registration.

*"The main advantages of the CTM over national filings are that the trademark owner need only deal with one local agent, one office, one set of rules and one (or maximum two) languages."*

The international registration can be assigned only to a party that would be entitled to apply for an international registration itself, i.e., someone with a real and effective establishment or domicile in or a national of a contracting party to the Madrid Protocol. This restriction must be observed at any time, not only during the first five years of the international registration. It limits the economic freedom of the trademark owner to organize his portfolio under fiscal considerations, as the usual tax havens (for example, Bermuda, the Caymans, the British Virgin Islands) are not contracting parties. It is interesting to note that at present the only other country in the American continental region that is a member of the Madrid Protocol is Cuba.

## IV. In Particular: Madrid Protocol and EU/CTM

To recapitulate, trademark protection in the EU can (currently) be obtained by means of national applications in the member states or through a CTM application filed with the Office for Harmonization in the Internal Market (OHIM) in Alicante, Spain. The main advantages of the CTM over national filings are that the trademark owner need only deal with one local agent, one office, one set of rules and one (or maximum two) languages. The CTM is a single registration for the whole of the EU, which can be maintained for the whole of the EU by genuinely using it in one country only, and it allows the trademark owner to obtain pan-European injunctions, which makes it a more effective tool of brand protection. With EU enlargement, the CTM will have the further advantage of extending automatically to the ten new member states.[3]

Currently the EU as a whole is not a party to the Madrid Protocol, although every single one of its member states is.[4] Accordingly, a CTM cannot currently be obtained by means of an international application. There are, however, negotiations underway within the European Union to enact the necessary legislation for creating the "Link" between the Madrid Protocol and the CTM system. The EU Commission has presented an appropriate proposal to amend the CTM Regulation. The pros and cons of Madrid Protocol filings vis-à-vis the CTM therefore have to be seen in the light of both scenarios—without and with the "Link"—even though the latter is only in the proposal stage, and it is still unclear whether it will ultimately come to fruition.

*"The main disadvantage of the CTM has always been perceived to be the all-or-nothing rule, namely, the fact that the CTM can be obtained either for the whole of the EU . . . or not at all."*

**A. Madrid Protocol v. CTM**

We have just summarized the main advantages of the CTM over national filings in the EU. The main disadvantage of the CTM has always been perceived to be the all-or-nothing rule, namely, the fact that the CTM can be obtained either for the whole of the EU (i.e., all 15 current and, in the near future, 25 member states) or not at all. If the mark is found to be descriptive in any one language of the EU, or if there is an earlier right in any one of the countries (and the owner of this earlier right refuses settlement, which is relatively rare), the CTM cannot be obtained at all. In this event, the only option is to convert the CTM into national applications. While this will preserve the filing or priority date of the CTM, it is costly in that it costs the same as filing nationally in the first place, plus the initial investment in the CTM.

An international registration—apart from the central attack—does not have the problem of "all-or-nothing," as the owner is free to choose the countries where he wishes to obtain protection. On the other hand, as mentioned, an international registration results in a bundle of national registrations. Accordingly, to maintain an international registration, it must be used in every single country. Enforcement of an international registration is just like that of a national registration. The most important advantages of the CTM, namely the relaxed use requirement and pan-European enforcement, are therefore not obtained by means of an international registration.

Cost-wise, where all or the majority of the EU member states are designated, an international registration will be more expensive than a CTM, the filing and registration fees for which amount to 2,075 euros (currently about U.S. $2,340), leaving aside agents' fees. These fees would compare to the figure for an international registration indicated above (about U.S. $2,850). If the trademark owner only wishes to obtain protection in three or four countries, the international registration initially will beat the CTM on the cost front. For example, an international registration for just France, Germany, Italy, and the UK would cost about U.S. $1,000 (not counting any of the fees incurred in the U.S.). However, if problems arise, the trademark owner may be compelled to appoint as many local attorneys as designated countries, so that even in this case, the potential costs of the international application tend to exceed those of the CTM, apart from there being not one but several sets of proceedings in several languages. Finally, a CTM is independent of any basic registration, which means that the CTM application will be able to get a broader specification in three classes for the same price and will not be subject to central attack.

**B. Advantages/Disadvantages of the "Link"**

If and when the so-called "Link" between the Madrid Protocol and the EU comes into place, a CTM can be obtained by means of an international designation. As compared to the direct filing of a CTM, this will have cost advantages, and the unique possibility of "opting back" (see below) will provide a further advantage. The main disadvantage will be the dependence of the CTM so obtained on the scope and validity of the basic registration. As for cost, it is expected that the individual fee to be charged by OHIM will be very similar to that charged for a direct application. However, the trademark owner will not, or at least not initially, have to appoint a local attorney. Of course, as explained above, if problems arise during the course of the proceedings before OHIM, a local attorney will have to be appointed.

An attractive feature of the "Link" is the so-called "opting back" clause. If accepted according to the current Commission proposal, this will allow the trademark owner to convert a refused CTM not only—as currently—into national applications (with the consequent cost implications), but also into international designations of those EU member states where he wishes to obtain protection while maintaining the original filing date. This means that the effects of the "all-or-nothing" rule described above will be limited, as the cost implications of having a CTM application refused will be much reduced: rather than having to revert to national applications, the trademark owner can simply designate the countries of interest. Thereafter the proceedings will unfold as if the applicant had made an initial designation of these countries, and a local attorney will only have to be appointed if the national trademark offices in these countries raise issues.

The opting back clause is an advantage over the direct filing of a CTM, which, if it fails, can only be converted into national applications. It is true, however, that conversion is rarely used. Moreover, this advantage must be weighed against the remaining disadvantages of an "international CTM application" over a direct CTM filing discussed above, namely the dependence of the international registration on the basic registration, both in validity (central attack) and in scope.

## V. Useful Information

Further information can be found online at the following locations:

- **http://www.wipo.int/madrid/en:** The WIPO Web site provides an exhaustive introduction, a catalogue of 20 FAQ, all the legal texts (Madrid Protocol and Common Rules of Procedure), application and other forms, a continually updated list of contracting parties (i.e., countries that participate in the system), and, as mentioned, fee schedules and a fee calculator (in Swiss francs—for conversion, see, e.g., XE.com).
- **http://www.uspto.gov/main/trademarks:** Provides "Madrid Protocol Links" to the WIPO Web site, as well as to the Madrid Protocol Implementation Act and the Proposed Rules of Procedure. The Rules of Procedure contain precise indications as to what has to be observed in the event of filing images, color marks, non-traditional marks, etc., as well as fee information.
- **http://oami.eu.int:** The OHIM Web site contains further information on CTMs, legal texts, and the proposed "Link."

## Endnotes

1. The dates at which these countries became contracting parties were: UK: December 1, 1995; Japan: March 14, 2000; Australia: July 11, 2001.
2. Conversion based on currency exchange rates as of May 30, 2003.
3. As of May 1, 2004, the following ten countries are to join the EU: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, Slovenia.
4. This applies also to the new member states, with the exception of Cyprus and Malta.

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# Annex

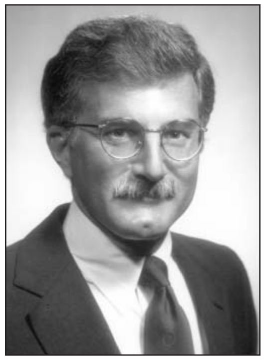
### Madrid Protocol Countries as of April 30, 2003

**Albania**
**Antigua and Barbuda**
**Armenia**
**Australia**
**Austria**
**Belarus**
**Belgium**
**Bhutan**
**Bulgaria**
**China**
**Cuba**
**Czech Republic**
**Democratic People's Republic of Korea**
**Denmark**
**Estonia**
**Finland**
**France**
**Georgia**
**Germany**
**Greece**
**Hungary**
**Iceland**
**Ireland**
**Italy**
**Japan**
**Kenya**
**Latvia**
**Lesotho**
**Liechtenstein**
**Lithuania**
**Luxembourg**
**Monaco**
**Mongolia**
**Morocco**
**Mozambique**
**Netherlands**
**Norway**
**Poland**
**Portugal**
**Republic of Korea**
**Republic of Moldova**
**Romania**
**Russian Federation**
**Serbia and Montenegro**
**Sierra Leone**
**Singapore**
**Slovakia**
**Slovenia**
**Spain**
**Swaziland**
**Sweden**
**Switzerland**
**The former Yugoslavia**
**Republic of Macedonia**
**Turkey**
**Turkmenistan**
**Ukraine**
**United Kingdom**
**Zambia**

# Where Most Trademark Battles Are Fought: Suggestive v. Descriptive Marks

By Rory J. Radding

## I. Introduction



"The primary cost of recognizing property rights in trademark is the removal of words from our language."[1] The balance between trademark rights and the need for free access to language is a dichotomy that has always informed and will continue to inform courts and legislatures. Nowhere is this dichotomy more apparent than in the trademark concepts of descriptive and distinctive (suggestive) marks. In an effort to prevent the monopolizing and depletion of language, trademark law forbids a trademark registrant or user to appropriate a descriptive term for his exclusive use, thereby preventing others from accurately describing their goods. In a licensing context, the parties should consider what type of mark is being licensed and whether and to what extent secondary meaning must be created to ensure that it is protectable.

## II. Background

When selecting a mark, marketers of products frequently select a word that tells the consumer about the product and describes a feature or characteristic of the goods. In other words, they tend to choose descriptive marks. However, the problem is that the more descriptive the mark, the less the likelihood of acquiring trademark rights in the term. That is, other parties may be free to use descriptive words in the advertising and marketing of competitive goods.

The most important doctrinal constraint on trademark law is the requirement of distinctiveness. A trademark can be anything: a word, symbol, color, name, sound, fragrance, product configuration, or packaging. However, only marks that are capable of identifying a particular source of goods or services are eligible for protection under the Lanham Act. Specifically, a mark that is inherently distinctive is accorded significant advantages, both for purposes of federal trademark registration and enforcement against potential infringers. Moreover, the Lanham Act affords several benefits to inherently distinctive marks that it does not extend to marks with only acquired distinctiveness, including legal protection immediately upon adoption and use.

The law, however, fails to define "inherent distinctiveness." Therefore, courts have developed a standard for determining whether a mark is inherently distinctive. The majority of the federal circuit courts have now adopted the trademark classification system devised by the Second Circuit in *Abercrombie & Fitch Co. v. Hunting World, Inc.*,[2] categorizing terms as (A) terms that can never function as trademarks, (B) distinctive terms, (C) descriptive terms, or (D) descriptive terms that have acquired distinctiveness through secondary meaning.

### A. Terms that Can Never Function as a Trademark

There are three types of terms that can never function as a trademark: deceptive, generic, and highly laudatory terms.

#### 1. Deceptive Terms

Deceptive terms are those with respect to which the user of a term knows that its misleading use will bestow upon the product an appearance of greater quality or salability than it has.

#### 2. Generic Terms

A generic term is the name of a product itself, such as COMPUTER for computers, or a valid trademark which has become generic through improper usage or lack of vigilance by the trademark owner, such as ASPIRIN in the United States.

Even if a producer selects a term that is deemed to have been already commonly recognized as a generic name of the goods but, through substantial advertising, proper trademark use, and market dominance, the producer succeeds in establishing public trademark recognition for this otherwise common name, the mark still cannot function as a trademark.

#### 3. Highly Laudatory Terms

Laudatory marks are those that are descriptive of the merit of a product, such as AMERICA'S BEST POPCORN,[3] THE ORIGINAL for game equipment,[4] or the slogan "We'll Take Good Care of You" for hotel services.[5] These marks may acquire distinctiveness through extensive use and promotion.

However, sometimes a term is so highly laudatory that it cannot be converted into a trademark even by means of acquired distinctiveness. For instance, THE ULTIMATE BIKE RACK for bike racks, which was held to be a self-laudatory descriptive term that touts the superiority of the product, was deemed descriptive despite a showing of acquired distinctiveness.[6]

### B. Distinctive Terms

There are gradations of distinctiveness: fanciful, arbitrary, and suggestive in order of strength. The strong marks—fanciful and arbitrary—are given the broadest protection against infringement.

#### 1. Fanciful Terms

Fanciful marks are "coined" words that have been selected for the sole purpose of functioning as a mark. These words did not exist previously, and they have no meaning or relation to the goods. Examples are KODAK for photographic supplies, EXXON for petroleum, and CLOROX for bleach.

#### 2. Arbitrary Terms

Arbitrary marks are words, symbols, etc. that are in common linguistic use but which, when used in connection with goods or services, neither suggest nor describe those goods or services. In other words, these marks are created from existing words but have no meaning or relation to the goods. Examples are APPLE for computers, SUN for bank, and CONGRESS for spring water.

#### 3. Suggestive Terms

Suggestive marks suggest a quality or feature of the goods. A suggestive mark is created from a word which suggests meaning or relation to the goods but does not describe the good itself. Examples are WIRELESS NOW! for on-line information services,[7] SOFT SMOKE for smoking tobacco,[8] and FLORIDA TAN for suntan lotion.[9]

### C. Descriptive Terms

A mark is descriptive if it immediately conveys knowledge of the ingredients, qualities, or characteristics of the goods or services with which it is used, such as PENCIL for retail stationary and office supply services,[10] LE CROISSANT SHOP for restaurant services,[11] and KING SIZE for larger men's clothes.[12]

### D. Descriptive Terms that Have Acquired Distinctiveness: Secondary Meaning (Recognition and Association)

Although descriptive terms generally do not enjoy trademark protection, a descriptive term can be protected if it has acquired distinctiveness through secondary meaning. Distinctiveness is acquired when consumers identify the owner of the mark as the source of the goods or services sold under the mark. "To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself."[13]

The factors relevant to the secondary meaning inquiry include: (1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) competitors' attempts to plagiarize the mark, and (6) the length of the exclusivity of the mark's use. The more descriptive the term, the greater the evidentiary burden on the plaintiff to prove secondary meaning.

Incontestable status may also be conclusive evidence of acquired distinctiveness. Incontestable status may be obtained when the registered mark has been in use for five consecutive years and is still in use in commerce. In addition, it requires that there has been no decision adverse to the registrant's claim of ownership of the mark, the right to register the mark, or the right to keep the mark on the register. Of course, no incontestable right can be obtained in a mark which is the generic name for the goods or services.

Secondary meaning is a matter of fact, to be determined from relevant evidence of probable customer reaction. Proof that others are using a term descriptively on the same or closely related goods is evidence tending to rebut alleged secondary meaning in a descriptive term. However, some courts have stated that proof of secondary meaning is not required for descriptive terms if other elements of unfair competition are present.

An example, illustrating what the courts look to in finding secondary meaning, is *Cartier, Inc. v. Four Star Jewelry Creations*.[14] Plaintiff Cartier initiated litigation against the defendant for infringing upon the trade dress of its watch referred to as "Pasha" and upon a registered trademark for the associated design. The court held that Cartier had met its burden of proof in showing acquired distinctiveness. Cartier had presented evidence that both the Pasha and the associated Grille Design had been extensively promoted and advertised over fifteen years. In 2002, Cartier spent more than $2,300,000 on advertising. Since 1987, Cartier has sold more than 42,000 Pasha de Cartier watches for more than $180 million. In recent years about 12 percent of the Pasha de Cartier watches sold featured the Grille Design as part of the watch. Cartier also claimed extensive exposure and commentary in newspapers, magazines, and trade publications which featured the Pasha de Cartier in articles and reviews.

## III. Suggestive and Descriptive Marks: Where Most Trademark Battles Are Fought

As shown above,

> [at] the extremes of trademark protection are generic terms that can claim no protection, and arbitrary or fanciful

> terms which may always claim protection. In the broad middle ground where most of the trademark battles are fought are the terms which are primarily descriptive and those which are only suggestive. The distinction, while not always readily apparent, is important, because those which are descriptive may obtain registration only if they have acquired secondary meaning, while suggestive terms are entitled to registration without such proof.[15]

What makes for much litigation and numerous registration disputes is the fact that the descriptive-suggestive borderline is hardly clear and only subjectively definable.

### A. How Courts Analyze Descriptive and Suggestive Marks

Courts have adopted three tests for determining whether a mark is suggestive or descriptive.

#### 1. Imagination Test

The imagination test is the most popular means of differentiating suggestive from descriptive marks. The more imagination that is required on the consumer's part to get some direct description of the product from the term, the more likely the term is suggestive, not descriptive. The question is how immediate and direct is the thought process from the mark to the particular characteristic of the product. If the mental leap is not instantaneous, this strongly indicates suggestiveness.

In *Japan Telecom, Inc. v. Japan Telecom American, Inc.*,[16] the plaintiff sued the defendant for trademark infringement where plaintiff's and defendant's names both included the words "Japan Telecom," and defendant's name added the word "America." Defendant argued that plaintiff's mark was descriptive. The court determined that "Japan Telecom" as used by Japan Telecom was descriptive, stating:

> Japan Telecom's trade name leaves very little to the imagination. Japan Telecom is in the telecommunications business, and its name says so. Consumers who are familiar with the convention of using "Japan" to refer to a business that caters to the Japanese community will immediately understand Japan Telecom's niche. Consumers who don't will still not need to make any mental leap between Japan Telecom's name and what it does.[17]

Because not much imagination was required to connect the mark to the services, the mark was considered descriptive.

Similarly, in *Investacorp, Inc. v. Arabian Investment Banking Corp.*, [18] INVESTCORP was found to be descriptive of investment brokerage services. When "the customer who observes the term can readily perceive the nature of plaintiff's services, without having to exercise his imagination the term cannot be considered a suggestive term."

A typical application of the imagination test by the United States Trademark Office Trademark Board is illustrated by *Airco Inc. v. Air Products & Chemicals, Inc.*,[19] where the Board found AIR-CARE not merely descriptive as applied to applicant's services. "The literal meaning of the mark, namely 'care of the air', may through an exercise of mental gymnastics and extrapolation suggest or hint at the nature of applicant's services, but it does not, in any clear precise way, serve merely to describe a scheduled maintenance program for hospital and medical anesthesia and inhalation therapy equipment."[20]

#### 2. Competitor's Need Test

Though not often used by itself, the competitor's need test is another way for courts to determine descriptiveness. Here, the likelihood that the words used will be needed by competitors to describe their product is the deciding factor. A mark is considered to be suggestive if the suggestion by the mark is so remote and subtle that it is really not likely to be needed by competitive sellers to describe their goods.

For example, in *Aluminum Fabricating Co. v. Seasons-All Windows Corp.*,[21] the court held that SEASONS-ALL for aluminum storm windows was suggestive and not descriptive because registration of the mark did not "render it difficult for others in the business of selling other forms of storm doors and storm windows adequately to describe their products. The English language has a wealth of synonyms and related words with which to describe the qualities which manufacturers may wish to claim for their products."[22]

#### 3. Competitor's Use Test

Lastly, is the competitor's use test, which is usually combined with other tests. Here, the court determines the extent to which other sellers have used the mark on similar merchandise. If others are in fact using the term to describe their products, an inference of descriptiveness can be drawn. For example, introduction of many third-party registrations for electronic products of marks with a -TRONICS or -TRONIX suffix is evidence that those third parties and the public consider such a suffix descriptive, such that there would be no likely confusion between DAKTRONICS and TEKTRONIX.[23]

The above tests often appear together in a court's determination with respect to the suggestive-descriptive borderline. The dichotomy, of course, is not a concrete and objective classification system.

## IV. Case Law Developments

The following cases further illustrate how recent U.S. court decisions have grappled with descriptive and suggestive marks. Some of these cases involve slogans, which are usually defined as advertising phrases that accompany other marks such as house marks and product line marks ("WHERE THERE'S LIFE . . . THERE IS BUD"). Slogans, like other combinations of words, are capable of trademark significance if used in such a way as to identify and distinguish the seller's goods from those of others.

Just like other combination of words, a slogan can be descriptive if it directly points out or refers to the characteristic of the goods. As with any descriptive mark, a showing of secondary meaning will suffice to confer protection on descriptive slogans.

### A. Laudatory: *Hoover Co. v. Royal Appliance Manufacturing Co.*[24]

Here, the Federal Circuit found itself examining laudatory advertising slogans in the context of an opposition by one vacuum cleaner manufacturer against another. Hoover challenged Royal's application for the mark THE FIRST NAME IN FLOORCARE because it believed the mark likely to cause confusion with Hoover's mark NUMBER ONE IN FLOORCARE. Because Hoover's mark was not registered, Hoover needed to establish that the NUMBER ONE IN FLOORCARE was distinctive "either inherently or through the acquisition of secondary meaning" before it could challenge Royal's application. In the end, Hoover failed to show that its mark deserved trademark protection.

Hoover argued first that its mark was inherently distinctive, indicating a single source of goods, because it really was "number one in floorcare," and no other company could use the phrase with "equal truth."[25] But this contention simply confirmed the laudatory nature of the phrase. The court explained that if Hoover eventually fell out of the top position in floorcare, the next "number one" should then be entitled to use the designation to describe itself.[26] Hoover argued next that if the mark was descriptive, it had acquired distinctiveness in the marketplace. It contended that slogans had "evolved as second-hand identity as a consequence of consumer recognition of Hoover's first place position in every recognized category in the floorcare industry." With only minimal evidence of use of the slogan and no consumer survey regarding perception or brand recognition, the court determined that the current industry rankings provided insufficient evidence to reverse the Board's finding that the mark was not distinctive.[27]

### B. Incapable of Acquiring Distinctiveness: *In re The Boston Beer Company*[28]

Boston Beer Company applied to register "Best Beer in America" for "beverages, namely beer and ale" and asserted that the words sought to be registered, though a generally laudatory phrase, had acquired distinctiveness. Boston Beer claimed secondary meaning based on annual advertising expenditures in excess of $10 million and annual sales under the mark of approximately $85 million. Specifically, Boston Beer spent about $2 million on promotions and promotional items which included the phrase "The Best Beer in America."

Boston Beer appealed the Trademark Board's decision to deny its application. The Federal Circuit agreed that laudation does not *per se* prevent a mark from being registrable and that there is an assortment of generally laudatory terms that serve as trademarks. However, the court also pointed out that the specific facts of each case control. "A phrase or slogan can be so highly laudatory and descriptive as to be incapable of acquiring distinctiveness as a trademark."[29] The slogan "The Best Beer in America," the court held, was such a slogan.[30]

### C. Incontestable Status as Conclusive Evidence of Secondary Meaning: *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*[31]

The parties here were direct competitors in the permanent makeup industry and sold their pigments to the same end users. The plaintiff sued a trademark owner and a distributor seeking declaratory relief and asserting that the defendants did not have the exclusive right to use the term "micro colors" because "micro colors" was generic or, in the alternative, descriptive. The trademark owner's registered "micro colors" mark had become incontestable. The Ninth Circuit, having determined that defendants' mark is not generic, further held that defendants' incontestable registration was conclusive evidence that the mark was non-descriptive or had acquired secondary meaning.[32]

### D. Incontestable Yet Still Treated as a Weak Mark: *Entrepreneur Media, Inc. v. Smith*[33]

Even where secondary meaning can be shown and registration obtained, and the registration has become incontestable, a descriptive mark nevertheless may be rejected when it is an especially weak mark.

Entrepreneur Media, Inc. ("EMI"), publisher of Entrepreneur magazine, brought a trademark infringement suit based on use of the word “entrepreneur” in connection with the defendant’s public relations company. EMI had a federal registration for the word ENTREPRENEUR for “paper goods and printed matter; namely magazines, books and published reports pertaining to business opportunities, . . . etc.,” which it used for five consecutive years after registration. Such use gave the mark ENTREPRENEUR “incontestable status,” meaning that EMI had the exclusive right to use the mark on or in connection with that category.

It is settled law that a descriptive mark is entitled to protection only if has acquired secondary meaning. However, it is also settled law that incontestability serves as conclusive proof that the mark has secondary meaning. Moreover, incontestable status does not require a finding that the mark is strong or distinctive. Nevertheless, the court considered “the need of others in the marketplace to use the term ‘entrepreneur’ to describe their goods or services.”[34] The court could not find any synonym for the word “entrepreneur,” further stating that “although English is a language rich in imagery, we need not belabor the point that some words, phrases, or symbols better convey their intended meanings than others.”[35]

The court considered probative the fact that defendant’s expert had identified at least six other magazines in which the word “entrepreneur” made up the title; that numerous companies had registered marks that included the word “entrepreneur”; that over one thousand Web site domain names contained the word “entrepreneur; and that defendant’s expert witness provided extensive evidence of the frequent use of the word “entrepreneur” as a common noun.

> Although the incontestable status of the plaintiff’s trademark gave plaintiff exclusive right to use its trademark in printed publications pertaining to business opportunities, the common and necessary uses of the word “entrepreneur” provided strong evidence that plaintiff cannot have the exclusive right to use the word in any mark identifying a printed publication addressing subjects related to entrepreneurship.[36]

### E. No Affirmative Defenses Available Against a Claim of Descriptiveness: *Callaway Vineyard & Winery v. Endsley Capital Group, Inc.*[37]

In this case, Endsley’s application for COASTAL WINERY for “varietal wines” was opposed based on the grounds that the terms “coastal” and “coastal winery” are merely descriptive and generic when used in connection with applicant’s goods. Applicant argued that its mark was not descriptive of its goods and asserted the affirmative defenses of laches, estoppel, and acquiescence. The opposer argued that the adjective “coastal” is widely used in the wine industry to refer to wine produced from grapes grown in the coastal region of the Pacific coast of the United States, mainly in California, or to describe a winery or vineyard that produces such wine; that some of the most influential wineries are located in the coastal region of California; and that consumers would understand applicant’s proposed mark COASTAL WINERY as referring to wine produced using grapes in the coastal region, or from a winery located in this region.

The Board found probative the following evidence submitted by the opposer: The dictionary listing established the term “coastal” as “of or relating to a coast; located on or near a cost: bordering a coast”; the applicant’s vineyard was in fact located on a coast, and the wine to be produced would come from an area near the coast; and approximately sixty news articles using the phrase “coastal wine,” “coastal vineyard,” or “coastal winery,” which demonstrated that the commonly recognized and understood meaning of “coastal” when used in connection with wine identifies wine produced from grapes, vineyards, or wineries located on the coast of California.[38] The Board concluded that the mark was descriptive.

Most significantly, the Board rejected the applicant’s affirmative defenses of laches, estoppel, and acquiescence, holding that such affirmative defenses cannot be asserted when the opposer is claiming descriptiveness.[39]

## V. Conclusion

As these cases illustrate, trademark decisions attempt to balance the grant of exclusive trademark rights against the right of competitors to use the same language to characterize and describe their goods and services. While arbitrary and fanciful marks are afforded the most protection, the majority of marks fall near the descriptive-suggestive borderline because producers tend to choose marks that describe or convey some information about their goods or services.

What makes this suggestive-descriptive borderline problematic is the fact that the demarcation is unclear. Courts have devised a number of tests to help determine whether a mark is descriptive or suggestive: the imagination test, the competitors’ need test, and the competitors’ use test. The tests are often combined to take into consideration the degree of connection between the mark and the goods or services, the need for others to use the mark to adequately describe their goods or services, and the amount of use by others of the same mark in the marketplace. The imagination test, of course, will always play a major role in the court’s decision; the court will almost always try to measure the amount of imagination it takes to make the leap from the mark to the actual goods or services. The more imagination required to make the mental leap, the more likely the mark will be found suggestive. By contrast, if one can readily guess by looking at the mark what the goods or services are, the mark is likely descriptive.

The concept of secondary meaning also plays a significant role in the amount of protection granted to a particular mark. If a mark is found to be descriptive, it must be shown that it has acquired distinctiveness by setting forth evidence of extensive use, promotions, sales revenues, and advertising expenditures. The more descriptive the mark, the more such evidence is needed.

Thus, whether words can be removed from "our language" depends on how the word is used, with what products it is associated, and the extent of its use. In a licensing context, it is critical to know the nature of the trademark licensed and what both the licensor and licensee must do to protect it and strengthen it.

## Endnotes

1. *New Kids on the Block v. News Am. Publ'g.*, 971 F.2d 302, 306 (9th Cir. 1992).
2. 537 F.2d 4, 9-11 (2d Cir. 1976).
3. *In re Wileswood, Inc.*, 201 U.S.P.Q. 400 (T.T.A.B. 1978).
4. *In re Ervin*, 1 U.S.P.Q.2d 1665 (T.T.A.B. 1986).
5. *Genovese Drug Stores, Inc. v. TGC Stores, Inc.*, 939 F. Supp. 340 (D.N.J. 1996).
6. *In re Nett Designs, Inc.*, 236 F.3d 1339 (Fed. Cir. 2001).
7. *Malarkey-Taylor Assocs. v. Cellular Telecommunications Indus. Ass'n*, 929 F. Supp. 473 (D.D.C. 1996).
8. *Philip Morris, Inc. v. R.J. Reynolds Tobacco Co.*, 207 U.S.P.Q. 451 (T.T.A.B. 1980).
9. *Plough, Inc. v. Florida Tan Products Co.*, 174 U.S.P.Q. 46 (T.T.A.B. 1972).
10. *In re Pencils, Inc.*, 909 U.S.P.Q.2d 1410 (T.T.A.B. 1988).
11. *In re France Croissant, Ltd.*, 1 U.S.P.Q.2d 1238 (T.T.A.B. 1986).
12. *King-Size, Inc. v. Frank's King Size Clothes, Inc.*, 547 F. Supp. 1138 (S.D. Tex. 1982).
13. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851 n.11 (1982).
14. 2003 U.S. Dist. LEXIS 7844 (S.D.N.Y. 2003).
15. *Abercrombie & Fitch Co.*, 537 F.2d at 9-11.
16. 287 F.3d 866 (9th Cir. 2002).
17. *Id.* at 873.
18. 931 F.2d 1519 (11th Cir. 1991).
19. 196 U.S.P.Q. 832 (T.T.A.B. 1977).
20. *Id.*
21. 259 F.2d 314 (2d Cir. 1958).
22. *Id.* at 317.
23. *Tektronix, Inc. v. Daktronics, Inc.*, 534 F.2d 915 (C.C.P.A. 1976).
24. 238 F.3d 1357 (Fed. Cir. 2001).
25. *Id.* at 1359.
26. *Id.* at 1360.
27. *Id.*
28. 198 F.3d 1370 (Fed. Cir. 1999).
29. *Id.* at 1373.
30. *Id.* at 1374.
31. 328 F.3d 1061 (9th Cir. 2003).
32. *Id.* at 1071.
33. 279 F.3d 1135 (9th Cir. 2002).
34. *Id.* at 1143.
35. *Id.* (*citing New Kids on the Block v. News America Publ'g, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992)).
36. *Id.*
37. 2002 TTAB LEXIS 296 (2002).
38. *Id.* at 302.
39. *Id.* at 306.

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# Rosa Parks[1]

By Marc A. Lieberstein and Mark Cermele

## I. Introduction

Marc A. Lieberstein

Within one month the Sixth Circuit rendered two diametrically divergent decisions addressing First Amendment defenses to claims of false endorsement under section 43(a) of the Lanham Act[2] and violations of the common-law right of publicity.[3] In *Rosa Parks v. LaFace Record*[4] and *ETW Co. v. Jireh Publ'g, Inc.*[5] the Sixth Circuit grappled with the apparent conflict between a celebrity's right to capitalize on his or her name or likeness and an artists' right to freedom of expression in using the celebrity's identity. This article discusses the underlying rationale for the Sixth Circuit's approach in each case and suggests that a more objective standard should have been applied in *Parks* to reach the same result the Sixth Circuit did in *ETW*, namely, that the First Amendment trumps the celebrity's publicity rights when it is clear that those rights are not being commercially exploited but, rather, adapted only for purposes of artistic expression.

## II. *Parks* and *ETW* at a Glance

In *Parks*, Rosa Parks sued Outkast, a rap duo, for, *inter alia*, allegedly violating her right of publicity under Michigan common law and under section 43(a) of the Lanham Act by using her name as the title to a hit song on Outkast's album *Aquemini*.[6] The overriding issue was whether the song title "Rosa Parks" was "artistically related" to the song's lyrics.[7] Outkast argued that the use of "Rosa Parks" in the title was a symbolic or metaphoric association between Rosa Parks and the phrase "move to the back of the bus," which is repeated ten times in the hook (chorus) of the song, which consists, in pertinent part, of: "Ah ha, hush that fuss/ Everybody move to the back of the bus/ Do you wanna bump and slump with us/ We the type of guys that make the club get crunk. . . ."[8]

The members of Outkast are self-proclaimed leaders of a hip-hop revolution. As stated on their album cover:

> Outkast have been in the game for seven years and have released four Platinum-plus albums. Their catalog sells nearly a thousand pieces a week. . . . They possess a willingness to take a chance by pushing the boundaries of hip hop a little further each time they step into the recording booth . . . liberating . . . [and] challenging the musical status quo.[9]

Mark Cermele

Similarly, Rosa Parks challenged the status quo and made history in 1955 when she refused to forfeit a seat on a bus to a white passenger in Montgomery, Alabama, as required by then existing segregation laws. Her single defiant act initiated a 381-day bus boycott, and became a catalyst for organized civil rights boycotts, sit-ins, and demonstrations all across the South. Ms. Parks then gained prominence as a leader in the civil rights movement, and was admired for her courageous act, symbolizing "freedom, humanity, dignity, and strength."[10] With these facts before it, the Sixth Circuit reversed the district court's summary judgment in Outkast's favor and determined that there was a genuine issue of material fact as to whether the "Rosa Parks" song title was artistically related to the song's lyrics.[11]

One month later, the Sixth Circuit in *ETW* ruled on whether placing Tiger Woods's name and likeness on prints of a painting entitled *The Masters of Augusta* constituted a violation of his right of publicity under Ohio common law or unfair competition under the Lanham Act. In the limited edition reproduction, which commemorates the young Tiger Woods's monumental victory in the Masters Championship, the well-known sports artist Rick Rush decided to depict Tiger Woods in three golf poses with his caddy with the Augusta National Clubhouse in the foreground and the likeness of past Masters Champions, including Arnold Palmer, Sam Snead, Ben Hogan, Walter Hagen, Bobby Jones, and Jack Nicklaus, looking down on him.[12] The prints bear the title "The Masters of Augusta" printed in big block letters beneath the image.[13] The artist's name, "Rick Rush," is printed beneath the title in block letters in equal height to the title; the legend "Painting America through Sports" is printed beneath the artist's name in upper- and lower-case letters.[14] The limited edition prints were sold in an envelope with the words "Masters of Augusta" and "Tiger Woods" written on the back.[15]

As in *Parks*, the overriding issue in *ETW* was the artistic relationship between Tiger Woods's name and likeness and Rush's artwork. However, unlike *Parks*, the Sixth Circuit in *ETW* held as a matter of law that the use of Tiger Woods's name and likeness on Mr. Rush's painting was not a violation of Tiger Woods's right of publicity under Ohio common law or unfair competition under the Lanham Act § 43(a) but, rather, was protected as free speech under the First Amendment.[16]

Regardless of whether one agrees with the holdings in *Parks* or *ETW*, it is the Sixth Circuit's analysis in each case that is of the utmost importance. In weighing the Lanham Act/right of publicity against the First Amendment's protection of the freedom of expression, the Sixth Circuit decided *ETW* in the defendant's favor as a matter of law, yet it found material questions of fact in *Parks* where, seemingly, none existed, a result attributable to the Sixth Circuit's subjective and clearly negative opinion of the association between Rosa Parks and Outkast's rap song and its consequent subjective determination of what is and what is not art.

## III. The Lanham Act and Right of Publicity v. The First Amendment

Freedom of expression under the First Amendment is not limited to written or spoken words; it extends to music, pictures, films, photographs, paintings, drawings, engravings, prints, and sculptures.[17] Placing one's speech in a forum to be sold for profit does not waive the author's First Amendment rights.[18] Nonetheless, the use of a celebrity name in an artistic work does create an inherent tension with the right of publicity and with the Lanham Act's purpose of protecting the public from confusion as to source or sponsorship.[19] The right of publicity is "an intellectual property right of recent origin which has been defined as the inherent right of every human being to control the commercial use of his or her identity."[20] However, "[t]he right of publicity is fundamentally constrained by the public and constitutional interest in freedom of speech."[21] The tension between the Lanham Act/right of publicity and the First Amendment becomes particularly acute when the person seeking to enforce the right is a famous actor, athlete, politician, or otherwise famous person whose exploits, activities, accomplishments, and personal life are subject to constant scrutiny and comment in the public media, as in *Parks* and *ETW*. As noted in *ETW*:

> Celebrities are "common points of reference for millions of individuals who may never interact with one another, but who share, by virtue of their participation in a mediated culture, a common experience and a collective memory." . . . Through their pervasive presence in the media, sports and entertainment celebrities come to symbolize certain ideas and values. . . . *Celebrities, then, are an important element of the shared communicative resources of our cultural domain*.[22]

The use of one's name or likeness for "communicating information or expressing ideas is not generally actionable as a violation of the person's right of publicity . . . however, if the name or likeness is used solely to attract attention to a work that is not related to the identified person, the privilege may be lost."[23] Because "[o]verprotecting intellectual property is as harmful as underprotecting it,"[24] the courts are left with the important task of delineating the boundary at which an artist's freedom of expression ends and a celebrity's publicity rights begin.

## IV. The Modern Standard of Artistic Relevance

The right of publicity has become commonplace in practically all jurisdictions. Courts, however, continually struggle to properly define the boundary between one's intellectual property right in one's name and another's right to use of that name or likeness in an expressive work. The Second Circuit, in *Rogers v. Grimaldi*,[25] was one of the first to recognize that "where the defendant has articulated a colorable claim that the use of a celebrity's identity is protected by the First Amendment,"[26] the application of the "likelihood of confusion test"[27] and the "alternative means of expression test"[28] fail to "accord adequate weight to the First Amendment."[29]

In *Rogers,* the surviving member of one of the most famous duos in show business history, Ginger and Fred, sued the producers and distributors of a movie entitled *Ginger and Fred* for, *inter alia*, violating their right of publicity and unfair competition under the Lanham Act.[30] The film was not about Ginger Rogers and Fred Astaire, but about two fictional Italian cabaret performers who imitated Rogers and Astaire and became known in Italy as "Ginger and Fred."[31]

*Rogers* abandoned the "alternative means of expression test" because its founding principles are in real property, and, thus, it is too attenuated to apply to intellectual property while giving proper weight to the First Amendment.[32] Similarly, *Rogers* determined that the "likelihood of confusion test," as traditionally used in trademark cases, is inapt for such circumstances because it "treats the name of an artistic work as if it were no different than the name of a commercial product."[33] However, "[t]itles, like the artistic works they identify, are of a hybrid nature, combining artistic expression and commercial promotion."[34] As such, the title is both informative to the consumer and is an integral element of the artist's overall expression. "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."[35]

Significantly, *Rogers* sets forth a new standard of analysis—the *Rogers* balancing test—which, if applied correctly, provides an objective test for reconciling the First Amendment with the Lanham Act/right of publicity. As stated in *Rogers*:

> [I]n 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. In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the 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.[36]

Because of the similarity of their elements, a claim of false endorsement under the Lanham Act is the federal equivalent of a right of publicity claim.[37] Accordingly, under *Rogers*, the First Amendment will safeguard the use of a celebrity's name or likeness in the title of an artistic work so long as there is some artistic relationship between the celebrity name or likeness and the work, and so long as there is no explicit misrepresentation as to the source or the content of the work.[38]

## V. The First Amendment Defense Continuum

Clearly violative of the Lanham Act and one's right of publicity is the unauthorized use of a celebrity's name or likeness to promote the sale of one's goods or services.[39] Equally violative is the explicit use of a celebrity name or likeness in conjunction with an express identification of the celebrity as the source/sponsor/author/artist so as to blatantly mislead the public. Where such an overt mischaracterization is employed without consent from the celebrity, application of the standard likelihood of confusion test is most likely warranted.[40]

At the other end of the spectrum, however, are cases like *Rogers*, *Parks,* and *ETW*, where although use of the celebrity name or likeness partially serves the purpose of grabbing consumers' attention, the use of the celebrity name or likeness is also for communication purposes, *e.g.*, putting Hideki Matsui's photo, name, or likeness on the front page of the newspaper,[41] or a retailer using a manufacturer's trademark to advertise the sale of the manufacturer's products. Such uses repeatedly have been held permissible by the courts.[42]

Applying *Rogers* to the numerous cases in this area, one observes a trend, or continuum, of cases from those that are most obviously not violations of the Lanham Act or publicity rights to those cases with more challenging factual scenarios requiring additional analysis to determine the validity of a First Amendment defense.[43] This continuum provides an objective reference point to help determine the proper balance between the Lanham Act right of publicity and freedom of expression.

At one end of the continuum is *Comedy III Prods., Inc. v. Saderup, Inc.*[44] Defendant Saderup sold tee-shirts featuring a lithograph of his charcoal drawing of the likenesses of "The Three Stooges" for which he had not obtained the consent of the owner of the comedians' publicity rights. The Court held that Saderup's tee shirts were entitled to First Amendment protection.[45] In its analysis of how to reconcile Saderup's First Amendment rights with the plaintiff's publicity rights, *Comedy III* considered the first factor of the fair use doctrine, "the transformative nature of the work," in determining "whether the celebrity likeness is the 'raw materials' from which an original work is synthesized, or whether the depiction or imitation of the celebrity is the very sum and substance of the work in question."[46] The *Comedy III* court also commented on the importance of celebrity images as "an avenue of individual expression . . . [because t]heir images are . . . the peculiar, yet familiar idiom in which we conduct a fair portion of our cultural business and everyday conversation."[47] The *Comedy III* court found that there was no "significant transformative or creative contribution" made on Saderup's part.[48] Thus, his portrait of "The Three Stooges" capitalized on the celebrity name or likeness and did not warrant protection under the First Amendment.

A slight variation from the facts in *Comedy III* is found in *Cardtoons v. Major League Baseball Players*,[49] where the court held that the First Amendment protected a company that produced trading cards caricaturing and parodying famous major league baseball players.[50] The *Cardtoons* court applied a "transformative test" in determining that "[t]he cards provide social commentary on public figures, major league baseball players, who are involved in a significant commercial enterprise. . . . The cards are no less protected because they provide humorous rather than serious commentary."[51] As such, "Cardtoons added a significant creative component of its own to the celebrity's identity and created an entirely new product."[52] In other words, Cardtoons sufficiently transformed the celebrity component into something which no longer capitalized on the celebrity name or likeness, but, rather, had its own independent artistic value.

Moving along the continuum, in *Seale v. Gramercy Pictures*,[53] defendants produced and distributed a movie entitled "Panther," which was a combination of historical fact and fiction involving Bobby Seale and the Black Panther Party. In addition to the movie, various defendants in the case produced a book, a videotape of the movie, and a CD/cassette soundtrack containing a collection of the songs from the movie. The CD/cassette cover contained the same photograph that was on the home video, an actor portraying the likeness of Seale. The *Seale* court found that defendants were entitled to summary judgment on plaintiffs' common-law right of publicity claim as it concerned the movie, the pictorial history book, and the videotape. However, the CD contained songs by various composers. Seale testified that "he was familiar with the songs in the CD and the 'content' of the songs," and that "there is no relationship to the content of those songs to the history of [his] organization, the Black Panther Party."[54]

In the initial proceeding, the *Seale* court found that making the distinction between protected and unprotected expression is

> a genuine issue of material fact . . . whether the use of the Plaintiff's name and likeness on the cover of the musical CD/cassette is clearly related to the content of the film "Panther" and serves as an advertisement for the film, which use would be protected by the First Amendment in this case, or whether the defendants' use of the CD/cassette is a disguised advertisement for the sale of the CD/cassette.[55]

In subsequent proceedings, Seale failed to present evidence sufficient to show by a preponderance of the evidence that the defendants' use of the photos was "for the purposes of trade or for a commercial purpose."[56] In light of these facts, the *Seale* court determined that Seale had "failed to show that the use of his likeness on the inside of the CD brochure . . . violated his right of publicity."[57] Therefore, the *Seale* court granted summary judgment in the defendants' favor.

Last in the continuum is *Mattel, Inc. v. MCA Records, Inc*.[58] Mattel, the manufacturer of the well known "Barbie" doll, sued a Danish band, Aqua, for their song entitled "Barbie Girl." The lyrics were alleged, *inter alia*, to portray Barbie in a negative light. They are, in pertinent part: "I'm a Barbie girl, in my Barbie world/ Life in plastic it's fantastic/ You can brush my hair, undress me everywhere . . ., (Chorus) "I'm a blonde bimbo girl, in a fantasy world/ Dress me up, touch me there, hanky-panky. . . ."[59] The band members of Aqua admitted in interviews that "the song isn't about the doll" but, rather, they used Barbie as a symbolic instrument creating a metaphor "to make fun of the glamorous life."[60] The Ninth Circuit, applying *Rogers*, concluded that the First Amendment outweighed any risk of consumer confusion as to Mattel's association with the song title. Specifically:

> 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 . . . is about Barbie and the values Aqua claims she represents. The song title 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.[61]

Accordingly, the Ninth Circuit determined that the First Amendment should prevail where there is obvious relevance of the celebrity name to the communicated message of the work, and it granted summary judgment for the defendant.

## VI. Where Do *Parks* and *ETW* Fall Within the Continuum?

### A. The *Rosa Parks* Decision

The use of a celebrity's name in a title of an artistic work is hybrid in nature; it is both informative and a form of artistic expression. In *Parks* and *ETW*, the Sixth Circuit correctly determined that the *Rogers* test was the standard best suited to balancing the public interest in avoiding consumer confusion with the public interest in free expression.[62]

In adopting *Rogers* as the test for analyzing the balance between the public's interest in freedom of expression and the celebrity interest in his name and likeness, the *Parks* court looked to *Mattel* as a model case[63]—and rightfully so, as *Parks* is most similar to *Mattel* in the above-mentioned continuum.[64] *Mattel* and *Parks* both concern the determination of "artistic relevance" of the use of a celebrity name in the title of a song to the content of the lyrics. Additionally, both *Mattel* and *Parks* involve music.[65] Further, in both *Mattel* and *Parks*, the respective artists testified that their songs were not about the celebrity. In *Mattel*, members of the Aqua band admitted in interviews that "the song isn't about the doll" but, rather, that "Barbie" was used as a symbolic instrument "to make fun of the glamorous life."[66] Likewise in *Parks*, "Dre," a member of the Outkast duo, testified: "We (Outkast) never intended for the song to be about Rosa Parks or the civil rights movement. It was just symbolic, meaning that we comin' back out, so all you other MC's move to the back of the bus."[67]

Both *Mattel* and *Parks* concern the use of a celebrity name as the title of a song bearing a symbolic or metaphoric relation to the song lyrics. Consequently, one would have thought that the Sixth Circuit would have found a sufficient artistic relationship in *Parks* as a matter of law, just as in *Rogers* and *Mattel*, and as the Sixth Circuit itself found one month later in *ETW*.[68]

The Sixth Circuit in *Parks*, however, may have applied a different, arguably inappropriate, more subjective analysis. The Sixth Circuit contended that *Seale* was the closest case to *Parks*. However, the Sixth Circuit erroneously characterized the question of fact in *Seale* as "whether Seale's likeness is clearly related to the content of the CD."[69] In *Seale* the question of fact related only to whether the CD brochure was a protected form of expression.[70] Based upon this erroneous characterization of *Seale*, the Sixth Circuit presumed that the determination of "artistic relevance" in *Parks* was also a material question of fact.[71] The question of fact presented in *Seale* has nothing to do with the "artistic relevance" question in *Parks*. In *Seale* the factual question was "whether the likeness used on the cover of the CD was clearly related *to the film*," in which case the CD could be used as an advertisement for the film.[72] In contrast, the song titled "Rosa Parks" was admitted to be a protected musical composition. As such, the determination of the relatedness of the title to the lyrics in *Parks* should have been decided as a matter of law, and deemed related or unrelated as such.

Should one doubt the characterization of "Rosa Parks" as a protected expression, they "would be hard-pressed to demonstrate that [Outkast's] use of her name as the title to their song is 'simply a disguised commercial advertisement' to sell a product."[73] As squarely laid out in the district court opinion in *Parks*:

> the [Rosa Parks] song has received widespread acclaim and was nominated for a Grammy Award. This result is not altered by defendants' promotion of their album and hit single because the fundamental right to free expression would be illusory if defendants were permitted to entitle their song "Rosa Parks," but not advertise it to the public. The law imposes no such artificial limitation.[74]

The Sixth Circuit conceded that, the proper analysis in *Parks* was the *Rogers* test;[75] however, the court never actually applied that test. Rather, while paying lip-service to the *Rogers* test, the Sixth Circuit relied upon factors from the "likelihood of confusion test" and the "alternative avenues test," the very methods that it characterized as inapt because they do not "accord adequate weight to the First Amendment interests in this case."[76]

The seventh of eight factors in the "likelihood of confusion test" concerns "the defendant's intent in selecting the mark."[77] In *Parks*, the Sixth Circuit discusses and casts doubts upon Outkast's intention in using Rosa Parks's name.[78] The Sixth Circuit further implies that Outkast's true intentions were to use Rosa Parks's name as "a marketing tool" and not as a symbolic metaphor, as the artists testified,[79] and as the district court found. In its quest to find a question of fact, the Sixth Circuit perceived that its task "is not to accept without question whatever purpose Defendants may now claim they had in using Rosa Parks' name."[80] The *Rogers* test, however, does not look at the artist's intent.

The Sixth Circuit also suggested the alternative use of "Back of the Bus" as the song title instead of *Rosa Parks* because it "would be obviously relevant to the content of the song, but it also would not have the marketing power of an icon of the civil rights movement."[81] In essence the Sixth Circuit seems to suggest that "there are sufficient alternative means for an artist to convey his or her idea."[82] Again, the *Rogers* test does not look at alternative means.

Moreover, use of "Back of the Bus" as the title would have made no sense because, as the court admitted, "Rosa Parks is universally known for and commonly associated with her refusal . . . to . . . 'move to the back of the bus.'"[83] Accordingly, "Back of the Bus" would equally represent the name and/or likeness of Rosa Parks.

The Sixth Circuit in *Parks* seemingly overstepped its bounds from the role of an objective administrator of justice to that of an art critic. The words of Justice Holmes still ring true today: "It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits."[84] Although the Sixth Circuit quoted the century-old wisdom of Justice Holmes, it failed to adhere to Holmes' advice in *Parks*. Questioning the use of Rosa Parks's name as "symbolic of what?"[85] was not the Sixth Circuit's proper role in assessing the relevance of the title to the song's content. Nor would it be the jury's role at trial. The determining factor is not the quality of the relation but whether some artistic relevance exists, regardless of the form it takes, *i.e.*, a parody, metaphor, simile, etc. The Sixth Circuit's categorization of Outkast's use of "Rosa Parks" in the title as an unnecessary marketing ploy results in grave harm to the First Amendment. The district court in *Parks* noted the dangers of such subjective determinations:

> Courts would be required not merely to determine whether there is some minimal relationship between the expression and the celebrity, but to compel the author to justify the use of the celebrity's identity. Only upon satisfying a court of the necessity of weaving the celebrity's identity into a particular publication would the shadow of liability and censorship fade. Such a course would inevitably chill the exercise of free speech limiting not only the man-

> ner and form of expression but the interchange of ideas as well.[86]

The Sixth Circuit in *Parks* did not shy away from voicing its subjective disapproval of the association between Rosa Parks with the likes of rap artists such as Outkast. In more than one instance the Sixth Circuit characterized Outkast's lyrics with considerable disdain. For example:

> While Defendants' lyrics contain profanity and a great deal of "explicit" language (together with a parental warning), they contain absolutely nothing that could conceivably, by any stretch of the imagination, be considered, explicitly or implicitly, a reference to courage, to sacrifice, to the civil rights movement or to any other quality with which Rosa Parks is identified.
>
> * * *
>
> There is not even a hint, however, of any of these qualities in the song to which Defendants attached her name. In lyrics that are laced with profanity and in a "hook" or chorus that is pure egomania, many reasonable people could find that this is a song that is clearly *antithetical* to the qualities identified with Rosa Parks. [87]

The Sixth Circuit goes on to further characterize the song as "a paean announcing the triumph of superior people in the entertainment business over inferior people in the entertainment business."[88]

This subjective condemnation of Outkast's lyrics as incompatible with the irreproachable persona of Rosa Parks does not comport with proper application of the *Rogers* "artistic relevance" test. Contrary to the Sixth Circuit's subjective opinion regarding the quality of Outkast's lyrics, the lower district court eloquently stated the relevance that the quality of the work should have to First Amendment protection:

> It is fundamental that courts may not muffle expression by passing judgment on its skill or clumsiness, its sensitivity or coarseness; nor on whether it pains or pleases. It is enough that the work is a form of expression "deserving of substantial freedom both as entertainment and as a form of social and literary criticism."[89]

Having properly applied the *Rogers* test, the district court in *Parks* found artistic relevance to justify summary judgment in Outkast's favor.

According to the *Rogers* test, allegations of unfair competition under the Lanham Act and violation of the right of publicity are barred by the First Amendment "unless the title has *no artistic relevance to the underlying work whatsoever*."[90] The determination of such relevance does not require a subjective evaluation of artistic merit as engaged in by the Sixth Circuit in *Parks*. The mere fact that the Sixth Circuit questioned the quality of Outkast's metaphor is a concession that a metaphor exists in the first place. The Sixth Circuit even admitted that "Rosa Parks is universally known for and commonly associated with her refusal . . . to . . . 'move to the back of the bus.'"[91] Whatever the metaphor may be is of no consequence. As the district court correctly stated:

> Admittedly, the song is not about plaintiff in a strictly biographical sense, but it need not be. Rather defendants' use of plaintiff's name, along with the phrase: 'move to the back of the bus,' is metaphorical and symbolic. As a matter of law, this obvious relationship between the content of the song and its title bearing plaintiff's name renders the right of publicity inapplicable.[92]

### B. The *ETW* Decision

Unlike in *Parks*, the Sixth Circuit correctly applied the *Rogers* test in *ETW*, the facts of which are noted above. Here, the Sixth Circuit abstained from making subjective determinations concerning the artistic rendition of Tiger Woods. Rather, it appears that the Sixth Circuit understood the importance our society places on using a celebrity as a tool for social commentary and artistic expression. "A piece of art that portrays a historic sporting event communicates and celebrates the value our culture attaches to such events. It would be ironic indeed if the presence of the image of the victorious athlete would dent the work's First Amendment protection."[93]

In an objective manner, the Sixth Circuit employed the *Rogers* test in *ETW* to balance

> the societal and personal interests embodied in the First Amendment against Woods's property rights. . . . [After doing so it is abundantly apparent that] the effect of limiting Woods's right of publicity [or infringing the Lanham Act] is negligible and significantly outweighed by society's interest in freedom of artistic expression.[94]

The Sixth Circuit also applied the "transformative test" defined in *Comedy III*. As a result, the court concluded as a matter of law that Rush's work "does contain significant transformative elements which make it especially worthy of First Amendment protection and also less likely to interfere with the economic interest protected by Woods's right of publicity."[95] Accordingly, building further upon the continuum of First Amendment defense cases, the *ETW* decision should be added as an objective, well reasoned decision.

## VII. Conclusion

The *Rogers* test did not fail in *Parks*, but it appears that the Sixth Circuit may have failed to heed the advice of Justice Holmes against courts becoming critics of the quality of artistic expression. If there is no "correct" answer in *Parks* regarding artistic relevance, then it would seem prudent to err on the side of the First Amendment and not open the door to further degradation of artists' First Amendment rights. To the Sixth Circuit's credit, it soon followed *Parks* with a diligent and thorough analysis and application of the *Rogers* test in *ETW*. But, until *Parks* is resolved, it may be best to avoid using a celebrity name as a song title.

## Endnotes

1. Query whether the First Amendment permits the authors to name this article "Rosa Parks" or whether, in doing so, they have violated Rosa Parks' right of publicity or committed unfair competition under the Lanham Act.
2. 15 U.S.C. § 1125. Section 1125(a)(1)(A) provides:

   > Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation or origin, false or misleading description of fact, or false or misleading description of fact, which is likely to cause confusion or misleading description of fact, which is likely to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, . . . shall be liable in civil action by any person who believes that he or she is or is likely to be damaged by such act.

3. The right of publicity is a creature of state law having antecedents in unfair competition, and fraud, and is historically linked to privacy as first recognized in *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.3d 866 (2d Cir. 1953). The right of publicity recognizes that an individual's name and likeness can have significant commercial value that will be harmed by the unauthorized and uncontrolled commercial exploitation of others. *See, e.g.*, *McFarland v. Miller*, 14 F.3d 912, 919 (3d Cir. 1994) ("A famous individual's name, likeness, and endorsement carry value, and an unauthorized use harms the person both by diluting the value of the name and depriving that individual of compensation."); *Matthews v. Wozencraft*, 15 F.3d 432, 438 n.2 (5th Cir. 1994) (holding that the right of publicity allows a person to prevent dilution of the goodwill that has been created in his or her image); Richard A. Posner, Economic Analysis of Law 3.3 (4th ed. 1992) (stating "the value of association the celebrities name with a particular product will be diminished if others are permitted to use the name in association with their products").
4. 329 F.3d 437 (6th Cir. May 12, 2003) (hereinafter "*Parks*").
5. 2003 U.S. App. LEXIS 12488 (6th Cir. June 20, 2003) (hereinafter "*ETW*").
6. *Parks*, 329 F.3d at 442.
7. *Id.*
8. *Id.* at 442-43.
9. Inside Cover of *Aquemini* Album, Outkast 2001.
10. *Parks*, 329 F.3d at 454. The case was remanded to the district court for disposition.
11. *Id.* at 463.
12. *ETW*, 2003 U.S. App. LEXIS 12488 at *3.
13. *Id.* at *3-4.
14. *Id.* at *4.
15. *Id.* at *5. "Masters of Augusta" is written in letters three-eighths of an inch high, and "Tiger Woods" is written in letters that are one-fourth of an inch high.
16. *Id.* at *63.
17. *See Hurley v. Irish-America Gay, Lesbian and Bisexual Group of Boston*, 515 U.S. 557 (1995) ("The Constitution looks beyond written or spoken words as mediums of expression."); *Ward v. Rock Against Racism*, 491 U.S. 781, 790 (1989) ("Music, as a form of expression and communication, is protected under the First Amendment."); *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 578 (1977) ("There is no doubt that entertainment, as well as news, enjoys First Amendment protection.").
18. *See Smith v. California*, 361 U.S. 147, 150 (1959) ("It is of course no matter that the dissemination [of books and other forms of printed word] takes place under commercial auspices."); *see also*, *City of Lakewood v. Plain Dealer Publ'g Co.*, 486 U.S. 750, 756 n.5 (1988) (selling expressive materials does not diminish the degree of protection entitled to them under the First Amendment).
19. *ETW*, 2003 U.S. App. LEXIS 12488, at *41.
20. *Id.* (quoting Restatement 3rd of Unfair Competition § 47, Comment c (2003)).
21. *Id.*
22. *Cardtoons, L.C. v. Major League Baseball Players Assoc.*, 95 F.3d 959, 972 (10th Cir. 1996) (finding use of professional baseball players' likeness on parody baseball cards to be parody speech protected by the First Amendment (citation omitted)).
23. *ETW*, 2003 U.S. App. LEXIS 12488, at *41 (quoting Restatement 3rd of Unfair Competition § 47, Comment c (2003)).
24. *White v. Samsung Electronics America, Inc.*, 989 F.2d 1512, 1513 (9th Cir. 1993) (Kozinski, J. dissenting).
25. 875 F.2d 974 (2d Cir. 1989).
26. *Id.* at 999.
27. The likelihood of confusion test stems from traditional, trademark cases. The factors for determining a likelihood of confusion are: 1) the strength of the plaintiff's mark; 2) the relatedness of the plaintiff's mark; 3) the similarity of the marks; 4) evidence of actual confusion; 5) the marketing channels used; 6) the likely degree of purchaser care; 7) the defendant's intent in selecting the mark; and 8) the likelihood of expansion in the product lines of the parties. *See Frisch's Rests., Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982). Most notably, there is no consideration of the First Amendment in the likelihood of confusion test.
28. *See Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir. 1987) (A title of an expressive work will not be protected from a false advertising claim if there are sufficient alternative means for an artist to convey his or her idea.).
29. *Rogers*, 875 F.2d at 999.

30. *Id*. at 995.

31. *Id.*

32. *Id.* at 999 (referencing *Lloyd Corp. v. Tanner*, 407 U.S. 551, 566-67 (1972), stating that "where the Supreme Court held that 'respondents had no First Amendment right to distribute handbills in the interior mall area of petitioner's privately-owned shopping center,' noting that respondents had adequate alternative means of communication."); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658,672 (5th Cir. 2000) ("The reasonable alternative avenues approach bears a tenuous relation to communicative and property interests embodied in trademarks.").

33. *Id.* at 999 (adopting a balancing test in lieu of a likelihood of confusion and alternative avenues test); *accord Hicks v. Casablanca Records*, 464 F. Supp. 426, 430 (S.D.N.Y. 1978) ("More so than posters, bubble gum cards, or some other such 'merchandise', books and movies are vehicles through which ideas and opinions are disseminated and, as such, have enjoyed certain constitutional protections, not generally accorded 'merchandise.'"); *see also*, 4 J. Thomas McCarthy on trademarks and Unfair Competition §§ 28:40-28:41 (4th ed. 1999).

34. *Id.* at 998 ("The names artists bestow on their art can be part and parcel of the artistic message. . . . Filmmakers and authors frequently rely on word-play, ambiguity, irony, and allusion in titling their works.").

35. *Id.* at 1000; *See Application of Cooper*, 45 C.C.P.A. 923, 254 F.2d 611, 615-16 (C.C.P.A. 1958) ("If we sell 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 car maker had entered into a joint venture.")

36. *Id.* at 999 (emphasis added).

37. *See Past, Present, and Future*, 1207 PLI Corp. Law and Prac. Handbook, 159, 170 (October 2000).

38. *See Rogers*, 875 F.2d at 997; *New York Racing Ass'n v. Perlmutter Publ'g, Inc.*, No. 95-CV-994, 1996 WL 465298 at *4 (N.D.N.Y. July 19, 1996); *see also*, *Cliff Notes, Inc. v. Bantam Doubleday Dell Pub. Group, Inc.*, 886 F.2d 490, 495 (2d Cir. 1989).

39. *See*, *e.g.*, *Abdul-Jabbar v. General Motors Corp.*, 85 F.3d 407 (9th Cir. 1996) (involving use of basketball player's name in an automobile advertisement); *Winterland Concessions Co. v. Sileo*, 528 F. Supp. 1201 (N.D. Ill. 1981), *aff'd*, 830 F.2d 195 (7th Cir. 1987) (involving use of entertainers' and musical group's names on a t-shirts); *Uhlaender v. Henricksen*, 316 F. Supp. 1277 (D. Minn. 1970) (involving use of major league baseball players' names to market a board game); and *Palmer v. Schonhorn Enter., Inc.*, 96 N.J. Super. 72, 232 A.2d 458 (1967) (involved use of golf player's name and likeness in connection with a golf game).

40. *See* Restatement (Third) of Unfair Competition, Chapter 4, §§ 48, 49. ("One who appropriates the commercial value of a person's identity by using without consent the person's name, likeness, or other indicia of identity for purposes of trade is subject to liability for the relief appropriate under the rules stated in §§ 48, 49.") For example "Nimmer on Copyright," "Jane Fonda's Workout Book," or use of the phrase "an authorized biography of" are indicative of the source or sponsorship by the named celebrity.

41. *See* Restatement (Third) of Unfair Competition, Chapter 4, § 47, Comment c ("[T]he use of a person's identity primarily for the purpose of communicating information or expressing ideas is not generally actionable as a violation of the person's right of publicity.") (providing examples of permissible use, such as the use of a person's name or likeness in news reporting, unauthorized print of biographies, novels, plays or motion pictures).

42. *See*, *e.g.*, *Groden v. Random House, Inc.*, 61 F.3d 1045, 1050-51 (2d Cir. 1995) (use of author's photo to promote critical work did not infringe right of publicity); *Gugliemi v. Spelling-Goldberg Prods.*, 25 Cal. 3d 860, 873, 603 P.2d 454, 462, (1979) ("It would be illogical to allow respondents to exhibit the film but effectively preclude any advance discussion or promotion of their lawful enterprise."); *Namath v. Sports Illustrated*, 48 A.D.2d 487, 488, 371 N.Y.S.2d 397 (1976) ("The use of plaintiff's photograph was merely incidental advertising of defendant's magazine in which plaintiff had earlier been properly and fairly depicted.").

43. *Rogers* has been adopted as law by the Second; Fifth; Sixth; and Ninth Circuits. *See Cliff Notes, Inc. v. Bantam Doubleday Dell Pub. Group,* Inc., 886 F.2d 490, 495 (2d Cir. 1989) (Second Circuit adopts *Rogers* test as being generally applicable to artistic expression); *New York Racing Ass'n*, No. 95-CV-994, 1996 WL 465298 at *4; *Mattel, Inc. v. MCA Records, Inc.,* 296 F.3d 894, 902 (9th Cir. 2002) ("We agree with the Second Circuit's analysis and adopt the *Rogers* standard as our own.") (finding a song titled *Barbie Girl* does not infringe Mattel's trademark); *Westchester Media*, 214 F.3d at 672 (Fifth Circuit adopts *Rogers* test); *ETW*, 2003 U.S. App. LEXIS 12488 at *10 (Sixth Circuit adopting *Rogers* test as the standard to determine that "[a] celebrity's name may be used in the title of an artistic work so long as there is some artistic relevance" between the use of the celebrity's name and the content of the portrait).

44. 25 Cal. 4th 387; 21 P.3d 797; 106 Cal. Rptr. 2d 126 (S. Ct. Cal. 2001)

45. *Id.*

46. *Comedy III*, 25 Cal. 4th at 406, 21 P.3d at 809.

47. *Id.* at 396, 21 P.3d at 802; *see also*, Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights* (1993) 81 Cal. L. Rev. 125, 128.

48. *Comedy III*, 25 Cal. 4th at *409, 21 P.3d at 811.

49. 95 F.3d 959 (10th Cir. 1996).

50. *Id.* at 969.

51. *Id.*

52. *Id.* at 976.

53. 964 F. Supp. 918 (E.D. Pa. 1997).

54. *Id.* at 929.

55. *Seale v. Gramercy Pictures*, 949 F. Supp. 331, 340 (E.D. Pa. 1996).

56. *Seale*, 964 F. Supp. at 929 (1997).

57. *Id.*

58. 296 F.3d 894 (9th Cir. 2002).

59. *Mattel*, 296 F.3d at 909.

60. *Mattel Inc., v. MCA Records, Inc.*, 28 F. Supp. 2d 1120, 1138 (C.D. Cal. 1998).

61. *Mattel*, 296 F.3d at 902.

62. *Parks*, 329 F.3d at 450 ("the *Rogers* test . . . [is] the most appropriate method to balance the public interest in avoiding consumer confusion with the public interest in free expression.")

63. *Parks*, 329 F.3d at 451-52

> (The application of *Rogers* in *Mattel*, as well as in cases decided in other circuits, persuades us that *Rogers* is the best test for balancing Defendant's and the public's interest in free expression under the First Amendment against Parks' and the public's interest in enforcement of the Lanham Act. We thus apply the *Rogers* test to the factors before us.).

64. One notable difference between Barbie and Rosa Parks is that Barbie is a doll and Rosa Parks is a person. Unlike a person a doll does not have a right of publicity. However, Mattel has an interest in protecting the trade dress of Barbie and the good will associated therewith. The similarities remaining in other aspects of the case make *Mattel* a relevant guide for the proper analyses of *Parks*.).

65. *Ward*, 491 U.S. at 190 ("[M]usic, as a form of expression and communication, is protected under the First Amendment.").

66. *Mattel*, 28 F. Supp. 2d at 1138.

67. *Parks*, 329 F.3d at 452.

68. *ETW*, 2003 U.S. App. LEXIS 12488 at 452.

69. *Parks*, 329 F.3d at 457-58.

70. *Seale*, 949 F. Supp. at 340.

71. *Parks*, 329 F.3d at 457-58.

72. *Id.* (emphasis added).

73. *Parks*, 76 F. Supp. 2d at 780.

74. *Id.* at 781; *see, e.g., Groden v. Random House, Inc.*, 61 F.3d 1045, 1050-51 (2d Cir. 1995) (use of author's photograph to promote critical work did not infringe right of publicity); *Gugliemi*, 25 Cal. 3d at 873, 603 P.2d at 462 ("It would be illogical to allow respondents to exhibit the film but effectively preclude any advance discussion or promotion of their lawful enterprise."); *Namath*, 48 A.D.2d at 488, 371 N.Y.S.2d at 11 ("The use of plaintiff's photograph was merely incidental advertising of defendant's magazine in which plaintiff had earlier been properly and fairly depicted.").

75. *Parks*, 329 F.3d at 451-52.

76. *Id.* at 448-49 (denouncing the likelihood of success and alternative means test as inadequate for balancing the First Amendment interests in this case); *but see id.* at 452-53 (applying the likelihood of confusion and alternative means tests by looking toward the intent of the artists and suggesting "Back of the Bus" as a more appropriate title for the song).

77. *Frisch's Rests.*, 670 F.2d at 648.

78. *Parks*, 329 F.3d at 452, 454.

79. *Id.* at 453.

80. *Id.* at 454 ("[A] legitimate question is presented as to whether the artist's claim is sincere or merely a guise to escape liability.")

81. *Id.* at 453.

82. Under the Alternative Avenues Test, a title of an expressive work will not be protected if there are sufficient alternative means for an artist to convey his or her idea. *See Mutual of Omaha Ins. Co.*, 836 F.3d at 402 (creator of parody tee-shirts not protected by First Amendment because he could still produce parody editorials in books, magazines, or film); *Am. Dairy Queen Corp.*, 35 F. Supp. 2d at 734 (no First Amendment protection for an infringing movie title because there were other titles the producers could use).

83. *Parks*, 329 F.3d at 452.

84. *Id.* at 462-63 (quoting *George Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903) (Holmes, J.)).

85. *Id.* at 454.

86. *Parks*, 76 F. Supp. 2d at 781 (quoting *Guglielmi*, 25 Cal. 3d at 869, 603 P.2d at 460).

87. *Parks,* 329 F.3d at 450.

88. *Id.*

89. *Parks*, 76 F. Supp. 2d at 780-81 (quoting *University of Notre Dame du Lac v. Twentieth Century-Fox Film Corp.*, 22 A.D.2d 452, 458, 256 N.Y.S.2d 301, 307, *aff'd*, 15 N.Y.2d 940, 207 N.E.2d 508, 259 N.Y.S.2d 832 (1965).

90. *Rogers*, 875 F.2d at 999 (emphasis added).

91. *Parks*, 329 F.3d at 452.

92. *Parks*, 76 F. Supp. 2d at 775.

93. *ETW*, 2003 U.S. App. LEXIS 12488 at *60.

94. *Id.* at 65.

95. *Id.*

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# Another Assault on Personal Privacy: The ISP's Dilemma

By Martin J. Ricciardi

## I. Introduction

Internet Service Providers (ISPs) can collect and store personal information from and about their subscribers. ISPs can obtain personal identifying, contact, and credit card information when subscribers sign up for the ISP's services. ISPs also can collect information about their subscribers' Internet use habits and communications, including the content of those communications. ISPs often can collect such information without subscribers being aware that the information is being collected. The ability of ISPs to disseminate this information to government entities and to sell this information to private companies is of great concern to subscribers.[1] As a result, subscribers often demand protection against such dissemination from their ISPs prior to signing up for their service. While attempting to assure customers of the privacy of their identity and communications, ISPs may, for example, find themselves in a difficult position in view of the recent changes in federal law requiring disclosure by ISPs of customer information to the government and copyright owners when presented with a warrant for such information.

Attorneys representing ISPs must clearly understand the legal intricacies of balancing their clients' contractual promises of privacy to their subscribers and their clients' potential liability for violating federal laws by reaching too far in attempting to protect their subscribers from potential claimants or law enforcement investigations. In addition, ISPs must be careful with respect to the type of personal information they collect about children who use the ISPs' own Web sites. This article will provide an overview of federal laws of particular applicability to ISPs that affect the privacy of Internet service subscribers and the protection of young children's personal information when they use the Internet.

## II. Electronic Communications Privacy Act

The Electronic Communications Privacy Act (ECPA)[2] is the primary authority governing the privacy of subscribers' communications online. The ECPA generally protects subscribers from disclosure of their contact information, such as the subscriber's name, address, and place of business, to the government. An ISP may not disclose any contact information about a subscriber to any governmental entity unless the governmental entity first obtains consent from the subscriber, a court order or a warrant, or submits a formal written request for information useful to a law enforcement investigation of telemarketing fraud.[3] A governmental agency that obtains an administrative or trial subpoena, warrant, court order, or consent from the subscriber may demand disclosure of a subscriber's name, address, local and long distance telephone toll billing records, telephone number, and the length and type of services used.[4] If an ISP discloses a subscriber's contact information to the government without first obtaining the requisite authority, the ISP may become liable to the subscriber for such actual damages as may be appropriate,[5] but not less than $1,000. A court may also award the subscriber the costs of the action and reasonable attorney's fees.[6] If the violation is willful or intentional, the court may assess punitive damages.[7]

> *"Attorneys representing ISPs must clearly understand the legal intricacies of balancing their clients' contractual promises of privacy to their subscribers and their clients' potential liability for violating federal laws by reaching too far in attempting to protect their subscribers from potential claimants or law enforcement investigations."*

The ECPA does not prohibit disclosure of the subscriber's contact information to a private party or other non-governmental entity, but it does prohibit disclosure of the content of a communication to a private party except:

a. to an addressee or intended recipient of the communication;

b. with the originator's or addressee's lawful consent;

c. to the one whose facility is used to forward the communication to its destination;

d. to the extent necessary for the rendering of services or for the protection of the ISP's property;

e. to a law enforcement agency if the ISP inadvertently obtains content that appears to be illegal;[8]

f. if required by the Crime Control Act;[9] or

g. if disclosed while giving testimony under oath or affirmation.[10]

The government can obtain the contents of an electronic communication that was stored for a period of 180 days or less only with a warrant.[11] Information stored for longer than 180 days may be obtained by the government with a warrant, subpoena, or a court order.[12] Before this "older" information is released to the government pursuant to a subpoena or a court order, the governmental entity must notify the affected subscriber.[13]

*"While the spam warriors wend their way across the political battlefield, ISPs should employ a minesweeper's care to root out of their subscriber agreements and privacy policies those clauses that make promises the law might not permit them to keep."*

In addition to information about subscribers who engage in serious violations of law such as copyright infringement, government authorities increasingly want ISPs' assistance in fighting unsolicited e-mail advertising sent to mailing lists or newsgroups, commonly known as "spam."[14] The Federal Trade Commission (FTC) recently asked Congress for additional powers to fight spam. The FTC commissioners testified before the House Energy and Commerce Committee asking that they be allowed to issue discovery subpoenas to ISPs when they investigate unsolicited commercial e-mail. The FTC also asked to be allowed to create new rules against deceptive and abusive spam practices, specifically by framing a definition of deceptive or abusive e-mail. To fight spam senders based outside of the United States, the FTC wants permission to share information from FTC investigations with enforcement agencies in other countries. ISPs generally are in favor of spam control, but they are reluctant to give the FTC such vast access without a warrant or prior court approval. The issue currently is being examined by the Senate Commerce Committee's Subcommittee on Competition, Foreign Commerce, and Infrastructure.[15]

While the spam warriors wend their way across the political battlefield, ISPs should employ a minesweeper's care to root out of their subscriber agreements and privacy policies those clauses that make promises the law might not permit them to keep. Practitioners should examine their clients' agreements, bearing in mind that all ISPs can be compelled to disclose subscriber identities (and sometimes more)[16] to law enforcement agencies.

## III. Digital Millennium Copyright Act Subpoenas for Copyright Violations

Congress passed the Digital Millennium Copyright Act (DMCA)[17] to balance protections afforded to ISPs and protections demanded by the recording industries against copyright infringers.[18] The DMCA directly addresses situations where Internet users have access to a vast amount of downloadable copyrighted materials on the Internet. The most notorious example to date is Napster, an online file-sharing service that allowed its users to download copyright-protected music through Napster's central servers using Napster software, thereby contributing to widespread infringement of the rights of some copyright owners.[19]

The DMCA creates a special subpoena compelling ISPs to disclose identification information about direct[20] copyright infringers.[21] The owner of copyrighted materials may obtain a subpoena from the clerk of any district court.[22] The subpoena must include a sworn declaration stating that its purpose is to obtain the identity of the alleged infringer and that the information obtained will not be used for any purpose other than protecting the copyright owner's rights.[23]

Upon receiving such a subpoena either along with, or subsequent to, notification[24] of the copyright infringement, an ISP must "expeditiously" disclose to the copyright owner the information required, regardless of whether it has already responded to the notification. The provision authorizing such a subpoena overrides any state, federal, or common-law right to privacy that may protect the subscriber's interest.[25]

Verizon Internet Services, Inc. (Verizon) recently tested the DMCA subpoena power when the Recording Industry Association of America (RIAA) served it with such a subpoena requesting that Verizon disclose identifying information about a copyright infringer who used Verizon's network to download copyright-protected songs using file-sharing software provided by KaZaA.[26] According to the RIAA, the alleged infringer downloaded over 600 protected music files in one day. To facilitate Verizon's search of the user's identity, the RIAA provided Verizon with the user's specified Internet Protocol (IP) address as well as with the time and date of downloading. The RIAA also requested that Verizon disable the user's access to the infringing files.[27]

To guard against the loss of goodwill with its subscribers,[28] Verizon refused to comply with the subpoena, claiming that the DMCA's subpoena power did not reach ISPs that, like Verizon, merely serve as conduits by transmitting material over its network and do not store their subscribers' copyright-infringing materials on the ISPs' own computers.[29] The District Court for the District of Columbia ruled that the subpoena provision of the DMCA applied to all ISPs regardless of whether they operated a service that stored infringing materials on their computers or merely provided connections to the Internet.[30] The court reached this conclusion based on the fact that statute broadly defines "service provider" as being "a provider of online services or network access, or the operator of facilities thereof."[31] Based on this analysis, the court granted the RIAA's motion for enforcement of the subpoena. The Court of Appeals for the District of Columbia denied Verizon's emergency motion for stay pending appeal,[32] and Verizon thereafter turned over to the RIAA the information requested in the subpoena.[33] On June 13, 2003, the RIAA sent cease-and-desist letters to the subscribers whose names were disclosed as a result of the subpoena.[34]

The bitter dispute between the RIAA and the ISPs, of which the Verizon case is but one example, attracted Congressional attention. Senator John McCain, prompted by Senator Sam Brownback, promised to bring the disputed issues to the attention of the Senate Commerce Committee.[35] Congressional action could mark an interesting twist in the conflict which, to this point, has been resolved only by courts. Specifically, the Committee is considering a bill that would require copyright investigators, like the RIAA, to file a formal lawsuit before obtaining information about alleged infringers.[36] While the bill attempts to resolve at least one issue regarding the subpoenas and their issuance, if enacted, the legislation would require that all subpoenas originate from litigation. This could unnecessarily clog courts with investigative inquiries that otherwise might not have led to litigation or that could have been more efficiently resolved out-of-court. Congress should consider carefully the burden such a solution would impose on the already stressed federal courts system.

## IV. Service Contracts, Terms and Conditions of Use, and Other Privacy Statements

Unlike the government, private companies, including ISPs, generally are not required to respect individuals' rights to communicate privately or anonymously on the Internet.[37] Nevertheless, ISPs often write privacy protections into their service contracts and subscriber policies, promising not to sell or otherwise disclose their subscribers' personal information. When drafting such documents, attorneys should take into account the conditions under which the ISP may be compelled to disclose information about its subscribers' identities and communications.

ISPs generally are well-protected from liability for disclosing subscribers' identifying information and for terminating the access of repeat infringers.[38] Nevertheless, attorneys drafting a privacy contract or policy should cautiously avoid any possible state law contract or business tort claims arising out of expectations that are inconsistent with the ISPs' legal obligations. One way to limit liability is to draft non-contractual policies that are primarily aspirational in their nature. It is also advisable to include language intended to deter bad acts and to facilitate corrective measures.

The FTC recently announced its commitment to enforce privacy notices posted on the Internet.[39] In so doing, it has published guidance on how to comply with privacy notices, specifically those required under the Children's Online Privacy Protection Act, discussed below.[40] Attorneys should refer to the FTC's guidelines when drafting privacy policies for ISPs.

## V. Children's Online Privacy Protection Act

The Children's Online Privacy Protection Act (COPPA)[41] prohibits Web sites from collecting personal information from children under the age of thirteen without first obtaining their parents' permission. COPPA applies to operators of commercial Web sites or online services directed to children under 13 that collect personal information[42] as well as to operators that knowingly collect information from children under 13 or that have a separate children's area and collect personal information.[43]

Pursuant to the rules promulgated by the FTC under COPPA, the operators of Web sites that fall under COPPA's reach must:

a. post a privacy policy on their homepage and link to such a policy everywhere personal information is collected;

b. provide notice to parents about the site's information collection practices and obtain parental consent before such collection;

c. give parents the choice of whether to consent to information collection and dissemination of this information to any third parties;

d. provide parents with access to their children's information, the opportunity to delete any information, and the ability to refuse any further collection or use of the information;

e. not condition a child's participation in its activities on the disclosure of personal information that is not reasonably necessary for such activities; and

f. maintain confidentiality, security, and integrity of the personal information collected from children.[44]

The privacy policy must include contact information for all operators collecting or maintaining personal information through the Web site, including operators' names, mailing addresses, telephone numbers and e-mail addresses. The statement must also explain the type of personal information collected, how such information is collected, and how the operator uses the information.[45]

According to a 2001 FTC survey, only about half of the Web sites collecting children's information complied with the COPPA-specific notice requirements that year.[46] This may reflect the need for ISPs to seek greater legal assistance in their preparation of policies in order to comply with COPPA. In the two years following the Act's effective date, the Commission brought six COPPA enforcement cases and issued over fifty warning letters to companies whose privacy policies did not comply with the FTC's regulations.[47] In 2002, the FTC announced new initiatives to enhance compliance with the law. Among the initiatives is a business education program to help Web site operators draft COPPA-compliant privacy policies. More recently, the FTC received its largest COPPA civil penalties to date in settlements with Mrs. Fields Cookies and Hershey Foods. According to the FTC, the Web sites failed to obtain verifiable parental consent before collecting personal information from children under the age of 13 and failed to adequately post privacy policies. Mrs. Fields agreed to settle the complaint by paying $100,000 in penalties. Hershey Foods agreed to pay $85,000.[48]

> *"Legal tensions, increasing statutory and regulatory complexities, and the constant evolution of Internet privacy laws necessitate the greater involvement of attorneys in advising ISPs. . . ."*

## VI. Conclusion

As Internet technology takes leaps into the future, its complex nature is resulting in an increasingly intricate set of laws and regulations. Of particular importance is the recent tension between the statutory obligations of ISPs to disclose their subscribers' personal information in some cases and the privacy rights and expectations of ISPs' subscribers. While other laws, such as HIPAA,[49] are aimed at protecting and increasing the privacy of information, recent changes in the law simultaneously require ISPs to disclose more information about their subscribers to the government while at the same time avoiding collecting too much information about subscribers without their consent. Legal tensions, increasing statutory and regulatory complexities, and the constant evolution of Internet privacy laws necessitate the greater involvement of attorneys in advising ISPs and in the drafting of their online notices, agreements, and subscriber policies.

## Endnotes

1. *See* Protecting Consumers' Privacy: 2002 and Beyond, Remarks of FTC Chairman Timothy J. Muris at the Privacy 2001 Conference, *available at* www.ftc.gov/speeches/muris/privisp1002.htm (last visited Mar. 7, 2003).
2. 18 U.S.C.A. §§ 2510-2521, 2701-2711 (West 2000 & Supp. 2003).
3. 18 U.S.C.A. § 2703(c)(1) (West 2000 & Supp. 2003).
4. 18 U.S.C.A. § 2703(c)(2) (West 2000 & Supp. 2003).
5. 18 U.S.C.A. § 2707(a) (West 2000 & Supp. 2003).
6. 18 U.S.C.A. § 2707(c) (West 2000 & Supp. 2003).
7. *Id. See also United States v. Hambrick*, 55 F. Supp. 2d 504, 507 (W.D. Va. 1999); *see generally* 18 U.S.C.A. §§ 2707, 2708 (West 2000 & Supp. 2003).
8. 18 U.S.C.A. §§ 2702(b) (West 2000 & Supp. 2003). In one case, America Online (AOL) was served with a subpoena to disclose the identity of a subscriber who posted messages on the Internet inviting readers to engage in sexual liaisons with her lover's wife. *Arista Records, Inc. v. MP3Board, Inc.*, 2002 WL 1997918 (S.D.N.Y. 2002). AOL complied with the subpoena, and the subscriber filed a claim against it for disclosure of private information. The court ruled that AOL did not violate the ECPA because the Act authorized it to disclose such information.
9. 42 U.S.C.A. § 13032 (West Supp. 2003).
10. 18 U.S.C.A. § 2517 (West 2000 & Supp. 2003).
11. 18 U.S.C.A. § 2703(a) (West 2000 & Supp. 2003).
12. 18 U.S.C.A. § 2703(a), (b) (West 2000 & Supp. 2003).
13. 18 U.S.C.A. § 2703(b)(1) (West 2000 & Supp. 2003).
14. Webopedia, *available at* http://www.pcwebopaedia.com/TERMS/s/spam.html (last visited July 23, 2003); Grant Gross, *FTC Seeks Spam-Squashing Powers*, Technology – PC World, Yahoo News (June 12, 2003).
15. *Id*.
16. *See supra* text accompanying notes 8-13.
17. 17 U.S.C.A. § 512 (West 2003).
18. 17 U.S.C.A. § 512(h)(1), (2) (West 2003).
19. *A&M Records, Inc., et al. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000).
20. Direct liability for infringement can be found where there is a direct action such as the downloading of copyrighted and unauthorized files. *See Arista Records, Inc. v. MP3Board, Inc.*, 2002 WL 1997918 (S.D.N.Y. 2002). In addition, an ISP could be directly liable if it engages in some volitional act or direct action to facilitate infringement by a third party, such as displaying an electronic copy of the latest best-selling book on the ISP's Web site. *See Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 907 F. Supp. 1361 (N. D. Cal. 1995). To hold a Web site operator directly liable for copyright infringement, it must be demonstrated that the operator took an infringing action. *Id.* That a Web site operator merely provided links to files that were illegally downloaded was not sufficient for direct liability. *Id.*
21. *See RIAA v. Verizon Internet Services, Inc.*, 240 F. Supp. 2d 24 (D.D.C. 2003).
22. 17 U.S.C.A. § 512(h) (West 2003).
23. 17 U.S.C.A. §§ 512(h)(1), (2) (West 2003).
24. 17 U.S.C.A. § 512(h)(5) (West 2003).
25. *Id*.
26. *See RIAA*, 240 F. Supp. 2d. at 25-26.
27. *Id.* at 28.
28. In re *Verizon Internet Services, Inc*., 257 F. Supp. 2d 244, 271 (D.D.C. 2003).
29. *See RIAA*, 240 F. Supp. 2d at 26.
30. *Id*. at 44-45.

31. *Id*. at 30-31 (quoting 17 U.S.C.A. § 512(k) (West 2003)).
32. *RIAA v. Verizon Internet Services, Inc.*, 2003 WL 21384617 (June 4, 2003) (denying emergency stay).
33. Jefferson Graham, *Privacy v. Internet Piracy*, USA Today (June 11, 2003) (Internet service provider, Earthlink, also under subpoena, agreed to reveal customer's identity following Verizon's loss on motion to stay).
34. Andy Sullivan, *Senate to Examine Online Copyright Dispute*, Technology – Internet Report, Yahoo News (June 19, 2003).
35. *Id.*
36. *Id.*
37. There are exceptions, of course, such as the federal law specifically protecting health-related information. *See, e.g.*, the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (1996) (hereinafter "HIPAA"), and implementing regulations at 45 C.F.R. Part 160 and 45 C.F.R. Part 164. HIPAA specifically addresses the security and disclosure of health information that is electronically transmitted. *See id.* Attorneys representing clients that transmit specialized information should consult with any statute specifically applicable to such information and consider those rules when advising clients about their service contracts and privacy policies.
38. Protection comes from the Good Samaritan exemption in the Telecommunications Act, which applies to state law claims and protects ISPs or users of interactive computer services from civil liability for actions to restrict or to enable restriction of access to material that is obscene, lewd, lascivious, filthy, excessively violent, harassing or otherwise objectionable. *See* 47 U.S.C.A. § 230 (West 2003).
39. *See* Protecting Consumers' Privacy, *supra* note 1.
40. FTC, How to Comply with the Children's Online Privacy Protection Rule, *available a*t www.gigalaw.com/articles/2000-all/ftc-2000-02-all.html (last visited July 8, 2003). *See also*, FTC Staff Report, Protecting Children's Privacy Under COPPA: A Survey on Compliance (April 2002) at www.ftc.gov/os/2002/04/coppasurvey.pdf (last visited July 8, 2003).
41. 15 U.S.C.A. §§ 6501-6506 (West Supp. 2003).
42. FTC, You, Your Privacy Policy, and COPPA, *available at* www.ftc.gov/bcp/conline/pubs/buspubs/coppakit.pdf (last visited July 9, 2003).
43. COPPA is not to be confused with CIPA (Children's Internet Protection Act), which prohibits educational institutions from using federal funds to buy computers without having a policy that protects minors from obscene or harmful material. On June 23, 2003, the Supreme Court upheld the right of Congress to require public libraries to install filters on computers to block pornography in order to qualify for certain federal funding as a valid exercise of its power under the spending clause. *United States v. American Library Ass'n*, 2003 WL 21433656 (2003).
44. 16 C.F.R. § 312.4 (2003).
45. *Id*.
46. FTC, Protecting Children's Privacy Online (Apr. 22, 2002), *available at* http://www.ftc.gov/opa/2002/04/coppaanniv.htm (last visited Jul. 8, 2003).
47. *Id*.
48. FTC News Release, *FTC Receives Largest COPPA Civil Penalties to Date in Settlement with Mrs. Fields Cookies and Hershey Foods* (Feb. 27, 2003) *at* http://www3.ftc.gov/opa/2003/02/hersheyfield.htm (last visited Jul. 8, 2003).
49. *See supra* note 37.

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# The *Grokster* Decision: It's a Bird! It's a Plane! It's Supernodes?!?[1]

By Jay Flemma

## I. Introduction

Just when everything seemed to be going swimmingly in epic battles waged by the Recording Industry Association of America (RIAA) against online music piracy, with victories in three major cases—*MP3.com*, *Napster*, and *Aimster*[2]—the RIAA now needs a lump of Kryptonite . . . and fast.

> *"There is no doubt that file-sharing of music is "cool." It is also, however, frequently theft, whether the victim is a fledgling musician eating ramen noodles and crashing on a friend's floor while on tour or a giant faceless multinational conglomerate."*

The *Grokster* decision[3] by the District Court for the Central District of California in April 2003 was an unexpected body blow to the music industry at the worst time. The court found Napster progeny Grokster and Morpheus were not liable for contributory or vicarious copyright infringement in connection with the viral music-swapping facilitated by their programs. The court's *imprimatur* on true peer-to-peer file-sharing gravely threatens, and may ultimately destroy, the only hope the RIAA and music copyright owners had of stemming the tidal wave of online piracy. In finding that neither Morpheus nor Grokster could be held vicariously or contributorily liable for direct infringements committed by their users, the court held that computer programmers can lawfully create programs that are intentionally designed to frustrate copyright protection so long as they have no control over the file-swapping *at the actual moment the infringement occurs*.[4] While the decision may correctly apply the law, the negative practical repercussions may be so significant as to warrant reversal or at least reassessment of how the law was applied in this case.

Widespread file-sharing has caused the major record labels to suffer monumental financial losses due to the biggest drop in CD sales since the advent of the CD format. In addition, the labels are faced with other problems, including high-profile royalty disputes with popular artists; the repeal of the work-for-hire provisions in the Satellite Home Viewer Improvement Act;[5] proposed Congressional investigations into unscrupulous business practices; and a constant dull roar of negative public opinion.

All these problems have kept the RIAA's damage control personnel working overtime. The RIAA's decision to sue four college students for creating local area networks for file-sharing netted it settlements for a paltry few thousand dollars and an increase in the level of disdain in the Internet community. The roughly $12,500 to $17,500 obtained from each defendant probably only covered the RIAA's litigation expenses. Still, these modest settlements seemed to further buoy the online file-sharing community to battle even more furiously.

There is no doubt that file-sharing of music is "cool." It is also, however, frequently theft, whether the victim is a fledgling musician eating ramen noodles and crashing on a friend's floor while on tour or a giant faceless multinational conglomerate. While there undoubtedly is a large amount of music available legally on the Internet, the files shared over most online services still are overwhelmingly unauthorized. While free downloads are wildly successful, pay services are struggling, and most have failed. After all, the public seems to ask, why pay for free music? *Grokster* ensures, at least for now, that the public will continue to ask this question.

## II. The Court's Reasoning

The plaintiff record labels and music publishers alleged that defendants Grokster, Streamcast (Morpheus), and KaZaA were liable for infringement of the plaintiffs' copyrights in musical compositions and sound recordings on the ground that the defendants distribute software that enables users to exchange digital files over the Internet via a peer-to-peer transfer network. The defendants' primary defense was that they merely provide software to users over whom they have no control. The court's central theme in granting summary judgment in favor of Grokster and Morpheus was that the nature of peer-to-peer file-sharing over the Internet prevented them from having any control over how individuals were using the software.[6]

### A. Operation of the Systems

Although the facts of *Grokster* appear at first blush to mirror those of the Napster litigations, the court found a critical distinction in the structure and operation of Grokster and Morpheus. Unlike Napster, which featured a central server that connected users' computers, Grokster had no central server. Instead, Grokster's software employed a networking technology licensed from FastTrack, a third party, that enables peer-to-peer file-sharing through the use of "supernodes." A "node" is an endpoint on the Internet—typically a user's computer. A supernode accumulates information from other nodes. When a user starts his software, his computer locates a supernode and accesses the network. Critically, the court found that

> Grokster software is preset with a list of "root supernodes," each of which principally functions to connect users to the network by directing them to active supernodes. While Grokster may briefly have had some control over a root supernode . . . Grokster no longer operates such a supernode—and the FastTrack network currently occurs essentially independently of Defendant Grokster.[7]

According to the court, Morpheus is even more decentralized than Grokster because it is based on the open-source Gnutella peer-to-peer platform.[8] A Morpheus user connects to the Gnutella network and makes contact with another user who is already connected. The connection occurs automatically after the user's computer contacts one of the many publicly available directories of those currently connected to Gnutella. Instead of using supernodes, search requests through Gnutella pass directly from user to user until a match is found.[9] Files are then transferred directly between the two users.

### B. Saved by the Supernodes

After finding that the defendants' end users were guilty of direct infringement—a prerequisite to proving contributory or vicarious infringement—the court set forth the elements of contributory infringement. Citing *Napster*, the court stated that "one is liable for contributory infringement if 'with knowledge of the infringing activity, [he/she] induces, causes or materially contributes to the infringing conduct of another.'"[10] The court interpreted this standard to require: (i) actual (not merely constructive) knowledge of an infringement at a time when the defendant had the ability to stop the infringement and (ii) personal conduct by the defendant that encourages or assists the infringement.[11]

In analyzing Grokster's potential liability, the court noted the following:

1. The *raison d'etre* of Grokster and Morpheus was to facilitate the exchange of copyrighted material. Moreover, each knew that its users often exchange pirated media;[12]
2. Grokster and Morpheus may have intentionally structured their programs to avoid secondary liability;[13]
3. Both marketed themselves as "the next Napster";[14]
4. In the case of Grokster, the software is preset with a list of "root supernodes" which connects users to the FastTrack network by directing them to active supernodes;[15] and
5. Both defendants provided technical support for program operation and maintained discussion boards in which users searched for and discussed the propriety of exchanging copyrighted media.

Nevertheless, with regard to the material contribution requirement, the court held that even though liability exists "if the defendant engages in personal conduct that encourages or assists the infringement,"[16] such liability is limited to instances where a defendant also "has actual—not merely constructive—knowledge of the infringement at a time during which defendant materially contributes to that infringement."[17] The court then absolved Grokster and Morpheus of liability for contributory infringement on the ground that they did not have specific knowledge of infringement at a time when they knew about the infringement *and* could have acted to stop it.[18]

In Grokster's case, it did not operate a central server network for file-sharing. Rather, it employed FastTrack technology licensed from another entity, Sharman/KaZaA, and its software's root supernodes only connected to other supernodes that performed the actual searches for media files. Thus, the technical process of locating and connecting to another file-sharer's supernode occurred through FastTrack, not through Grokster.[19] Therefore, the court concluded, Grokster neither provided the site nor the facilities for infringement, as it had no control over the actions of the infringers and thus could not prevent such actions.

In Morpheus' case, the infringers utilized Gnutella's open-source peer-to-peer platform, which was even more decentralized than Grokster's. Morpheus' users' requests for files passed directly from user to user. Therefore, Morpheus, like Grokster, did not supply the site or facilities for infringement, as Morpheus could not stop any infringements, which still could occur even if Morpheus were shut down.

Further, the court found that the defendants' technical assistance, bulletin boards, and other incidental services (i) were not substantial or material contributions to the alleged infringements; (ii) took place before or after the infringement occurred; and (iii) were non-specific in nature and usually were related to use of another company's software. In the court's view, neither Grokster nor Morpheus provided any technical assistance that facilitated or contributed to the actual exchange of files.[20]

### C. *Sony* and Substantial Noninfringing Uses

The court also ruled that neither Grokster nor Morpheus were contributorily liable because there were substantial noninfringing uses for each service, such as distributing movie trailers, free or uncopyrighted works, and materials in the public domain.[21] The "substantial noninfringing use doctrine" stems from the Supreme Court's decision in *Sony v. Universal*, [22] in which the manufacturer of the Betamax, the first videocassette recorder, was absolved of liability for contributory copyright infringement. Although the machines were capable of infringement, the evidence showed that their primary use was for the time-shifting of television shows, which the Court found to be a fair use.[23] The Court held, by analogy to the "staple article of commerce" doctrine from patent law, that constructive knowledge of infringement, and hence contributory infringement liability, could not be imputed to Sony based upon its sale of a machine that was capable of substantial noninfringing uses.[24] As the *Grokster* court put it:

> Because video tape recorders were capable of both infringing and "substantial noninfringing uses," generic or "constructive" knowledge of infringing activity was insufficient to warrant liability based on the mere retail of Sony's products.[25]

In *Napster*, the Ninth Circuit, applying *Sony* in the context of an Internet file-sharing service, held that it could not impute to Napster knowledge of infringing acts "merely because peer-to-peer file-sharing technology may be used to infringe plaintiffs' copyrights."[26] Rather, it held that Napster could be found contributorily liable only if it were shown (as the preliminary injunction record in that case did) that Napster had "*actual* knowledge that *specific* infringing material is available using its system, that it could block access to the system by suppliers of the infringing material, and that it failed to remove the material."[27]

In *Grokster*, the court, following *Sony* and *Napster*, stated:

> Defendants distribute and support software, the users of which can and do choose to employ it for both lawful and unlawful ends. Grokster and StreamCast are not significantly different from companies that sell home video recorders or copy machines, both of which can be and are used to infringe copyrights. While Defendants, like Sony or Xerox, may know that their products will be used illegally . . . [a]bsent evidence of active and substantial contribution to the infringement itself, Defendants cannot be liable.[28]

The court's treatment of the matter ends there, with no discussion of two critical issues. First, the court likens the defendants to Sony and Xerox, but it fails to address the significant difference between these companies. Sony and Xerox make products that copy in real time and are distributed minimally, whereas the defendants' technologies encourage and further copyright distribution on an unlimited, instantaneous, worldwide basis. *Sony* held that copying with a Betamax for personal use, not for worldwide transmission was a fair use.[29] Second, while the court found it to be "undisputed that there are substantial non-infringing uses for Defendants' software—e.g. distributing movie trailers, free songs or other non-copyrighted works," that is debatable.[30] Moreover, the court offered no guidance regarding how to determine what is a "substantial" noninfringing use. One could argue that this is a question of fact that should have been presented to a jury.

### D. Vicarious Infringement

The court then turned to the issue of vicarious infringement. It noted that vicarious infringement liability attaches where a defendant has a right and ability to supervise the infringing activity and also has a direct financial interest in such activity.[31] Like *Napster,* the court held that the availability of infringing material acted as a draw for customers.[32] Coupled with substantial advertising revenue for the defendants and a user base in the tens of millions, a significant portion of the defendants' revenue depended on infringement. Therefore, the defendants clearly derived a financial benefit. However, even though the defendants clearly knew about the infringing acts and derived a direct financial benefit from the infringing acts, the court found that they had no ability to police the exchanges of infringing content. As the "Defendants provide software that communicates across networks that are entirely outside Defendants [sic] control," the court granted summary judgment for the defendants on the vicarious infringement claim.[33]

## III. Analysis

Perhaps the most intriguing portion of the *Grokster* decision is the following:

> The Court is not blind to the possibility that Defendants may have intentionally structured their businesses to avoid secondary liability for copyright infringe-

> ment, while benefitting financially from the illicit draw of their wares. . . . [T]o justify a judicial remedy, however, Plaintiffs invite this Court to expand existing copyright law beyond its well-drawn boundaries.[34]

The primary thrust behind the creation and operation of defendants' businesses was to promote and profit from music piracy. The court may have likened the defendants to companies like Sony that sell home video recorders, but its interpretation of the word "home" could be reversible error. In *Sony*, the Supreme Court was analyzing a technology that made one copy at a time and had no capability for mass distribution. Internet file-sharing, on the other hand, involves infinite and instantaneous copying without boundaries—a vastly different activity. Further, the defendants' good faith should have been relevant.

The *Grokster* decision rested upon a narrow interpretation of contributory and vicarious infringement. For instance, the court narrowly interpreted terms such as "at the time" and "technical assistance" (compare *Aimster* and *MP3Board*).[35] By contrast, the court broadly interpreted "home" and "substantial" when discussing *Sony*. Finally, issues of fact may exist, particularly with respect to whether the percentage of legally shared files versus illegally shared files amounts to a substantial noninfringing use.

Indeed, *Grokster* leaves open a great many questions. For instance, does it render toothless against savvy computer programmers the concept of providing the "site and facilities" for infringement by defining it too narrowly, thus emboldening further infringement? How does one quantify a "substantial" noninfringing use? Most important, does the decision frustrate the dual goals of copyright law by depriving music copyright holders of fair compensation in instances where software programmers hide behind a narrowly construed technical loophole? Certainly, the court may have hinted at liability on the part of Sharman/KaZaA, but is all commercially released music not devalued at the expense of preserving via a loophole the rights of two clearly infringing services?

## IV. Potential Compromises

Neither music copyright owners nor cyberpunks share well in the sandbox. On the one hand, public reaction to the music industry's "education by force and lawsuit" has caused a backlash. On the other hand, savvy programmers frustrate legitimate efforts by the music industry to protect content by defying anti-circumvention laws. As quickly as the entertainment industry can encrypt media, hackers decrypt. Yet while the hackers rally around their mantra of "it cannot be stopped," the entertainment industry fights back with new encryption, lawsuits, and intense lobbying. The enactment of the DMCA was an attempt to break this circle of encryption and tilt the playing field back in favor of the copyright owners, but university and college programmers claim that academic freedom is compromised if they are not allowed to freely perform research and write programs. Neither having hackers frustrate anti-circumvention laws while hiding under the mantle of academic freedom, nor having the music industry's lobbying efforts chill research is a palatable scenario.

The parties' acrimony toward each other ultimately may result in legislative intervention. While Congress certainly has other urgent priorities at the moment, in recent hearings it has already sent a clear message to college administrators: fix the problem of on-campus file-sharing, or we will fix it for you.[36] In that event, it is difficult to imagine that either side would like the solution. Congress' solution, in seeking a fair compromise, would certainly not be "free music for all."

*"Neither music copyright owners nor cyberpunks share well in the sandbox."*

Nevertheless, technology cannot be ignored. Indeed, it has always been the engine which has driven copyright law. The opportunities provided by the Internet in terms of distribution are too inviting to be ignored. At least four potential compromises seem to offer a fair resolution to all parties. None of them is perfect, but each at least may be a move in the right direction. First, some universities and colleges have proffered the idea of paying the major labels and music publishers a yearly record industry-approved blanket fee.[37] While this approach would not necessarily turn all on-campus file-sharing into legal file-sharing, much of the downloading would become legal, depending upon how many copyright owners agree to the licensing scheme. Second, some advocate a marketplace rights-oriented solution whereby copyright owners would come together under a consent decree with a judicial rate-setting mechanism and collectively license their works. Third, some propose a tax on downloading software with the royalty collected paid to artists—a scheme similar to that under the Audio Home Recording Act of 1992.[38] Finally, some envision a compulsory statutory license in which rights holders are required to issue licenses for uses pursuant to legislatively established rate-setting mechanisms.

## V. Conclusion

The *Grokster* court acknowledged that the defendants may have deliberately designed their programs to frustrate copyright law, promote piracy, and avoid liability. There is no doubt that the defendants created the means to effectuate infringing activity. Without their services, their infringing users would not be able to find the files they want. The defendants also financially benefited from the attraction their programs created. Free downloads are wildly popular. The decision unfortunately gives undeserved credibility to the public feeling that stealing something intangible is acceptable. Moreover, if piracy cannot be controlled, legitimate services cannot compete. With the recent exception of Apple Computer Inc.'s iTunes Music Store (iTunes), many pay services have foundered. Unfortunately, even iTunes is being abused by hackers who have invented programs called iSlurp and iLeech which allow iTunes' users to transfer permanent copies of music for free to other users.[39]

> *"Free downloads are wildly popular. The* [Grokster] *decision unfortunately gives undeserved credibility to the public feeling that stealing something intangible is acceptable."*

Nevertheless, the silver lining lies in the urgency with which the file-sharing issue must now be addressed. The *Grokster* decision may accelerate compromise on both sides and lead to a solution that gives each what it desires: the public obtaining greater access to music inexpensively and easily, and copyright owners receiving fair compensation for distribution via the Internet. If massive wasteful litigation and governmental intervention are averted, neither the infringing Napster service nor the myriad lost royalties in Internet sales shall have died in vain.

## Endnotes

1. "It's a Bird! It's a Plane!" and "Kryptonite" are trademarks of D.C. Comics.
2. *See UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000); *A&M Records, Inc. v. Napster, Inc.* 114 F. Supp. 2d 896 (N.D. Cal. 2000), *aff'd*, 239 F.3d 1004 (9th Cir. 2001); *In re: Aimster Copyright Litig.*, 252 F. Supp. 2d 634 (N.D. Ill. 2002), *aff'd*, 2003 WL 21488143 (7th Cir. June 30, 2003).
3. *Metro-Goldwyn- Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029 (C.D. Cal. 2003).
4. *See Grokster*, 259 F. Supp. 2d at 1037.
5. Act of November 29, 1999, Pub. L. No. 106-113, app. I, 113 Stat. 1501; repealed at U.S. Copyright Office and S.R. as Work-for-Hire Hearing Before the Subcommittee on Courts and Intellectual Property of the House Committee on the Judiciary, 106th Cong. 34 (2000).
6. As of this writing, KaZaA, owned by a company on a remote Pacific island, had accepted a default judgment.
7. *Grokster,* 259 F. Supp. 2d at 1040.
8. *Id*. at 1041.
9. *Id*.
10. *Id*. at 1035 (citing *Napster,* 239 F.3d at 1019).
11. *See id.* at 1035.
12. *See id.* at 1036-37.
13. *See id.* at 1046.
14. *See id.* at 1036.
15. *See id.* at 1040. Grokster briefly had control over a root supernode, but it no longer operates such a supernode.
16. *See id.* at 1035.
17. *Id*. at 1036 (citing *Napster,* 239 F.3d at 1020-22).
18. *Id*. at 1038-43.
19. *See id.* at 1040.
20. *See id.* at 1042.
21. *See id.* at 1035.
22. 464 U.S. 417 (1984).
23. *Id*. at 454-55.
24. *Id*. at 456.
25. *Grokster*, 259 F. Supp. 2d at 1035.
26. *Napster*, 239 F.3d at 1020-21.
27. *Id*. at 1022.
28. *See Grokster*, 259 F. Supp. 2d at 1043.
29. *See Sony*, 464 U.S. at 454-55.
30. *See Grokster*, 259 F. Supp. 2d at 1035.
31. *See id.* at 1043 (citing *Napster*, 239 F.3d at 1022).
32. *Id*.
33. *See id.* at 1045.
34. *See id.* at 1046.
35. *See supra* note 2.
36. Scott Carlson, *A President Tries to Settle the Controversy Over File Sharing*, Information Technology, vol. 49, no. 37, at A27.
37. *Id*. at A30.
38. Audio Home Recording Act of 1992 ("AHRA").
39. *See Grokster*, at 27.

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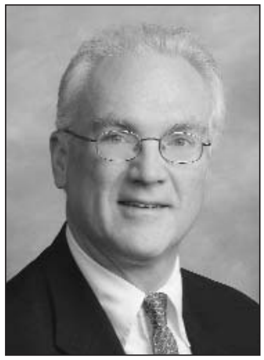
# Royalty Rights in Bankruptcy: *In re CellNet Data Systems*

By Noel D. Humphreys and Thomas J. Pasuit

## I. Introduction



Noel D. Humphreys

The Court of Appeals for the Third Circuit has concluded that software royalty payments flow from a license rather than from the underlying technology, at least for some purposes. In *In re CellNet Data Systems, Inc.*,[1] the court faced the question of whether to award royalties to the debtor-licensor (who had rejected the license agreement) or to the owner of the intellectual property rights (who was not the licensor). The court held that the licensee must make royalty payments to the licensor pursuant to section 365(n)[2] of the Bankruptcy Code even after the licensor had transferred the underlying intellectual property. The outcome emphasizes the importance of a debtor-licensor's contract rights and de-emphasizes the link between royalty rights and ownership of intellectual property.

## II. 11 U.S.C. § 365(a) and (n)

Section 365(a) of the Bankruptcy Code[3] authorizes a trustee or debtor-in-possession generally to assume or reject executory contracts, typically including licenses, and unexpired leases. Rejection relieves the debtor estate of burdensome obligations, while at the same time forcing others to continue to conduct business with the debtor after a bankruptcy filing. On the one hand, rejection frees the debtor from obligations under pre-petition executory contracts and unexpired leases. On the other hand, if the debtor wishes to obtain the benefits of a pre-petition executory contract or unexpired lease, section 365 requires the trustee or debtor-in-possession to cure defaults of assumed contracts and leases. Section 365 establishes a mechanism for determination of claims resulting from the trustee's or debtor-in-possession's rejection of an executory contract or unexpired lease.

The balance is different in the case of licenses of patented or copyrighted technology. Section 365(n) permits a licensee to elect to continue to use patented or copyrighted technology even if the debtor rejects the underlying license. Congress enacted section 365(n) specifically to protect licensees of copyrights and patents by limiting the effects of the debtor's right to reject.[4] When a trustee or debtor-in-possession rejects a license, a licensee may elect to retain its rights and continue to pay the royalties called for by the rejected agreement. The licensee also keeps its exclusive rights, if the license makes the rights exclusive.

Thomas J. Pasuit

By enacting section 365(n), Congress responded to the perceived chilling effect on the licensing of intellectual property created by the Fourth Circuit's decision in *Lubrizol Enterprises, Inc., v. Richmond Metal Finishers, Inc.*[5] The *Lubrizol* court upheld a debtor's decision to reject a license agreement where the rejection worked a substantial hardship on the licensee. The licensee had organized its business around a patented machine for which the licensee held an exclusive license. By rejecting the license, the debtor shut down the licensee's business. Not all courts followed the Fourth Circuit's lead. Nonetheless, Congress determined that if *Lubrizol* were the law, few companies would license technology because their business operations would then be at the mercy of the licensor's bankruptcy decisions. Congress reasoned that if the licensor's bankruptcy does not permit the licensor to deprive the licensee of the technology, then the licensee would likely pay more for the rights.

When a non-debtor licensee of intellectual property retains license rights, section 365(n) requires the licensee to "make all royalty payments due" under the license.[6] Ordinarily, the licensee pays all pre-petition and post-petition royalties to the trustee or debtor-in-possession, as owner of the intellectual property and party to the rejected license agreement. The Third Circuit in *CellNet* confronted a situation where one party owned the intellectual property rights and a different party held the license rights.

## III. Facts and Background

In 1997, entering into two license agreements (collectively, the "License Agreement"), CellNet Data Systems, Inc. ("CellNet") licensed a joint venture ("BCN") between CellNet and Bechtel Enterprises, Inc. ("Bechtel") to use exclusively CellNet's copyrighted software outside the United States in exchange for a royalty payment equal to three percent of BCN's gross revenue. More than three years later, CellNet filed a petition for relief under chapter 11 of the Bankruptcy Code. Shortly after filing its petition, CellNet agreed to sell its assets to Schlumberger Resource Management Services, Inc. ("Schlumberger"). The agreement tracked a pre-petition letter of intent. The purchase agreement provided that Schlumberger would acquire "all or substantially all of the assets and business operations of [CellNet] and its subsidiaries" other than "Excluded Assets."

The Asset Purchase Agreement provided:

> At any time prior to March 25, 2000, [Schlumberger] shall be entitled unilaterally to amend this Agreement . . . solely for the purpose of excluding any or all of the stock, assets, liabilities and agreements of [CellNet] pertaining to [CellNet's] joint venture with [Bechtel], or its affiliates . . . from the stock, assets, liabilities and agreements being acquired. . . .

Later that month, Schlumberger excluded the BCN license from the purchased assets. Schlumberger believed CellNet would reject the BCN license under section 365(a) because CellNet could not fulfill its obligations under those agreements. Apparently to confirm its belief, Schlumberger requested that CellNet reject BCN's License Agreement. Although the parties disputed to whom royalties were due under the License Agreement, CellNet agreed. An amendment to the purchase agreement memorialized the agreement. After the transaction closed, the bankruptcy court granted CellNet authority to reject the BCN licenses under section 365(a) of the Code.

BCN formally elected to retain its rights under the License Agreement under section 365(n). Bechtel, CellNet, and BCN then ended the joint venture, and Bechtel acquired BCN's assets and liabilities. Bechtel agreed to pay to CellNet an advance royalty payment on BCN's behalf. The bankruptcy court approved the transaction in June 2000; pending the court's determination of ownership, the parties deposited Bechtel's $2,250,000 royalty payment in escrow.

## IV. The Decisions

The bankruptcy court faced the question of whether to award the BCN royalty to CellNet or to Schlumberger. The arguments presented were similar at the bankruptcy court, the district court and the appeals court level. They addressed two issues. The first was the significance of the contract language. CellNet's estate argued that Schlumberger's clear and unambiguous exclusion of BCN's License Agreement from the assets Schlumberger acquired terminated Schlumberger's interest in the royalties. Schlumberger argued that Third Circuit precedents required explicit contract language to exclude royalties from the sale of assets. All three courts determined that the contracts were unambiguous that the parties had treated the License Agreement as excluded from Schlumberger's purchase of assets.

The second issue was whether CellNet retained any claim to the royalty after rejecting the License Agreement at a time when it was not the owner of the intellectual property. Schlumberger argued that after Cellnet rejected the license, ownership of the underlying intellectual property entitled Schlumberger to the royalty. Schlumberger also argued that because it bore the economic burden of Bechtel's use of the software after the section 365(n) election, it should be entitled to receive the royalty payments. CellNet contended that a rejected contract created a better claim than a contract exclusion.

The bankruptcy court, basing its decision on contract construction, found that the exclusion of the License Agreement from the assets that Schlumberger purchased terminated Schlumberger's claim. Judge McKelvie's district court memorandum opinion characterized the bankruptcy court decision as holding that "Schlumberger, although the purchaser of the intellectual property, had refused the right to receive royalties on the intellectual property when it affirmatively excluded the license agreements from the assets it chose to purchase."[7]

The district court agreed with the bankruptcy court's contract construction. The district court also emphasized that the statutory language of section 365(n) focuses on "royalty payments due under such [rejected] contract for the duration of such contract."[8] The court wrote that "it appears Congress intended the language 'due under the contract' to provide both the quantity of the royalty payments and the designation of the party intended to received those payments, whether the debtor or its contractual assignee."[9]

On appeal, the Third Circuit, in an opinion by Judge Richard L. Nygaard, affirmed on the same grounds. All three courts found that Schlumberger's contract with CellNet unambiguously excluded CellNet's rights as licensor. The courts found that the contract severed the right to royalties from the underlying ownership of the intellectual property. Affirming the conclusions below, the Third Circuit held that the debtor was entitled to royalties paid under section 365(n) because the asset purchase agreement unequivocally excluded the License Agreement.

All three decisions rely on the contract language, but they fail to explain plainly the critical import of the contract. The Third Circuit answered Schlumberger's argument that the right to royalties derives from ownership of the intellectual property and not from the licenses by stating that although the source of the royalty obligation in general lies in the intellectual property rights, in these circumstances the license is more important. "Once the royalties were divorced from the intellectual property, the only authority for their existence" was the license agreement.[10] The Third Circuit opinion supports the district court's reliance on the statutory language of section 365(n) that "licensee shall make all royalty payments due under such contract."[11] Both the district court and the Third Circuit interpreted this language to mean that the payments go where they would have gone under the agreement.

Schlumberger also argued that executory contract rights do not become part of the debtor's post-petition estate unless and until the executory agreement is assumed. (If a rejected executory contract were part of the estate, the estate would have to pay post-petition obligations under it, thereby defeating the purpose of the debtor's right to elect.) Since the debtor rejected the BCN licenses, Schlumberger argued, there is no contract-oriented basis for the estate to receive the royalty payment. The district court stated that CellNet was relying on the statute, not on the License Agreement, "as the source of its right to the royalties."[12] The Third Circuit, without citation, simply stated: "We need not specify the exact status of the contract. For our purposes it is suffice [sic] to say that after a licensee has resorted to section 365(n), the rights of the contract as they existed pre-petition and pre-rejection are in force."[13]

## V. Some Comments

1. Outside of bankruptcy, if a licensor terminated a license for software, the owner of the underlying intellectual property would be able to sue the infringer and collect royalties. The licensor would have nothing more if it ended the license in such a circumstance. In *CellNet* the courts put the debtor in a better position than it would have been in outside the bankruptcy umbrella.

2. Although Judge Nygaard's opinion did not say so, the Third Circuit panel may have concluded that, since the law is uncertain about which party should receive the royalty, causing the payment to go to the debtor would foster the public policy of maximizing the bankruptcy estate. None of the decisions attempted to ascertain how the decision would affect the underlying policy goals of Congress in seeking to foster a market for intellectual property licenses. The court may have believed that the value of intellectual property, rather than the license, feels the impact of this decision. If so, the decision supports Congress's intent of promoting licenses. On the other hand, the marketplace could view this decision as diminishing the value of intellectual property more than enhancing the value of a license. Maybe the lesson is that intellectual property held by an insolvent company is worth little.

3. The court did not adopt an answer oriented toward compensation for the party that bears the costs of the decision. Schlumberger argued that since a covenant not to sue for an infringing use lies at the core of a license, the consideration should go to the party with the obligation not to sue. The Third Circuit rejected this argument, stating that the exclusion of the BCN-related assets from Schlumberger's purchase severed the BCN-related assets from Schlumberger's "bundle of rights" from the outset.[14] However, this statement does not explain why rejection does not end the contract rights that trump the intellectual property rights. As Schlumberger argued, if BCN had ceased to use the intellectual property, presumably BCN's rights to use the property outside the United States would have reverted to Schlumberger rather than to the estate.

4. By separating the payment from ownership of the underlying intellectual property, *CellNet* sheds light on one open question concerning section 365(n). The Third Circuit opinion apparently assumes that BCN's rights would continue even though there is no continuing obligation to pay royalties. The parties appear not to have addressed whether a licensee may continue to exercise rights under a license that provides for a fee payable entirely up front. In this case the licensee made a post-petition up-front payment. (Typically the question arises when the up-front royalty payment occurs pre-petition.)

## VI. Conclusion

The *CellNet* outcome has implications for licensing lawyers and bankruptcy practitioners, but it is hard to predict how it will be interpreted. It may stand simply for the general proposition that, in a sale under the Bankruptcy Code, royalty rights under a license do not necessarily follow the underlying intellectual property when ownership of intellectual property is severed from related rights in a license agreement. While this holding enhances the debtor estate for the benefit of creditors, it ignores the real-world economic and equitable justifications for linking royalty rights to the underlying intellectual property. As such, this may be one instance where a debtor-in-bankruptcy is afforded greater rights than it would be entitled to under non-bankruptcy law.

More simply, the decision may be viewed as a straightforward interpretation of section 365(n): after a section 365(n) election, the licensee pays royalties to the debtor estate.

Alternatively, the decision may mean that rejection simply ends the debtor-licensor's obligations but otherwise leaves the contract in force, meaning that, at least in bankruptcy cases, royalties arise out of contract relationships and not out of intellectual property relationships.

What the decision does not stand for is that when a debtor rejects a license, the licensee's obligation to pay royalties follows the intellectual property interests that initially entitled the licensor to receive royalties.

It remains to be seen whether that outcome will promote Congress's intent to encourage the market for intellectual property licenses.

### Endnotes

1. 327 F.3d 242 (3d Cir. 2003).
2. 11 U.S.C. § 365.
3. 11 U.S.C § 365(a).
4. 11 U.S.C § 365(n) does not protect licensees of trademark rights.
5. 756 F.2d 1043 (4th Cir. 1985).
6. Section 365(n) of the Code provides that "if a trustee rejects an executory contract under which the debtor is a licensor of a right to intellectual property, the [non-debtor] licensee under such contract may elect" to either (a) terminate the contract or (b) retain certain rights under the license. If a licensee elects to retain its rights under this section, 11 U.S.C. 365(n)(2)(B) requires it to "make all royalty payments due under such contract for the duration of such contract."
7. 277 B.R. 588, 589 (D. Del. 2002).
8. 11 U.S.C. § 365(n)(2)(A), (B).
9. 277 B.R. at 595.
10. 327 F.3d at 249.
11. 11 U.S.C. § 365(n)(2).
12. 277 B.R. at 594.
13. 327 F.3d at 251.
14. The court stated: "As a general proposition, Schlumberger is correct that it is the intellectual property that creates the right to royalties—as an owner may parcel out its 'bundle of rights.' However, this argument does not alter our analysis under these factual circumstances. At the time the License Agreements were created, CellNet owned the intellectual property and thus could license the right of exclusivity outside the United States to BCN in exchange for royalties. This separation of rights from the 'bundle' was memorialized in the License Agreements. When Schlumberger purchased the intellectual property owned by CellNet, the License already existed and, pursuant to §365(n), would likely continue to exist. Based on Schlumberger's acceptance that they would be purchasing CellNet's intellectual property subject to BCN's rights, and that BCN's rights existed solely from the excluded licenses, what Schlumberger bought was less than the full bundle of rights associated with ownership. Thus, the initial right to royalties arose from the ownership of the intellectual property, but after Schlumberger elected to exclude the License Agreements, it severed those rights from the bundle it was purchasing. Once the royalties were divorced from the intellectual property, the only authority for their existence was the License Agreements. Because Schlumberger had excluded the Agreements, CellNet remained a party to those Agreements and would be entitled to the royalties thereunder."

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# Supreme Court Holds That Lanham Act Cannot Prevent Unauthorized Copying of Public Domain Work

By Joyce L. Creidy

## I. Introduction

The Lanham Act was intended to make actionable "the deceptive and misleading use of marks," and "to protect persons engaged in . . . commerce against unfair competition."[1] Section 43(a) of the Lanham Act provides a remedy for the false designation of origin or false description or representation of goods in commerce.[2] Originally, the term "origin" meant geographic location, but the Trademark Revision Act of 1988 made it clear that it also means origin of source or manufacture.[3]

Trademarks help consumers estimate the nature and quality of goods with little other information.[4] Trademarks also help producers, who have accumulated "good will," to prevent others from capitalizing on their good name.[5] In *Dastar Corp. v. Twentieth Century Fox Film Corp.*[6] the issue was whether in copying a television series which had fallen into the public domain and marketing and selling it under its own name without giving credit to Twentieth Century Fox Film Corporation ("Fox"), which had originally commissioned the series and had owned the copyright, Dastar Corporation was guilty of "reverse passing off," *i.e.*, misrepresenting someone else's goods as its own. In other words, was Dastar liable for misrepresenting Fox's product as its own, benefiting from Fox's good name and causing consumers to believe that Dastar was the originator of the series?

## II. The Facts

In 1948, General Dwight D. Eisenhower wrote his account of World War II entitled *Crusade in Europe*.[7] Doubleday acquired all rights in the book, registered it with the Copyright Office, and published it.[8] Doubleday granted Fox the exclusive television rights.[9] Fox arranged with Time, Inc. to produce a television series based on the book, also called "Crusade in Europe." Time, Inc. assigned the copyright in the series to Fox. In 1949, Fox first broadcast a 26-episode series based on the book with the same title.[10]

In 1975, Doubleday renewed its copyright in the book, but Fox did not renew its copyright in the television series.[11] The copyright in the television series expired in 1977 and, therefore, fell into the public domain.[12] In 1988, Fox reacquired the television rights in the book from Doubleday, including the exclusive video distribution rights for the television series.[13] Fox's licensees, SFM Entertainment and New Line Home Video, Inc., restored the old series, packaged it on video, and distributed it.[14]

In 1995, Dastar obtained the original television series tapes of "Crusade in Europe," made minor changes, and then released its own video set entitled "WWII Campaigns in Europe."[15] It was sold at major discount chains at a price substantially lower than the videos put out by Fox.[16]

In 1998, Fox and its licensees brought suit against Dastar in California district court, alleging that Dastar had infringed Doubleday's copyright in the book and therefore their rights in the television series. In an amended complaint, they further alleged that Dastar violated section 43(a) of the Lanham Act and state unfair competition laws by "reverse passing off" in distributing the videos without crediting or mentioning Fox's original television series. In an 8-0 decision written by Justice Antonin Scalia, the Court rejected the Lanham Act claim.[17]

## III. The Lower Court Rulings

The district court held that Dastar infringed on Fox's exclusive right to make and distribute videos based on the book.[18] It also held that Dastar's "substantial copying" and its failure to credit the original television series and the book established reverse passing off.[19] The court held that the copyright violation and the Lanham Act violation were both willful and awarded Fox actual damages as well as twice Dastar's profits pursuant to section 35 of the Lanham Act.[20]

The Court of Appeals for the Ninth Circuit, in an unpublished opinion, remanded on the issue of whether the book was a "work for hire,"[21] but it affirmed on the Lanham Act claim, reasoning that Dastar "copied substantially" all of the "Crusade in Europe" series created by Fox, resulting in a "bodily appropriation" that constituted "reverse passing off."[22] It also affirmed the district court's damages award.[23]

## IV. The Supreme Court Ruling

The Supreme Court granted *certiorari* to determine whether section 43(a) of the Lanham Act prevents the unaccredited copying of a work, and if so, whether a court may double a profit award under section 1117(a) in order to deter future infringements.

Fox contended that consumers are harmed by Dastar's passing itself off as the creator of a product that was originally created by Fox without crediting Fox. It claimed that Dastar made a "false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion . . . as to the origin . . . of his or her goods."[24] The Court rejected Fox's argument, focusing instead on the burden that would be imposed by a requirement that one refer back to the person who originated a product. How far back, the Court queried, would one have to go to ensure that everyone had been credited properly? The Court concluded: "We don't think that the Lanham Act requires this search for the source of the Nile and all its tributaries."[25] In the Court's view, designation of "origin" for purposes of the Lanham Act "should not be stretched to cover matters that are typically of no consequence to purchasers."[26]

The Court also rejected the argument that special treatment should be given to communicative products—products valued for their intellectual content, like books and videos—because doing so would result in a "mutant copyright law that limits the public's federal right to copy and to use expired copyrights."[27] This is in line with the Court's previous holdings in the *TrafFix, Bonito Boats*, and *Samara* cases, where it found no basis for applying the Lanham Act where patent and copyright law monopolies had expired.[28]

The Court further concluded that "the phrase [origin] refers to the producer of the tangible goods that are offered for sale and not to the author of any idea, concept, or communication embodied in those goods."[29] Therefore, it held that Dastar was the originator of the goods in question, thus precluding Fox from prevailing on its Lanham Act claim.[30]

## Endnotes

1. 15 U.S.C. § 1127.
2. 15 U.S.C. § 1125(a).
3. *See* 15 U.S.C. § 1125(a)(1).
4. *See* Robert P. Merges, Peter S. Menell, & Mark A. Lemley, Intellectual Property in the New Technology Age 557-565 (2d ed. 2000).
5. *Id*.
6. 539 U.S. __ 123 S. Ct. 2041 (2003).
7. *Id.* at 2044.
8. *Id*.
9. *Id*.
10. *Id*.
11. *Id*.
12. *Id*.
13. *Id*.
14. *Id*.
15. *Id*. Dastar inserted new chapter titles and narration, removed references to and images of the book, and used new packaging.
16. *Id*.
17. Justice Breyer did not participate in the case.
18. *See* Brief for Respondent at 7, *Dastar Corp. v. Twentieth Century Fox Film Corp.*).
19. *Id*. at 7.
20. *Id*.
21. *Dastar*, 123 S. Ct. at 2045. Doubleday had registered the copyright and renewed it as a work for hire. The question arose as to whether it indeed was a "work for hire," which would have had a bearing on whether the copyright had been renewed properly. *See Dastar*, 123 S. Ct. at 2045 n.2. During oral argument, it was noted that the work for hire issue had been retried and the district court affirmed its summary judgment ruling that the work was a work for hire and therefore still protected by copyright. The Supreme Court did not address the copyright infringement issue. *See id.* at 2045 n.2, 2050.
22. *Id.* at 2045. The showing required to establish likely confusion in a reverse passing off case in the Ninth Circuit is "bodily appropriation." *Cleary v. News Corp.*, 30 F.3d 1255, 1261 (9th Cir. 1994); *Shaw v. Lindheim*, 919 F.2d 1353, 1364 (9th Cir. 1990). In the Second Circuit it is "substantial similarity." *Waldman Publ'g Corp. v. Landoll, Inc.*, 43 F.3d 775, 784 (2nd Cir. 1994). The circuits are divided not over whether consumer confusion is required by the Lanham Act but whether copying serves as a proxy for confusion (the rule in the Ninth Circuit is that bodily appropriation subsumes consumer confusion). *See* Brief for Respondent at 10.
23. *Dastar*, 123 S. Ct. at 2045.
24. *Id.* at 2046.
25. *Id*. at 2049.
26. *Id.* at 2047.
27. *Id.* at 2048.
28. *Id*. at 2048-49 (discussing *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989); *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000)).
29. *Id*. at 2050.
30. *Id*.

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# Trade Winds

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* * *

Kelly M. Slavitt, Co-Chair of the Young Lawyers Committee, has completed her LL.M. in Intellectual Property at Cardozo School of Law and joined Thelen Reid & Priest LLP as an associate focusing on a wide range of intellectual property issues.

Noel D. Humphreys has joined Connell Foley LLP in Roseland, New Jersey as counsel, concentrating in transactional corporate, licensing, and computer-related contract work.

* * *

Soon to be released, upon approval for dissemination by the NYSBA Committee on Public Relations, is the first IP section brochure. This easy-to-read contribution to the other NYSBA brochures covering various areas of law is for general distribution to the public. Edited by IP Executive Committee member Mimi Netter (Miriam M. Netter, Attorney at Law), the brochure's subjects and contributors are: COPYRIGHT by Robert Clarida (Cowan Liebowitz & Latman, P.C.), TRADEMARKS by Debra Resnick (Hartman & Craven LLP), TRADE SECRETS by Victoria Cundiff (Paul Hastings Janofsky & Walker LLP), PATENTS by Philip Furgang (Furgang & Adwar, LLP), and INTERNET LAW by Richard Ravin (Hartman & Winnicki, PC). We expect copies to be available in late 2003 or early 2004.

* * *

## Welcome New Members:

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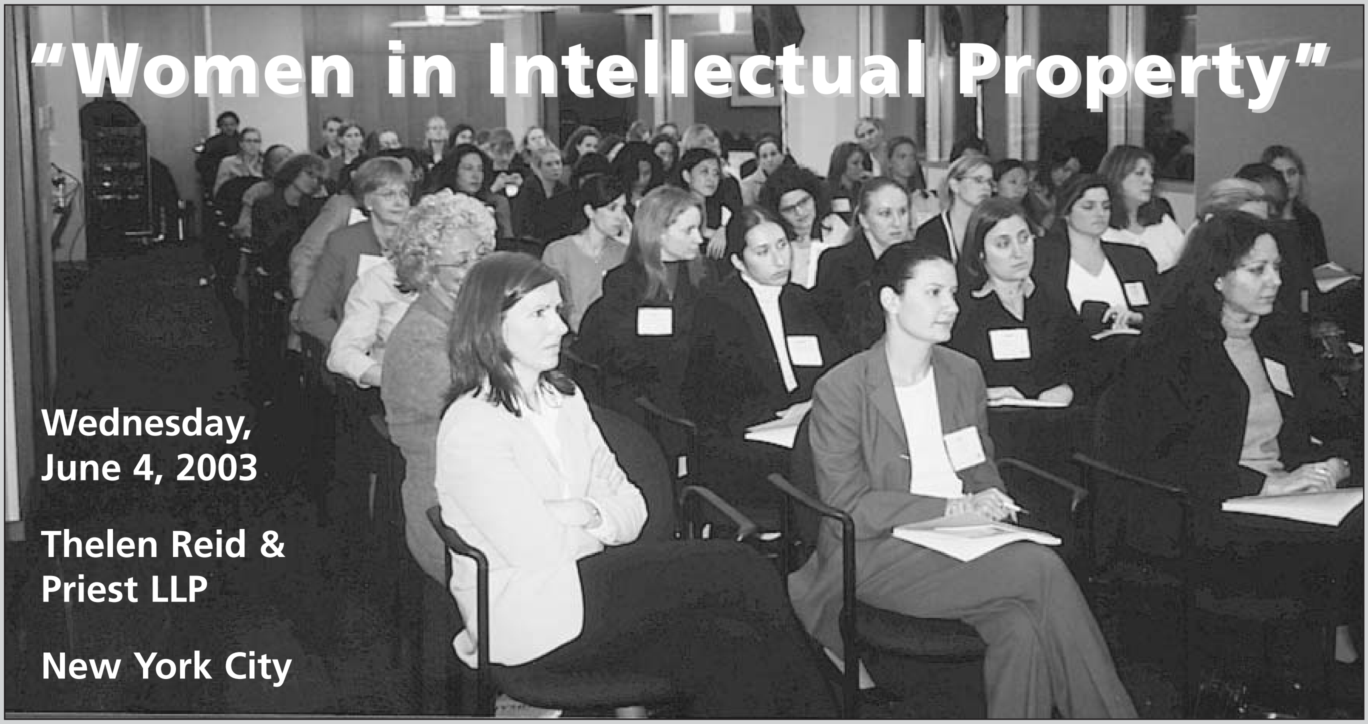
Adam V. Zoldessy
Steven Zweig

# “Women in Intellectual Property”

Wednesday, June 4, 2003

Thelen Reid & Priest LLP

New York City



On June 4, the Section hosted a CLE program entitled “Women in Intellectual Property” at the offices of Thelen Reid & Priest LLP. The program, which was oversold, was attended by more than 90 women professionals, providing them with an opportunity to network among colleagues and meet some of the leading women practitioners in the IP field. The event was co-hosted by Section Secretary Joyce L. Creidy and Thelen Reid IP and Entertainment partner Sharon Carlstedt, who also moderated the event. The speakers were Barbara Kolsun, senior vice president and general counsel of Kate Spade; Dr. Rochelle Seide, a partner at Baker Botts who specializes in patent law; Elena Paul, executive director of Volunteer Lawyers for the Arts; and Anne Atkinson, vice president and general counsel for A & E Television Network. The topics included strategies for success, developing a client base, how the intellectual property field has changed, mentoring relationships, and achieving a balance between home and work.

The event received very positive feedback, and the IP Section plans to hold the event annually.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**Intellectual Property Law Section's**

# ANNUAL LAW STUDENT WRITING CONTEST

## Sponsored by NameProtect Inc.

To be presented at **The Annual Meeting of the Intellectual Property Law Section, January 27, 2004, New York, NY** to the authors of the best articles on subjects relating to the protection of intellectual property not published elsewhere.

First Prize: $2,000 Second Prize: $1,000

### CONTEST RULES

To be eligible for consideration, the paper must have been written solely by a student or students in full-time attendance at a law school (day or evening) located in New York State or by an out-of-state law student or students who are members of the Section. One hard copy of the paper and an electronic copy in Word format on a 3.5" H.D. disk must be submitted by mail, postmarked not later than **November 4, 2003**, to each of the persons named below. As an alternative to sending the disks, the contestant may e-mail the electronic copies, provided that they are e-mailed before 5:00 p.m. EST, **November 4, 2003**. Papers should be no longer than 35 pages, double-spaced, including footnotes. Submissions must include the submitter's name; law school and expected year of graduation; mailing address; e-mail address; telephone number; and employment information, if applicable.

Send entries to:

Victoria A. Cundiff
Paul, Hastings, Janofsky & Walker LLP
75 East 55th Street
New York, NY 10022
(212) 318-6030
(e-mail:victoriacundiff@paulhastings.com)

and:

Kelly Slavitt
Thelen Reid & Priest LLP
875 Third Avenue
New York, NY 10022
(212) 603-6553
(e-mail: kslavitt@thelenreid.com)

Reasonable expenses will be reimbursed to the author of the winning paper for travel and lodging at the Annual Meeting to receive the Award.

Please direct any questions to Kelly Slavitt.

### Law Student Writing Contest Winners

**1999**

| | |
|---|---|
| First Prize: | Penelope J. Flynn<br>Brooklyn Law School |
| Second Prize: | Juan C. Gonzalez<br>St. John's University School of Law |

**2000**

| | |
|---|---|
| First Prize: | Michael J. Kasdan<br>New York University<br>School of Law |
| Second Prize: | David R. Johnstone<br>SUNY Buffalo School of Law |
| Third Prize: | Donna Furey<br>St. John's University School of Law |
| Hon. Mention: | Darryll Towsley<br>Albany Law School |

**2001**

| | |
|---|---|
| First Prize: | Maryellen O'Brien<br>SUNY Buffalo School of Law |
| Second Prize: | Safia A. Nurbhai<br>Brooklyn Law School |
| Third Prize: | Stephen C. Giametta<br>St. John's University School of Law |

**2002**

| | |
|---|---|
| First Prize: | Deborah Salzberg<br>Fordham Law School |
| Second Prize: | David V. Lampman, II<br>Albany Law School |
| Hon. Mention: | Larry Coury<br>Fordham Law School |

*The Section reserves the right not to consider any papers submitted late or with incomplete information.*

# MEMBERSHIP APPLICATION
# New York State Bar Association:

# INTELLECTUAL PROPERTY LAW SECTION

Membership in the New York State Bar Association's Intellectual Property Law Section is a valuable way to:

- enhance professional skills;
- keep up-to-date with important developments in the legal profession;
- join colleagues in exciting Section events.

## OPPORTUNITIES FOR EDUCATION

The Intellectual Property Law Section offers both the experienced and novice practitioner excellent opportunities to enhance their practical and legal knowledge and expertise. Through Section activities, including conferences on intellectual property (an annual fall event), members may examine vital legal developments in intellectual property law. The Section's Web site provides current information regarding Section events and offers "members only" access to current issues of *Bright Ideas* and current Committee bulletins providing updates on intellectual property law. The Section plans to sponsor continuing legal education (CLE) credit-bearing programs for Section members at reduced rates. Recent programs offered by the Section related to computer software and biotechnology protection, conducting intellectual property audits, and practical considerations in trade secret law. The Section sponsors an annual Intellectual Property Law writing contest for New York State Law Students.

## OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT

Intellectual Property Law Section committees address unique issues facing attorneys, the profession and the public. The Section offers opportunities to serve on committees such as Patent Law; Trademark Law; Copyright Law; Internet Law; Trade Secrets; Technology, Transfer and Licensing and Young Lawyers.

Committees allow you to network with other attorneys from across the state and give you the opportunity to research issues and influence the laws that can affect your practice. Committees are also an outstanding way to achieve professional development and recognition. Law students are automatically members of the Young Lawyers Committee. Section members may join more than one committee.

## A VOICE IN THE ASSOCIATION

The Intellectual Property Law Section takes positions on major professional issues that affect practitioners and advocates those positions within the New York State Bar Association, the legislature, and the public.

**See page 62 to become a member of the Intellectual Property Law Section**

## COMMITTEE ASSIGNMENT REQUEST

**Please designate, from the list below, those committees in which you wish to participate. For a list of Committee Chairs and their e-mail addresses, please refer to page 71 of this issue.**

___ Copyright Law (IPS1100)

___ Internet Law (IPS1800)

___ Patent Law (IPS1300)

___ Technology, Transfer and Licensing (IPS1400)

___ Trade Secrets (IPS1500)

___ Trademark Law (IPS1600)

___ Young Lawyers (IPS1700)

**Please e-mail your committee selection(s) to Naomi Pitts at: npitts@nysba.org**

*    *    *

To be eligible for membership in the Intellectual Property Law Section, you first **must** be a member of the NYSBA.

❒ As a member of the NYSBA, I enclose my payment of $30 for Intellectual Property Law Section dues. (Law student rate: $15)

❒ I wish to become a member of the NYSBA and the Intellectual Property Law Section. I enclose both an Association and Section application with my payment.

❒ Please send me a NYSBA application. No payment is enclosed.

Name ______________________________

Office ______________________________

Office Address ______________________________

Home Address ______________________________

E-mail Address ______________________________

Office Phone No. ______________________________

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*Please return payment and application to:*

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**One Elk Street**
**Albany, New York 12207**
**Telephone: 518/487-5577**
**FAX: 518/487-5579**
**http://www.nysba.org**

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**Marc A. Lieberstein, Esq.**
*Ostrolenk, Faber, Gerb & Soffen, LLP*
New York City

**Program Co-Chair**
**Debra I. Resnick, Esq.**
*Hartman & Craven LLP*
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# NYSBA

## *"It's a Small IP World, After All"*

## Intellectual Property Law Section Fall Meeting at Lake George

The Sagamore, Bolton Landing, New York
October 9 - 12, 2003

NYSBA

Your attendance at this program will provide you with a total of **10 MCLE credit hours** consisting of 9 credit hours in practice management and/or areas of professional practice and 1 credit hour in ethics.

# Intellectual Property Law Section Fall Meeting at Lake George

## IMPORTANT INFORMATION

**Under New York's MCLE rule,** this program has been approved for 10 credit hours, consisting of 9 credit hours in practice management and/or areas of professional practice and 1 credit hour in ethics. **Except for the ethics portion, this program will not qualify for credit for newly admitted attorneys because it is not a basic practical skills program.**

**Discounts and Scholarships:** New York State Bar Association members may apply for a discount or scholarship to attend this program, based on financial hardship. This discount applies to the educational portion of the program only. Under that policy, any member of our Association who has a genuine basis of his/her hardship, and if approved, can receive a discount or scholarship, depending on the circumstances. To apply for a discount or scholarship, please send your request in writing to Catheryn Teeter at: New York State Bar Association, One Elk Street, Albany, New York 12207.

## UPCOMING SECTION EVENTS

**Tuesday, December 9: IP Law Section Round Table: Economic Issues Surrounding Royalties.** The Yale Club, 50 Vanderbilt Avenue at 44th St., New York, NY. 8:30 am to 10:45 am. Call 518-487-5573 or visit the IP Section page at www.nysba.org for additional seminar and registration information. Sponsored by Berdon LLP.

**Tuesday, January 27, 2004: IP Law Section Meeting during NYSBA Annual Meeting.** Marriott Marquis, 1535 Broadway, New York, NY. 9 am to 5:30 pm. Luncheon break from 12:45 pm to 1:45 pm. Call 518-487-5562 for information.

## SCHEDULE OF EVENTS

### Thursday, October 9

**7:00 pm - 11:00 pm** **Buffet Dinner for Arriving Guests** - Sagamore Dining Room, Main Hotel
*Spouses, Significant Others and Children Welcome!*

### Friday, October 10 *All Sessions will be held in the Sagamore Conference Center*

**8:00 am - 12:00 pm** **Golf Tournament**
A pre-paid entry/greens fee of $100.00 is required. Register for the tournament on the enclosed Meeting Registration Form and be sure to include the fee. Awards will be given for this 18 hole tournament.

**Neil Baumgarten, Esq. - Golf Chair**
Merrick, New York

**9:00 am - 1:00 pm** **Registration** - Conference Center Lobby

**12:00 noon - 1:00 pm** **Lunch** - Trillium Dining Room, Main Hotel

**GENERAL SESSION - Wapanak Room, Conference Center**

**1:00 pm - 1:05 pm** **Introductory Remarks**
**Marc A. Lieberstein, Esq. - Section Chair**
Ostrolenk, Faber, Gerb & Soffen, LLP
New York, New York

**1:05 pm - 2:45 pm** **PANEL DISCUSSION: Madrid Protocol Forum**
After a basic explanation of the Madrid Protocol, the relationship between the Madrid Protocol and the Madrid Agreement, and a comparison with the CTM system and direct national filings, our experts will discuss the United States implementing legislation, procedures and requirements for filing and prosecuting International Registrations in the United States, the effect of the Madrid Protocol in Trademark Trial and Appeals Board proceedings, and issues arising abroad with respect to International Registrations including assignments, famous marks, ownership issues and central attacks.

**Moderator**
**Noel Cook, Esq.**
Owen, Wickersham & Erickson, P.C.
San Francisco, California

**Lynne G. Beresford**
Deputy Commissioner for Trademarks
United States Patent & Trademark Office
Washington, D.C.

## Friday, October 10 *(continued)*

**J. Allison Strickland, Esq.**
Fross Zelnick Lehrman & Zissu, P.C.
New York, New York

**Chris Tulley, Esq.**
DLA
Leeds, United Kingdom

**2:45 pm - 2:55 pm** **Break**

**2:55 pm - 3:25 pm** **Special Presentation: An Overview of Thomson & Thomson's New Full Availability Search**

**Angela Gannon**
Thomson & Thomson
New York, New York

**3:25 pm - 4:40 pm** **PANEL DISCUSSION: Comparative Patent Law and Enforcement**

**Moderator**
**Harold L. Burstyn, Esq.**
Hancock & Estabrook LLP
Syracuse, New York

**Dr. Rochelle Seide, Esq.**
Baker Botts LLP
New York, New York

**Rory J. Radding, Esq.**
Pennie & Edmonds, LLP
New York, New York

**Mark A. Catan, Esq.**
Proskauer Rose, LLP
Washington, D.C.

# SCHEDULE OF EVENTS

## Friday, October 10 *(continued)*

**4:40 pm - 5:30 pm**

**Database and Domain Name Protection: U.S. vs. International Standards**

**Ian C. Ballon, Esq.**
Manatt, Phelps & Phillips, LLP
Palo Alto, California

**Adjourn**

**6:30 pm** — **Child Care -** Evelley Room, Conference Center
*Drop off your children and attend the Cocktail Hour*

**6:30 pm - 7:30 pm** — **Cocktail Hour -** Nirvana Room, Conference Center
***Sponsored By:*** **MASTER DATA CENTER/MICROPATENT**

**7:30 pm** — **Children's Dinner -** Evelley Room, Conference Center

**7:30 pm** — **Dinner -** Bellvue Room, Conference Center
*Join us for dinner and music featuring the NAT PHIPPS TRIO*
***Music Sponsored By:*** **BOND, SCHOENECK & KING, PLLC**

**9:30 pm - 10:30 pm** — **Join for After Dinner for Drinks on the Veranda -**
Sagamore Main Hotel
***Sponsored By:*** **VERISIGN**

## Saturday, October 11 *All Sessions will be held in the Sagamore Conference Center*

**7:45 am - 8:45 am** — **Registration** - Conference Center Lobby

**MORNING SESSION - Wapanak Room, Conference Center**

**8:45 am - 10:25 am** — **PANEL DISCUSSION: The Past, Present & Future of Design Protection**

Trademark, design patent or copyright? That is the question you have to answer with respect to your client's new design. Join us in an *interactive discussion* on the different types of global intellectual property protection available for designs, and which is best suited for designs in a variety of industries.

## SCHEDULE OF EVENTS

## Saturday, October 11 *(continued)*

| | |
|---|---|
| | **Moderator**<br>**Scott Thompson, Esq.**<br>Colgate-Palmolive Company<br>New York, New York |
| | **Trade Protection and the Future of Dilution after the Supreme Court's Decision in the Victoria's Secret Case**<br>**George R. McGuire, Esq.**<br>Bond, Schoeneck & King, PLLC<br>Syracuse, New York |
| | **Design Patents in the United States and Under the New European Regulation on Community Designs**<br>**Fabrizio Jacobacci, Esq.**<br>Jacobacci & Partners<br>Turin, Italy |
| | **Copyright Protection for Designs**<br>**Robert Clarida, Esq.**<br>Cowen Leibowitz & Latman, LLP<br>New York, New York |
| **10:25 am - 10:35 am** | **Break** |
| **10:35 am - 11:50 am** | **The Anatomy of a Grey Market Case**<br>Watch and participate in a mock demonstration of the prosecution and defense of a grey market goods action. |
| | **Judge:**<br>**Chris Tulley, Esq.**<br>DLA<br>Leeds, United Kingdom |
| | **Plaintiff's Attorney:**<br>**Peter S. Sloane, Esq.**<br>Ostrolenk, Faber, Gerb & Soffen LLP<br>New York, New York |
| | **Defense Attorney:**<br>**Ronald G. Dove, Esq.**<br>Covington & Burling<br>Washington, D.C. |
| **12:00 pm - 1:00 pm** | **Lunch -** Trillium Dining Room, Main Hotel |
| | **AFTERNOON SESSION - Wapanak Room, Conference Center** |

## SCHEDULE OF EVENTS

### Saturday, October 11 *(continued)*

**1:15 pm - 2:05 pm** — **An Ethical Dilemma: What to Do When a Client Fails to Pay?**

**Professor Gary Munneke**
Pace Law School
White Plains, New York

**2:05 pm - 2:55 pm** — **PANEL DISCUSSION**
**A Look at International Licensing of Intellectual Property**

**Moderator**
**Walter J. Bayer, Esq.**
Global IP Associates LLP
Lawrenceville, New Jersey

**Susan Progoff, Esq.**
Fish & Neave
New York, New York

**Douglas Stoner, Esq.**
Hoffman, Warnick & D'Alessandro LLC
Albany, New York

**Adjourn**

**4:15 pm** — **Boat Ride Around Lake George on "THE MORGAN"**
***Sponsored by:*** **THOMSON & THOMSON**
Boarding begins at 4:15 pm at the dock behind the Main Hotel.
**THE MORGAN** departs promptly ***at 4:30 pm!***

**7:30 pm** — **Children's Dinner -** Evelley Room, Conference Center

**7:30 pm** — **Dinner -** Bellvue Room, Conference Center
*Join us for dinner and music featuring the NAT PHIPPS TRIO*
**Music *Sponsored by:* OSTROLENK, FABER, GERB & SOFFEN, LLP**
and **HARTMAN & CRAVEN LLP**

### Sunday, October 12

**Departure**

NYSBA

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# Section Committees and Chairs

The Intellectual Property Law Section encourages members to participate in its programs and to contact the Section officers or Committee Chairs for information.

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# Submission of Articles

Anyone wishing to submit an article, announcement, practice tip, etc., for publication in an upcoming issue of *Bright Ideas* is encouraged to do so. Articles should be works of original authorship on any topic relating to intellectual property. Submissions may be of any length.

Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Winter 2003 issue must be received by October 15, 2003.

***Bright Ideas* Liaisons**

Trademark Law—Jonathan Matkowsky
Internet Law—Marc D. Hiller

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