



## 909 Nuts & Bolts of Copyright, Trademarks, & Patents

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## Faculty Biographies

### Therese M. Catanzariti

Therese Catanzariti is legal counsel at Hantro Products Oy, a high-tech Finnish SME specializing in hardware and software video codes and multi-media applications for mobile devices.

Prior to joining Hantro, she was a legal counsel at Nokia in Finland. While in Finland, she lectured "Introduction to Entertainment Law" at the University of Oulu. She has written many papers in the area of IP and entertainment law.

In Australia, she clerked for Justice Hill in the Federal Court, and she was a senior associate in IP/IT in the Sydney office of national Australian law firm Mallesons Stephen Jaques. Ms. Catanzariti was also a barrister at the NSW Bar specializing in IP and tax, she also lectured the course "industrial and intellectual property rights" at the University of Technology, and co-lectured the course on the SAB at the University of Sydney. She also gave occasional lectures at the Australian Film Television and Radio School and she was a member of the IP committee of the Screen Producers Association of Australia.

Therese Catanzariti graduated with a BEC and LLB (Hons1) from the University of Sydney and LLM (Merit) from the University of London.

### Thomas W. Lynch

Thomas W. Lynch is the general counsel for 180s, LLC, the maker of innovative performance wear, which is located in Baltimore. His responsibilities include providing counsel to the company on all legal matters, including intellectual property (IP). Prior to being general counsel, Mr. Lynch was the Intellectual Property Counsel for the company and was responsible for all IP-related matters.

Prior to joining 180s, Mr. Lynch was an associate in the Reston, Virginia office of a national law firm and an associate in the Washington, DC office of an international law firm. During law school, Mr. Lynch was a patent examiner at the U.S. Patent & Trademark Office.

Mr. Lynch received a B.S. from the University of Notre Dame and is a graduate of the George Mason University School of Law.

### Kelly M. Slavitt

Kelly M. Slavitt is associate counsel at The American Society for the Prevention of Cruelty to Animals (ASPCA) in New York City. In her first in-house counsel role, Ms. Slavitt manages the legal department and is counsel on all corporate matters including intellectual property and contracts.

Prior to joining the ASPCA, Ms. Slavitt was a transactional intellectual property associate at Skadden, Arps, Slate, Meagher & Flom and Thelen Reid & Priest in New York City, and a solicitor at Allens Arthur Robinson in Melbourne, Australia.

Ms. Slavitt has been a member of the executive committee of the New York State Bar Association's intellectual property law section since law school, and was chair of the young lawyers committee until she was recently elected secretary of the section. She is a member of numerous other legal associations, including the Association of the Bar of the City of New York where she volunteered as a pro bono attorney for various clients including the ASPCA. She has been published numerous times in publications ranging from scholarly legal reviews to business law publications, and is an adjunct professor at the NYU School of Continuing Education.

Ms. Slavitt received her B.A. from The Pennsylvania State University, her Masters of Public Administration from New York University, her J.D. from Brooklyn Law School, and her LL.M. in Intellectual Property from The Benjamin N. Cardozo School of Law.



## **909 Nuts and Bolts of Copyright, Trademarks, and Patents**

**Kelly M. Slavitt, Esq.**  
**ASPCA**

ACC's 2006 Annual Meeting: The Road to Effective Leadership

October 23-25, Manchester Grand Hyatt



## **Why is “Intellectual Property” Important to your Business?**

- Protect your company's brand
- Protect your company's hard work
- Reinforce your company's reputation in the industry
- Maximize your company's bottom line

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## IP as a Money Generator for Your Company

- Security interests
- Transfer (assign) or “rent” (license) all or some rights
- Extend the brand
- Mass market branded products

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## Identifying “Intellectual Property” of your Company

**Trademarks**  
Designation of source



**Trade Secrets**  
Confidential Information



ACC's 2006 Annual Meeting: The Road to Effective Leadership

**Copyrights**  
Original works fixed in a tangible medium



**Patents**  
Inventions



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## Identifying Copyrights

- Copyright Act (17 USC §§ 101-120 )
- Standard = substantially similar
- \$45 per application
- © - automatic protection upon creation of copyrightable work
- Copyrightable subject matter



## Identifying Copyrights (continued)

- “Bundle of rights”
- Ownership term
- Works for hire (get it in writing!)
- Limitations – fair use (v. parody)
- Remedies



### Identifying Trademarks

- Lanham Act (15 USC §§ 1051-1127)
- Standard = likelihood of confusion [to consumers]
- \$375 per class
- TM v. ®
- Subject matter
- Distinctiveness of trademark



### Identifying Trademarks (continued)

- Acquisition/loss of rights
- Registration v. nonregistration
- Statutory defenses
- Dilution and tarnishment
- Counterfeiting
- Remedies



## Choosing a Trademark

- Make it distinctive
- Do a “knockout search” (USPTO, Google)
- Order a “full search” (Thomson Compumark)
- Hire private investigators to determine if in use in commerce



## Patent Law

- Patent Act (35 USC §§ 1-376)
- Standard = novel and nonobvious
- \$300 filing fee for utility; \$200 for design and plant
- Types: utility, design, plant
- Inventions are patentable, as are business methods
- Term is 20 years from date application filed



## Maintaining Your Organization's IP Rights

- Use your trademarks in commerce consistently, and with the appropriate ® or TM
- Include a copyright notice:  
© 2005 ASPCA®. All Rights Reserved.
- Train staff on the importance of IP and its protection
- Police and Enforce!

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ACC 2006 Annual Conference: The Road to Effective Leadership  
Therese Catanzariti, General Counsel, Hantro Products Oy, Finland

### IPR LINKS

#### Copyright

US Copyright Office  
<http://www.copyright.gov/>

England  
<http://www.patent.gov.uk/copy/index.htm>

Europe (directives)  
[http://www.europa.eu.int/comm/internal\\_market/copyright/index\\_en.htm](http://www.europa.eu.int/comm/internal_market/copyright/index_en.htm)

#### Trade Marks

US Trade Marks Office (including search)  
<http://www.uspto.gov/main/trademarks.htm>

UK Trade Marks office (including search)  
<http://www.patent.gov.uk/tm/>

Europe (directives)  
[http://www.europa.eu.int/comm/internal\\_market/en/indprop/tm/index.htm](http://www.europa.eu.int/comm/internal_market/en/indprop/tm/index.htm)

#### Patents

US Patents Office  
<http://www.uspto.gov/main/patents.htm>

US Patent Search  
<http://www.uspto.gov/patft/index.html>

UK Patents Office  
<http://www.patent.gov.uk/patent/index.htm>

UK Patent Search (including English patents, European patents and PCT databases)  
[http://gb.espacenet.com/search97cgi/s97\\_cgi.exe?Action=FormGen&Template=gb/EN/home.htm](http://gb.espacenet.com/search97cgi/s97_cgi.exe?Action=FormGen&Template=gb/EN/home.htm)

#### Domain Names

Domain name owner <http://www.geektools.com/whois.php>

#### Treezycat's Treasures – Entertainment Law Lecture Series

<http://www.poem.fi/ajankohtaista/treezycat/entertainmentlaw.html>



510 U.S. 569, \*; 114 S. Ct. 1164, \*\*;  
127 L. Ed. 2d 500, \*\*\*; 1994 U.S. LEXIS 2052

1 of 3 DOCUMENTS

LUTHER R. CAMPBELL AKA LUKE SKYYWALKER, ET AL., PETITIONERS  
v. ACUFF-ROSE MUSIC, INC.

No. 92-1292

SUPREME COURT OF THE UNITED STATES

510 U.S. 569; 114 S. Ct. 1164; 127 L. Ed. 2d 500; 1994 U.S. LEXIS 2052; 62  
U.S.L.W. 4169; 29 U.S.P.Q.2D (BNA) 1961; Copy. L. Rep. (CCH) P27,222; 22 Media  
L. Rep. 1353; 94 Cal. Daily Op. Service 1662; 94 Daily Journal DAR 2958; 7 Fla. L.  
Weekly Fed. S 800

November 9, 1993, Argued  
March 7, 1994, Decided

**PRIOR HISTORY:**

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT.

**DISPOSITION:** 972 F.2d 1429, reversed and remanded.

**DECISION:**

Denial of fair-use defense to copyright infringement suit held erroneously based on conclusions that commercial song parody (1) was presumptively unfair, and (2) necessarily involved excessive copying.

**SUMMARY:**

The preamble of a provision of the Copyright Act of 1976 (17 USC 107) indicates that the fair use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching, scholarship, or research does not constitute copyright infringement. Moreover, 107 provides that the factors for determining whether a particular use is fair shall include (1) the purpose and character of the use, including whether such use is commercial, (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion used, and (4) the effect of the use on the potential market for the copyrighted work. The holder of the copyright in a rock ballad, "Oh, Pretty Woman," filed a copyright infringement suit against a music group, claiming that the group's rap song, "Pretty Woman," infringed the copyright in the ballad. The United States District Court for the Middle District of Tennessee, concluding that the rap song was a parody that made fair use of the original, granted summary judgment for the group (754 F Supp 1150). The United States Court of Appeals for the Sixth Circuit reversed and remanded on the basis of the Court of Appeals' conclusions that (1) the commercial nature of the parody rendered the parody presumptively unfair under 107's first factor, (2) by taking the heart of the original and making it the heart of a new work, the group had qualitatively taken too much of the original under 107's third factor, and (3) harm to the market for purposes of 107's fourth factor had been established by a presumption attaching to commercial uses (972 F2d 1429).

On certiorari, the United States Supreme Court reversed and remanded. In an opinion by Souter, J., expressing the unanimous view of the court, it was held that the Court of Appeals had erred in basing its judgment on the conclusion that the parody's commercial nature rendered the parody presumptively unfair under 107's first and fourth factors and the conclusion that as a matter of law, the group had copied excessively from the original, because (1) no such evidentiary presumption was available to address either the first or fourth factor, since (a) a presumption that a commercial use was unfair would swallow nearly all the illustrative examples in 107's preamble, which rule could not have been intended by Congress and was not inferable from the common-law cases, and (b) no presumption of market harm from commercial use applied to a case involving something beyond mere duplication for commercial purposes; and (2) the

parody was not so insubstantial, as compared to the copying of the lyrics and music, that the third 107 factor had to be resolved as a matter of law against the group.

Kennedy, J., concurring, expressed the view that (1) although it was not certain that the purpose of the rap song made the song a legitimate parody, the Supreme Court's treatment of the remaining 107 factors left room for the District Court to determine on remand that the song was not a fair use; and (2) courts applying the Supreme Court's fair-use analysis must take care to insure that not just any commercial take-off is rationalized, after the fact, as a parody.

**LAWYERS' EDITION HEADNOTES:**

\*\*\*LEdHN1  
COPYRIGHT AND LITERARY PROPERTY B 20  
EVIDENCE B 343  
fair use -- song parody -- presumption as to infringement --  
Headnote:[1A][1B][1C][1D][1E][1F]

A Federal Court of Appeals errs when, in determining that a music group's defense--under a provision of the Copyright Act of 1976 (17 USC 107) stating in a preamble that the fair use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching, scholarship, or research does not constitute copyright infringement, and stating following the preamble that the factors for determining whether a particular use is fair shall include (1) the purpose and character of the use, including whether such use is commercial, (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion used, and (4) the effect of the use on the potential market for the copyrighted work--to a copyright infringement suit concerning the group's parody of an original song is barred, the court bases the determination on the conclusions that the parody's commercial nature renders the parody presumptively unfair under 107's first and fourth factors and that as a matter of law, the group copied excessively from the original, because (1) no such evidentiary presumption is available to address either the first factor or the fourth factor, since (a) if commerciality carried presumptive force against a finding of fairness, the presumption would swallow nearly all the illustrative examples in 107's preamble, which rule could not have been intended by Congress and is not inferable from the common-law cases, and (b) no presumption of market harm as an effect of commercial use is applicable to a case involving something beyond mere duplication for commercial purposes; and (2) the parody is not so insubstantial, as compared to the copying, that the third 107 factor must be resolved as a matter of law against the group, since, after copying the original's first line of lyrics and copying and repeating the original's opening bass riff, the group departed markedly from the original lyrics and produced distinctive sounds.

\*\*\*LEdHN2  
COPYRIGHT AND LITERARY PROPERTY B 20  
infringement -- fair use -- parody -- factors --  
Headnote:[2A][2B][2C][2D]

In evaluating a parody of a copyrighted work, as in evaluating any other use of such a work, under a provision of the Copyright Act of 1976 (17 USC 107)--which provides in a preamble that the fair use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching, scholarship, or research does not constitute copyright infringement, and provides following the preamble that the factors for determining whether a particular use is fair shall include (1) the purpose and character of the use, including whether such use is commercial or is for nonprofit educational purposes, (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion used, and (4) the effect of the use on the potential market for the copyrighted work--all four 107 factors are to be explored, and the results weighed together case-by-case, in light of the purposes of copyright, because (1) the preamble's terms "including" and "such as," being stated in the definition provision of the Copyright Act of 1976 (17 USC 101) to be illustrative and not limitative, thus provide only general guidance about the sorts of copying that courts and Congress most commonly had found to be fair uses as of the time that 107 was promulgated; (2) 107 has no hint of an evidentiary preference for parodists over their victims; (3) no workable presumption for parody could take account of the fact that parody often shades into satire when society is lampooned through parody's creative artifacts, or that a work may contain parodic and non-parodic elements; and (4) in 107's first factor, the term "including" begins a dependent clause referring to commercial use, while the main clause speaks of a broader investigation into purpose and character.

\*\*\*LEdHN3

510 U.S. 569, \*; 114 S. Ct. 1164, \*\*;  
127 L. Ed. 2d 500, \*\*\*; 1994 U.S. LEXIS 2052

COPYRIGHT AND LITERARY PROPERTY § 19  
infringement -- fair use --  
Headnote:[3]

The fair use doctrine contained in *17 USCS 107* permits and requires courts to avoid rigid application of the Copyright Act of 1976 (*17 USCS 101* et seq.) when, on occasion, such application would stifle the very creativity which the act is designed to foster, because, in enacting 107, Congress meant to restate the existing judicial doctrine of fair use, not to change, narrow, or enlarge the doctrine in any way, and intended that courts continue the common law tradition of fair-use adjudication.

[\*\*LEdHN4]  
COPYRIGHT AND LITERARY PROPERTY § 1  
goals of law --  
Headnote:[4A][4B]

The goals of the copyright law are to stimulate the creation and publication of edifying matter.

[\*\*LEdHN5]  
COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- fair use -- purpose and character --  
Headnote:[5A][5B]

With respect to the provision of the Copyright Act of 1976 (*17 USCS 107*) that fair use of a copyrighted work does not constitute infringement, the central purpose of investigating the purpose and character of a use under *17 USCS 107(1)* is to determine whether a new work (1) merely supersedes the objects of the original creation, or (2) instead is transformative, that is, adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; although such transformative use is not absolutely necessary for a finding of fair use--the straight reproduction of multiple copies for classroom distribution being an exception to such necessity--the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.

[\*\*LEdHN6]  
COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- parody -- transformative use --  
Headnote:[6A][6B][6C][6D]

Under the provision of the Copyright Act of 1976 (*17 USCS 107*) that fair use of a copyrighted work does not constitute infringement, parody, like other comment or criticism, may claim fair use, because parody has a claim to the transformative value that is looked for with respect to *17 USCS 107(1)* concerning the purpose and character of the use of a copyrighted work, since, like less ostensibly humorous forms of criticism, parody can provide social benefit, by shedding light on an earlier work and, in the process, creating a new work; for purposes of copyright law, the nub of the definitions of parody--and the heart of any parodist's claim that quoting from copyrighted material constitutes fair use of the material--is the use of some elements of a prior author's composition to create a new composition that at least in part, comments on that author's works; if, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, then the claim to fairness in borrowing from another's work diminishes accordingly, if the claim does not vanish, and other factors, like the extent of the commentary's commerciality, loom larger; if a parody whose wide dissemination in the market runs the risk of serving as a substitute for the original or licensed derivatives, then it is more incumbent on one claiming fair use to establish the extent of transformation and the parody's critical relationship to the original; by contrast, when there is little or no risk of market substitution--whether because of the large extent of transformation of the earlier work, the new work's minimal distribution in the market, the small extent to which the new work borrows from an original, or other factors--taking parodic aim at an original is a less critical factor in the analysis and looser forms of parody may be found to be fair use, as may satire with lesser justification for the borrowing than would otherwise be required.

[\*\*LEdHN7]

510 U.S. 569, \*; 114 S. Ct. 1164, \*\*;  
127 L. Ed. 2d 500, \*\*\*; 1994 U.S. LEXIS 2052

COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- fair use -- parody -- satire --  
Headnote:[7A][7B]

Under the provision of the Copyright Act of 1976 (*17 USCS 107*) that fair use of a copyrighted work does not constitute infringement, parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim's, or collective victims', imagination, whereas satire--which has been defined as a work in which prevalent follies or vices are assailed with ridicule or are attacked through irony, derision, or wit--can stand on its own two feet and so requires justification for the very act of borrowing.

[\*\*LEdHN8]  
COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- parody -- fair use -- threshold question --  
Headnote:[8A][8B][8C]

The threshold question--under a provision of the Copyright Act of 1976 (*17 USCS 107*) that fair use of a copyrighted work does not constitute infringement--when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived; the only further judgment that a court may pass on a work goes to an assessment whether the parodic element is slight or great and the copying small or extensive in relation to the parodic element, for a work with slight parodic element and extensive copying will be more likely to merely supersede the objects of the original than to constitute a fair use; for purposes of *17 USCS 107(1)*, which calls for consideration of the purpose and character of the use, a song that copies an original song's first line of lyrics and copies and repeats the original's opening bass riff but then departs markedly from the original lyrics and involves distinctive sounds reasonably can be perceived as commenting on the original or criticizing the original, to some degree, so as to constitute a parody, which purpose and character might be determined to be a fair use.

[\*\*LEdHN9]  
COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- fair use -- parody -- label --  
Headnote:[9A][9B]

A music group that includes on a record album a parody of a copyrighted song need not label the whole album, or even the particular song, a parody in order to claim protection under a provision of the Copyright Act of 1976 (*17 USCS 107*) that fair use of a copyrighted work does not constitute infringement, nor should the group be penalized for the song being the group's first parodic essay, because (1) parody serves its goals whether labeled or not, and (2) there is no reason to require parody to state the obvious or even the reasonably perceived.

[\*\*LEdHN10]  
COPYRIGHT AND LITERARY PROPERTY § 20  
EVIDENCE § 343  
infringement -- fair use -- presumptions -- purpose --  
Headnote:[10A][10B]

Under a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement, the mere fact that a use is educational and not for profit does not insulate the use from a finding of infringement, any more than the commercial character of a use bars a finding of fairness, because (1) in enacting *17 USCS 107(1)*--which provides that a fairness inquiry shall include consideration of the purpose and character of the use, including whether the use is commercial or is for nonprofit educational purposes--Congress (a) resisted attempts to narrow the ambit of this traditional inquiry by adopting categories of presumptively fair use, and (b) urged courts to preserve the breadth of their traditionally ample view of the universe of relevant evidence; and (2) although the fact that a publication is commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use, the fact that even the force of that tendency will vary with the context is a further reason against elevating commerciality to hard presumptive significance, where the use, for example, of a copyrighted work to advertise a product, even in a parody, will be entitled to less indulgence under the first factor of the fair use inquiry, than the sale of a parody for its own sake, let alone a parody performed a single time by students in school.

510 U.S. 569, \*; 114 S. Ct. 1164, \*\*;  
127 L. Ed. 2d 500, \*\*\*; 1994 U.S. LEXIS 2052

\*\*\*LEdHN11]

COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- fair use -- denial of permission --  
Headnote:[11A][11B]

Under a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement, being denied permission to use a work does not weigh against a finding of fair use, and thus a music group's request for permission to use a copyrighted song, which the group used despite the refusal of permission, should not be weighed against a finding of fair use, because (1) even if good faith were central to fair use, the group's actions do not necessarily suggest that the group believed that their version of the song was not fair use, where the request may simply have been made in a good-faith effort to avoid litigation, and (2) if a use is otherwise fair, then no permission need be sought or granted.

\*\*\*LEdHN12]

COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- fair use -- nature of copyrighted work --  
Headnote:[12]

Under a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement, *17 USCS 107(2)*--which provides that a fairness inquiry shall include consideration of the nature of the copyrighted work--calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied; a rock ballad's creative expression for public dissemination falls within the core of the copyright's protective purposes.

\*\*\*LEdHN13]

COPYRIGHT AND LITERARY PROPERTY § 20  
EVIDENCE § 852  
infringement -- fair use -- verbatim copying -- relevance --  
Headnote:[13]

Under *17 USCS 107(3)*, which--as part of a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement--provides that a fairness inquiry shall include consideration of the factor constituting the amount and substantiality of the portion used in relation to the copyrighted work as a whole, the extent of permissible copying varies with the purpose and character of the use; this factor calls for thought not only about the quantity of the materials used, but also about their quality and importance; whether a substantial portion of the allegedly infringing work was copied verbatim from the copyrighted work is a relevant question, for the question may reveal a dearth of transformative character or purpose under *17 USCS 107(1)*, or a greater likelihood of market harm under *17 USCS 107(4)*; a work composed primarily of an original, particularly the heart of the original, with little added or changed, is more likely to be a merely superseding use, fulfilling demand for the original, rather than a fair use.

\*\*\*LEdHN14]

COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- portion used -- parody --  
Headnote:[14]

For purposes of a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute infringement, when a parody takes aim at a particular original work, the parody must be able to "conjure up" at least enough of the original to make the object of the parody's critical wit recognizable; what makes for this recognition is quotation of the original's most distinctive or memorable features, which the parodist can be sure the audience will know; once enough of an original song has been taken by a parody to assure identification, how much more is reasonable will depend on the extent to which the parody's overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original; using some characteristic features of the original cannot be avoided.

510 U.S. 569, \*; 114 S. Ct. 1164, \*\*;  
127 L. Ed. 2d 500, \*\*\*; 1994 U.S. LEXIS 2052

\*\*\*LEdHN15]

COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- fair use -- extent of copying --  
Headnote:[15A][15B]

Under *17 USCS 107(3)*, which--as part of a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement--provides that a fairness inquiry shall include consideration of the factor constituting the amount and substantiality of the portion used in relation to the copyrighted work as a whole, a music group that in creating a parody of an original song, departed markedly from the original's lyrics after copying the original's first line took no more than necessary, and just for that reason, the copying cannot be excessive in relation to its parodic purpose, even if the portion taken is the original's "heart."

\*\*\*LEdHN16]

APPEAL § 1692.3  
remand -- misconception as to law --  
Headnote:[16]

On certiorari to review a judgment of a Federal Court of Appeals to the effect that a music group, by taking the heart of an original song and making it the heart of a new song, had, as a matter of law, taken too much of the original to allow the new song to constitute a fair use, under a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement, the United States Supreme Court--having determined that (1) the issue should not have been resolved against the group as a matter of law, and (2) the copying of the original lyrics was not excessive in relation to the new song's parodic purpose--in expressing no opinion whether repetition of certain music from the original in the new song is excessive, will remand to permit evaluation of the amount of music taken, in light of the new song's parodic purpose and character, its transformative elements, and considerations of the potential for market substitution.

\*\*\*LEdHN17]

COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- fair use -- effect on market --  
Headnote:[17]

Under *17 USCS 107(4)*, which--as part of a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement--provides that a fairness inquiry shall include consideration of the effect of the use upon the potential market for the copyrighted work, courts are required to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also whether unrestricted and widespread conduct of the sort engaged in by the alleged infringer would result in a substantially adverse impact on the potential market for the original; the inquiry must take account not only of harm to the original but also of harm to the market for derivative works.

\*\*\*LEdHN18]

COPYRIGHT AND LITERARY PROPERTY § 20  
EVIDENCE § 1009  
infringement -- fair use -- weight --  
Headnote:[18A][18B]

Fair use is an affirmative defense under a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement; under *17 USCS 107(4)*, which provides that a fairness inquiry shall include consideration of the effect of the use upon the potential market for the copyrighted work, evidence favorable to an alleged copyright infringer concerning relevant markets, without more, is no guarantee of a finding of fair use, because (1) the effect on the potential market, no less than the other three factors listed in *107* concerning a fairness inquiry, may be addressed only through a sensitive balancing of interests; (2) market harm is a matter of degree; and (3) the importance of this factor will vary, not only with the amount of harm, but also with the relative strength of the showing on the other factors, where, for example, if a film producer's appropriation of a composer's previously un-

510 U.S. 569, \*; 114 S. Ct. 1164, \*\*;  
127 L. Ed. 2d 500, \*\*\*; 1994 U.S. LEXIS 2052

510 U.S. 569, \*; 114 S. Ct. 1164, \*\*;  
127 L. Ed. 2d 500, \*\*\*; 1994 U.S. LEXIS 2052

known song turns the song into a commercial success, then the boon to the song does not make the film's simple copying into a fair use.

[\*\*\*LEdHN19]  
COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- fair use -- demand for original --  
Headnote:[19]

With respect to *17 USCS 107(4)*, which--as part of a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement--provides that a fairness inquiry shall include consideration of the effect of the use upon the potential market for the copyrighted work, when a lethal parody, like a scathing theater review, kills demand for the original, the parody does not produce a harm cognizable under the Copyright Act (*17 USCS 101* et seq.); because parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically, the role of the courts is to distinguish between biting criticism that merely suppresses demand and copyright infringement, which usurps demand.

[\*\*\*LEdHN20]  
COPYRIGHT AND LITERARY PROPERTY § 20  
infringement -- fair use -- derivative market for criticism --  
Headnote:[20A][20B]

With respect to *17 USCS 107(4)*, which--as part of a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement--provides that a fairness inquiry shall include consideration of the effect of the use upon the potential market for the copyrighted work, there is no protectable derivative market for criticism, because (1) the market for potential derivative uses include only those that creators of original work would in generally develop or license others to develop, and (2) the unlikelihood that creators of imaginative work will license critical reviews or lampoons of their own productions removes such uses from the notion of a potential licensing market; the only harm to derivatives that need be a matter of concern in applying fair-use analysis is the harm of market substitution, for the fact that a parody may impair the market for derivative uses by the very effectiveness of the parody's critical commentary is no more relevant under copyright than the like threat to the original market.

[\*\*\*LEdHN21]  
COPYRIGHT AND LITERARY PROPERTY § 20  
EVIDENCE § 1009  
weight -- infringement -- fair use -- markets --  
Headnote:[21]

With respect to a work that is critical of and allegedly infringes on the copyright in an original work and has a more complex character than a mere critical aspect, with effect not only in the arena of criticism but also in protectable markets for derivative works, the law--under *17 USCS 107(4)*, which, as part of a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement, provides that a fairness inquiry shall include consideration of the effect of the use upon the potential market for the copyrighted work--looks beyond the criticism to the other elements of the work; with respect to a song that comprises not only parody of an original song but also comprises rap music, the derivative market for rap music is a proper focus of inquiry; evidence of substantial harm to the derivative market weighs against a finding of fair use, because the licensing of derivatives is an important economic incentive to the creation of an original.

[\*\*\*LEdHN22]  
SUMMARY JUDGMENT AND JUDGMENT ON PLEADINGS § 5  
entitlement -- copyright infringement suit --  
Headnote:[22]

In a copyright infringement suit concerning a music group's parody of a copyrighted song, a silent record on the important factor described in *17 USCS 107(4)*--which, as part of a provision of the Copyright Act of 1976 (*17 USCS 107*) that the fair use of a copyrighted work does not constitute copyright infringement, provides that a fairness inquiry shall in-

clude consideration of the effect of the use upon the potential market for the copyrighted work--bearing on fair use dis-entitles the proponent of the fair-use defense, the music group, to summary judgment.

**SYLLABUS:** Respondent Acuff-Rose Music, Inc., filed suit against petitioners, the members of the rap music group 2 Live Crew and their record company, claiming that 2 Live Crew's song, "Pretty Woman," infringed Acuff-Rose's copyright in Roy Orbison's rock ballad, "Oh, Pretty Woman." The District Court granted summary judgment for 2 Live Crew, holding that its song was a parody that made fair use of the original song. See Copyright Act of 1976, *17 U.S.C. § 107*. The Court of Appeals reversed and remanded, holding that the commercial nature of the parody rendered it presumptively unfair under the first of four factors relevant under *§ 107*; that, by taking the "heart" of the original and making it the "heart" of a new work, 2 Live Crew had, qualitatively, taken too much under the third *§ 107* factor; and that market harm for purposes of the fourth *§ 107* factor had been established by a presumption attaching to commercial uses.

*Held:* 2 Live Crew's commercial parody may be a fair use within the meaning of *§ 107*. Pp. 574-594.

(a) Section 107, which provides that "the fair use of a copyrighted work . . . for purposes such as criticism [or] comment . . . is not an infringement . . ." continues the common-law tradition of fair use adjudication and requires case-by-case analysis rather than bright-line rules. The statutory examples of permissible uses provide only general guidance. The four statutory factors are to be explored and weighed together in light of copyright's purpose of promoting science and the arts. Pp. 574-578.

(b) Parody, like other comment and criticism, may claim fair use. Under the first of the four *§ 107* factors, "the purpose and character of the use, including whether such use is of a commercial nature . . .," the enquiry focuses on whether the new work merely supersedes the objects of the original creation, or whether and to what extent it is "transformative," altering the original with new expression, meaning, or message. The more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use. The heart of any parodist's claim to quote from existing material is the use of some elements of a prior author's composition to create a new one that, at least in part, comments on that author's work. But that tells courts little about where to draw the line. Thus, like other uses, parody has to work its way through the relevant factors. Pp. 578-581.

(c) The Court of Appeals properly assumed that 2 Live Crew's song contains parody commenting on and criticizing the original work, but erred in giving virtually dispositive weight to the commercial nature of that parody by way of a presumption, ostensibly culled from *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 451, 78 L. Ed. 2d 574, 104 S. Ct. 774, that "every commercial use of copyrighted material is presumptively . . . unfair . . ." The statute makes clear that a work's commercial nature is only one element of the first factor enquiry into its purpose and character, and *Sony* itself called for no hard evidentiary presumption. The Court of Appeals's rule runs counter to *Sony* and to the long common-law tradition of fair use adjudication. Pp. 581-585.

(d) The second *§ 107* factor, "the nature of the copyrighted work," is not much help in resolving this and other parody cases, since parodies almost invariably copy publicly known, expressive works, like the Orbison song here. P. 586.

(e) The Court of Appeals erred in holding that, as a matter of law, 2 Live Crew copied excessively from the Orbison original under the third *§ 107* factor, which asks whether "the amount and substantiality of the portion used in relation to the copyrighted work as a whole" are reasonable in relation to the copying's purpose. Even if 2 Live Crew's copying of the original's first line of lyrics and characteristic opening bass riff may be said to go to the original's "heart," that heart is what most readily conjures up the song for parody, and it is the heart at which parody takes aim. Moreover, 2 Live Crew thereafter departed markedly from the Orbison lyrics and produced otherwise distinctive music. As to the lyrics, the copying was not excessive in relation to the song's parodic purpose. As to the music, this Court expresses no opinion whether repetition of the bass riff is excessive copying, but remands to permit evaluation of the amount taken, in light of the song's parodic purpose and character, its transformative elements, and considerations of the potential for market substitution. Pp. 586-589.

(f) The Court of Appeals erred in resolving the fourth *§ 107* factor, "the effect of the use upon the potential market for or value of the copyrighted work," by presuming, in reliance on *Sony, supra, at 451*, the likelihood of significant market harm based on 2 Live Crew's use for commercial gain. No "presumption" or inference of market harm that might find

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support in *Sony* is applicable to a case involving something beyond mere duplication for commercial purposes. The cognizable harm is market substitution, not any harm from criticism. As to parody pure and simple, it is unlikely that the work will act as a substitute for the original, since the two works usually serve different market functions. The fourth factor requires courts also to consider the potential market for derivative works. See, e.g., *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 568, 85 L. Ed. 2d 588, 105 S. Ct. 2218. If the later work has cognizable substitution effects in protectible markets for derivative works, the law will look beyond the criticism to the work's other elements. 2 Live Crew's song comprises not only parody but also rap music. The absence of evidence or affidavits addressing the effect of 2 Live Crew's song on the derivative market for a nonparody, rap version of "Oh, Pretty Woman" disintitled 2 Live Crew, as the proponent of the affirmative defense of fair use, to summary judgment. Pp. 590-594.

**COUNSEL:** Bruce S. Rogow argued the cause for petitioners. With him on the briefs was Alan Mark Turk.

Sidney S. Rosdeitcher argued the cause for respondent. With him on the brief were Peter L. Felcher and Stuart M. Co-bert. \*

\* Briefs of amici curiae urging reversal were filed for the American Civil Liberties Union by Steven F. Reich, Steven R. Shapiro, Marjorie Heins, and John A. Powell; for Capitol Steps Production, Inc., et al. by William C. Lane; for the Harvard Lampoon, Inc., by Robert H. Loeffler and Jonathan Band; for the PEN American Center by Leon Friedman; and for Robert C. Berry et al. by Alfred C. Yen.

Briefs of amici curiae urging affirmance were filed for the National Music Publishers' Association, Inc., et al. by Marvin E. Frankel and Michael S. Oberman; and for Fred Ebb et al. by Stephen Rackow Kaye, Charles S. Sims, and Jon A. Baumgarten.

Briefs of amici curiae were filed for Home Box Office et al. by Daniel M. Waggoner, P. Cameron DeVore, George Vradenburg, Bonnie Bogin, and Richard Cotton; and for Warner Bros. by Cary H. Sherman and Robert Alan Garrett.

**JUDGES:** SOUTER, J., delivered the opinion for a unanimous Court. KENNEDY, J., filed a concurring opinion, post, p. 596.

**OPINIONBY:** SOUTER

**OPINION:**

[\*571] [\*\*\*511] [\*\*1167] JUSTICE SOUTER delivered the opinion of the Court.

[\*\*LEdHR1A] [1A] [\*\*LEdHR2A] [2A] We are called upon to decide whether 2 Live Crew's commercial parody of Roy Orbison's song, "Oh, Pretty Woman," [\*572] may be a fair use within the meaning of the Copyright Act of 1976, 17 U.S.C. § 107 (1988 ed. and Supp. IV). Although the District Court granted summary judgment for 2 Live Crew, the Court of Appeals reversed, holding the defense of fair use barred by the song's [\*\*1168] commercial character and excessive borrowing. Because we hold that a parody's commercial character is only one element to be weighed in a fair use enquiry, and that insufficient consideration was given to the nature of parody in weighing the degree of copying, we reverse and remand.

I

In 1964, Roy Orbison and William Dees wrote a rock ballad called "Oh, Pretty Woman" and assigned their rights in it to respondent Acuff-Rose Music, Inc. See Appendix A, *infra*, at 594. Acuff-Rose registered the song for copyright protection.

Petitioners Luther R. Campbell, Christopher Wongwon, Mark Ross, and David Hobbs are collectively known as 2 Live Crew, a popular rap music group. n1 In 1989, Campbell wrote a song entitled "Pretty Woman," which he later described in an affidavit as intended, "through comical lyrics, to satirize the original work . . ." App. to Pet. for Cert. 80a. On July 5, 1989, 2 Live Crew's manager informed Acuff-Rose that 2 Live Crew had written a parody of "Oh, Pretty Woman," that they would afford all credit for ownership and authorship of the original song to Acuff-Rose, Dees, and Orbison, and that they were willing to pay a fee for the use they wished to make of it. Enclosed with the letter were a

copy of the lyrics and a recording of 2 Live Crew's song. See Appendix B, *infra*, at 595. Acuff-Rose's agent refused permission, stating that "I am aware of the success [\*573] enjoyed by 'The 2 Live [\*\*\*512] Crews', but I must inform you that we cannot permit the use of a parody of 'Oh, Pretty Woman.'" App. to Pet. for Cert. 85a. Nonetheless, in June or July 1989, n2 2 Live Crew released records, cassette tapes, and compact discs of "Pretty Woman" in a collection of songs entitled "As Clean As They Wanna Be." The albums and compact discs identify the authors of "Pretty Woman" as Orbison and Dees and its publisher as Acuff-Rose.

n1 Rap has been defined as a "style of black American popular music consisting of improvised rhymes performed to a rhythmic accompaniment." The Norton/Grove Concise Encyclopedia of Music 613 (1988). 2 Live Crew plays "bass music," a regional, hip-hop style of rap from the Liberty City area of Miami, Florida. Brief for Petitioners 34.

n2 The parties argue about the timing. 2 Live Crew contends that the album was released on *July 15, and the District Court so held*, 754 F. Supp. 1150, 1152 (MD Tenn. 1991). The Court of Appeals states that Campbell's affidavit puts the release date in June, and chooses that date. 972 F.2d 1429, 1432 (CA6 1992). We find the timing of the request irrelevant for purposes of this enquiry. See n.18, *infra*, discussing good faith.

Almost a year later, after nearly a quarter of a million copies of the recording had been sold, Acuff-Rose sued 2 Live Crew and its record company, Luke Skywalker Records, for copyright infringement. The District Court granted summary judgment for 2 Live Crew, n3 reasoning that the commercial purpose of 2 Live Crew's song was no bar to fair use; that 2 Live Crew's version was a parody, which "quickly degenerates into a play on words, substituting predictable lyrics with shocking ones" to show "how bland and banal the Orbison song" is; that 2 Live Crew had taken no more than was necessary to "conjure up" the original in order to parody it; and that it was "extremely unlikely that 2 Live Crew's song could adversely affect the market for the original." 754 F. Supp. 1150, 1154-1155, 1157-1158 (MD Tenn. 1991). The District Court weighed these factors and held that 2 Live Crew's song made fair use of Orbison's original. *Id.*, at 1158-1159.

n3 2 Live Crew's motion to dismiss was converted to a motion for summary judgment. Acuff-Rose defended against the motion, but filed no cross-motion.

The Court of Appeals for the Sixth Circuit reversed and remanded. 972 F.2d 1429, 1439 (1992). Although it assumed for the purpose of its opinion that 2 Live Crew's song [\*574] was a parody of the Orbison original, the Court of Appeals thought the District Court had put too little emphasis on the fact that "every commercial use . . . is presumptively . . . unfair," *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 451, 78 L. Ed. 2d 574, 104 S. Ct. 774 (1984), and it held that "the admittedly commercial nature" [\*\*1169] of the parody "requires the conclusion" that the first of four factors relevant under the statute weighs against a finding of fair use. 972 F.2d at 1435, 1437. Next, the Court of Appeals determined that, by "taking the heart of the original and making it the heart of a new work," 2 Live Crew had, qualitatively, taken too much. *Id.*, at 1438. Finally, after noting that the effect on the potential market for the original (and the market for derivative works) is "undoubtedly the single most important element of fair use," *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 566, 85 L. Ed. 2d 588, 105 S. Ct. 2218 (1985), the Court of Appeals faulted the District Court for "refusing to indulge the presumption" that "harm for purposes of the fair use analysis has been established by the presumption attaching to commercial uses." 972 F.2d at 1438-1439. In sum, the court concluded that its "blatantly commercial purpose . . . prevents this parody from being a fair use." *Id.*, at 1439.

[\*\*\*513] We granted certiorari, 507 U.S. 1003 (1993), to determine whether 2 Live Crew's commercial parody could be a fair use.

II

It is uncontested here that 2 Live Crew's song would be an infringement of Acuff-Rose's rights in "Oh, Pretty Woman," under the Copyright Act of 1976, 17 U.S.C. § 106 (1988 ed. and Supp. IV), but for a finding of fair use through parody. n4 [\*\*575] From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright's very purpose, "to promote the Progress of Science and useful Arts . . ." U.S. Const., Art. I, § 8, cl. 8. n5 For as Justice Story explained, "in truth, in literature, in science and in art,

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there are, and can be, few, if any, things, which in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before." *Emerson v. Davies*, 8 F. Cas. 615, 619 (No. 4,436) (CCD Mass. 1845). Similarly, Lord Ellenborough expressed the inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it when he wrote, "while I shall think myself bound to secure every man in the enjoyment of his copy-right, one must not put manacles upon science." [\*576] *Carey v. Kearsley*, 4 Esp. 168, 170, 170 Eng. Rep. 679, 681 (K. B. 1803). In copyright cases brought under the Statute of Anne of 1710, n6 English courts held that in some instances "fair abridgements" would [\*1170] not infringe an author's rights, see W. Patry, *The Fair Use Privilege in Copyright Law* 6-17 (1985) (hereinafter Patry); Leval, *Toward a Fair Use Standard*, 103 *Harv. L. Rev.* 1105 (1990) (hereinafter Leval), and although the First Congress enacted our initial copyright statute, Act of May 31, 1790, 1 Stat. 124, without any explicit reference [\*\*\*514] to "fair use," as it later came to be known, n7 the doctrine was recognized by the American courts nonetheless.

n4 Section 106 provides in part:

"Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

"(1) to reproduce the copyrighted work in copies or phonorecords;

"(2) to prepare derivative works based upon the copyrighted work;

"(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending . . . ."

A derivative work is defined as one "based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work.'" 17 *U.S.C.β* 101.

2 Live Crew concedes that it is not entitled to a compulsory license under β 115 because its arrangement changes "the basic melody or fundamental character" of the original. β 115(a)(2).

n5 The exclusion of facts and ideas from copyright protection serves that goal as well. See β 102(b) ("In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery . . ."); *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 359, 113 L. Ed. 2d 358, 111 S. Ct. 1282 (1991) ("Facts contained in existing works may be freely copied"); *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 547, 85 L. Ed. 2d 588, 105 S. Ct. 2218 (1985) (copyright owner's rights exclude facts and ideas, and fair use).

n6 An Act for the Encouragement of Learning, 8 Anne, ch. 19.

n7 Patry 27, citing *Lawrence v. Dana*, 4 *Cliff. 1*, 15 F. Cas. 26, 60 (No. 8,136) (CCD Mass. 1869).

[\*\*\*LEdHR3] [3]In *Folsom v. Marsh*, 9 F. Cas. 342 (No. 4,901) (CCD Mass. 1841), Justice Story distilled the essence of law and methodology from the earlier cases: "look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work." *Id.*, at 348. Thus expressed, fair use remained exclusively judge-made doctrine until the passage of the 1976 Copyright Act, in which Justice Story's summary is discernible: n8

"β 107. Limitations on exclusive rights: Fair use

"Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular [\*577] case is a fair use the factors to be considered shall include -

"(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

"(2) the nature of the copyrighted work;

"(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

"(4) the effect of the use upon the potential market for or value of the copyrighted work.

"The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors." 17 *U.S.C.β* 107 (1988 ed. and Supp. IV).

Congress meant β 107 "to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way" and intended that courts continue the common-law tradition of fair use adjudication. H. R. Rep. No. 94-1476, p. 66 (1976) (hereinafter House Report); S. Rep. No. 94-473, p. 62 (1975) (hereinafter Senate Report). The fair use doctrine thus "permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster." *Stewart v. Abend*, 495 U.S. 207, 236, 109 L. Ed. 2d 184, 110 S. Ct. 1750 (1990) (internal quotation marks and citation omitted).

n8 Leval 1105. For a historical account of the development of the fair use doctrine, see Patry 1-64.

[\*\*\*LEdHR2B] [2B] [\*\*\*LEdHR4A] [4A]The task is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis. *Harper & Row*, 471 U.S. at 560; *Sony*, 464 U.S. at 448, and n.31; House Report, pp. 65-66; Senate Report, p. 62. The text employs the terms "including" and "such as" in the preamble paragraph to indicate the "illustrative and not limitative" function of the examples given, β 101; see *Harper & Row*, supra, at 561, which thus provide only general guidance about the sorts of [\*\*\*515] copying that courts and [\*578] Congress most commonly had found to be fair uses. n9 Nor may the four [\*\*\*1171] statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright. See Leval 1110-1111; Patry & Perlmutter, *Fair Use Misconstrued: Profit, Presumptions, and Parody*, 11 *Cardozo Arts & Ent. L. J.* 667, 685-687 (1993) (hereinafter Patry & Perlmutter). n10

n9 See Senate Report, p. 62 ("Whether a use referred to in the first sentence of section 107 is a fair use in a particular case will depend upon the application of the determinative factors").

[\*\*\*LEdHR4B] [4B]

n10 Because the fair use enquiry often requires close questions of judgment as to the extent of permissible borrowing in cases involving parodies (or other critical works), courts may also wish to bear in mind that the goals of the copyright law, "to stimulate the creation and publication of edifying matter," Leval 1134, are not always best served by automatically granting injunctive relief when parodists are found to have gone beyond the bounds of fair use. See 17 *U.S.C.β* 502(a) (court "may . . . grant . . . injunctions on such terms as it may deem reasonable to prevent or restrain infringement") (emphasis added); Leval 1132 (while in the "vast majority of cases, [an injunctive] remedy is justified because most infringements are simple piracy," such cases are "worlds apart from many of those raising reasonable contentions of fair use" where "there may be a strong public interest in the publication of the secondary work [and] the copyright owner's interest may be adequately protected by an award of damages for whatever infringement is found"); *Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (CA9 1988) (finding "special circumstances" that would cause "great injustice" to defendants and "public injury" were injunction to issue), *aff'd sub nom. Stewart v. Abend*, 495 U.S. 207, 109 L. Ed. 2d 184, 110 S. Ct. 1750 (1990).

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[\*\*LEdHR5A] [5A] [\*\*LEdHR6A] [6A]The first factor in a fair use enquiry is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." B 107(1). This factor draws on Justice Story's formulation, "the nature and objects of the selections made." *Folsom v. Marsh, supra, at 348*. The enquiry here may be guided by the examples given in the preamble to B 107, looking to whether the use is for criticism, or comment, or news reporting. [\*579] and the like, see B 107. The central purpose of this investigation is to see, in Justice Story's words, whether the new work merely "supersedes[ ] the objects" of the original creation, *Folsom v. Marsh, supra, at 348*; accord, *Harper & Row, supra, at 562* ("supplanting" the original), or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is "transformative." Leval 1111. Although such transformative use is not absolutely necessary for a finding of fair use, *Sony, supra, at 455, n. 40, n11* the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright, see, e. g., *Sony, supra, at 478-480* (BLACKMUN, J., dissenting), and the more transformative the new work, the less will be the significance of other factors, like commercialism, [\*\*\*516] that may weigh against a finding of fair use.

[\*\*LEdHR5B] [5B]

n11 The obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution.

[\*\*LEdHR6B] [6B]This Court has only once before even considered whether parody may be fair use, and that time issued no opinion because of the Court's equal division. *Benny v. Loew's Inc., 239 F.2d 532 (CA9 1956)*, aff'd *sub nom. Columbia Broadcasting System, Inc. v. Loew's Inc., 356 U.S. 43, 2 L. Ed. 2d 583, 78 S. Ct. 667 (1958)*. Suffice it to say now that parody has an obvious claim to transformative value, as Acuff-Rose itself does not deny. Like less ostensibly humorous forms of criticism, it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one. We thus line up with the courts that have held that parody, like other comment or criticism, may claim fair use under B 107. See, e. g., *Fisher v. Dees, 794 F.2d 432 (CA9 1986)* ("When Sonny Sniffs Glue," a parody of "When Sunny Gets Blue," is fair use); *Elsmere Music, Inc. v. National Broadcasting Co., 482 F. Supp. 741 [\*580] (SDNY), aff'd, 623 F.2d 252 (CA2 1980)* ("I Love Sodom," a "Saturday [\*\*\*1172] Night Live" television parody of "I Love New York," is fair use); see also House Report, p. 65; Senate Report, p. 61 ("Use in a parody of some of the content of the work parodied" may be fair use).

[\*\*LEdHR6C] [6C] [\*\*LEdHR7A] [7A]The germ of parody lies in the definition of the Greek *parodeia*, quoted in Judge Nelson's Court of Appeals dissent, as "a song sung alongside another." *972 F.2d at 1440*, quoting 7 Encyclopedia Britannica 768 (15th ed. 1975). Modern dictionaries accordingly describe a parody as a "literary or artistic work that imitates the characteristic style of an author or a work for comic effect or ridicule," n12 or as a "composition in prose or verse in which the characteristic turns of thought and phrase in an author or class of authors are imitated in such a way as to make them appear ridiculous." n13 For the purposes of copyright law, the nub of the definitions, and the heart of any parodist's claim to quote from existing material, is the use of some elements of a prior author's composition to create a new one that, at least in part, comments on that author's works. See, e. g., *Fisher v. Dees, supra, at 437; MCA, Inc. v. Wilson, 677 F.2d 180, 185 (CA2 1981)*. If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another's work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger. n14 Parody needs to mimic [\*581] an original to make its point, and so has [\*\*\*517] some claim to use the creation of its victim's (or collective victims') imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing. n15 See *ibid.*; Bisceglia, Parody and Copyright Protection: Turning the Balancing Act Into a Juggling Act, in ASCAP, Copyright Law Symposium, No. 34, p. 25 (1987).

n12 American Heritage Dictionary 1317 (3d ed. 1992).

n13 11 Oxford English Dictionary 247 (2d ed. 1989).

[\*\*LEdHR6D] [6D]

n14 A parody that more loosely targets an original than the parody presented here may still be sufficiently aimed at an original work to come within our analysis of parody. If a parody whose wide dissemination in the market runs the risk of serving as a substitute for the original or licensed derivatives (see *infra*, at 590-594, discussing factor four), it is more incumbent on one claiming fair use to establish the extent of transformation and the parody's critical relationship to the original. By contrast, when there is little or no risk of market substitution, whether because of the large extent of transformation of the earlier work, the new work's minimal distribution in the market, the small extent to which it borrows from an original, or other factors, taking parodic aim at an original is a less critical factor in the analysis, and looser forms of parody may be found to be fair use, as may satire with lesser justification for the borrowing than would otherwise be required.

[\*\*LEdHR7B] [7B]

n15 Satire has been defined as a work "in which prevalent follies or vices are assailed with ridicule," 14 Oxford English Dictionary, *supra*, at 500, or are "attacked through irony, derision, or wit," American Heritage Dictionary, *supra*, at 1604.

[\*\*LEdHR2C] [2C]The fact that parody can claim legitimacy for some appropriation does not, of course, tell either parodist or judge much about where to draw the line. Like a book review quoting the copyrighted material criticized, parody may or may not be fair use, and petitioners' suggestion that any parodic use is presumptively fair has no more justification in law or fact than the equally hopeful claim that any use for news reporting should be presumed fair, see *Harper & Row, 471 U.S. at 561*. The Act has no hint of an evidentiary preference for parodists over their victims, and no workable presumption for parody could take account of the fact that parody often shades into satire when society is lampooned through its creative artifacts, or that a work may contain both parodic and nonparodic elements. Accordingly, parody, like any other use, has to work its way through the relevant factors, and be judged case by case, in light of the ends of the copyright law.

Here, the District Court held, and the Court of Appeals assumed, that 2 Live [\*\*\*1173] Crew's "Pretty Woman" contains parody, [\*582] commenting on and criticizing the original work, whatever it may have to say about society at large. As the District Court remarked, the words of 2 Live Crew's song copy the original's first line, but then "quickly degenerate into a play on words, substituting predictable lyrics with shocking ones . . . [that] derisively demonstrate how bland and banal the Orbison song seems to them." *754 F. Supp. at 1155* (footnote omitted). Judge Nelson, dissenting below, came to the same conclusion, that the 2 Live Crew song "was clearly intended to ridicule the white-bread original" and "reminds us that sexual congress with nameless streetwalkers is not necessarily the stuff of romance and is not necessarily without its consequences. The singers (there are several) have the same thing on their minds as did the lonely man with the nasal voice, but here there is no hint of wine and roses." *972 F.2d at 1442*. Although the majority below had difficulty discerning any criticism of the original in 2 Live Crew's song, it assumed for purposes of its opinion that there was some. *Id., at 1435-1436, and n.8*.

[\*\*LEdHR8A] [8A]We have less difficulty in finding that critical element in 2 Live Crew's song than the Court of Appeals did, although having found it we will not take the further step of evaluating its quality. The threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived. n16 Whether, going beyond that, parody is in good taste or bad [\*\*\*518] does not and should not matter to fair use. As Justice Holmes explained, "it would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [a work], outside of the narrowest and most obvious limits. At [\*583] the one extreme some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke." *Blaine v. Donaldson Lithographing Co., 188 U.S. 239, 251, 47 L. Ed. 460, 23 S. Ct. 298 (1903)* (circus posters have copyright protection); cf. *Yankee Publishing Inc. v. News America Publishing, Inc., 809 F. Supp. 267, 280 (SDNY 1992)* (Leval, J.) ("First Amendment protections do not apply only to those who speak clearly, whose jokes are funny, and whose parodies succeed") (trademark case).

[\*\*LEdHR8B] [8B]

n16 The only further judgment, indeed, that a court may pass on a work goes to an assessment of whether the parodic element is slight or great, and the copying small or extensive in relation to the parodic element, for a work with slight parodic element and extensive copying will be more likely to merely "supersede the objects" of the original. See *infra*, at 586-594, discussing factors three and four.

510 U.S. 569, \*; 114 S. Ct. 1164, \*\*;  
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\*\*\*LEdHR8C] [8C] \*\*\*LEdHR9A] [9A] While we might not assign a high rank to the parodic element here, we think it fair to say that 2 Live Crew's song reasonably could be perceived as commenting on the original or criticizing it, to some degree. 2 Live Crew juxtaposes the romantic musings of a man whose fantasy comes true, with degrading taunts, a bawdy demand for sex, and a sigh of relief from paternal responsibility. The later words can be taken as a comment on the naivete of the original of an earlier day, as a rejection of its sentiment that ignores the ugliness of street life and the debasement that it signifies. It is this joinder of reference and ridicule that marks off the author's choice of parody from the other types of comment and criticism that traditionally have had a claim to fair use protection as transformative works. n17

\*\*\*LEdHR9B] [9B]

n17 We note in passing that 2 Live Crew need not label their whole album, or even this song, a parody in order to claim fair use protection, nor should 2 Live Crew be penalized for this being its first parodic essay. Parody serves its goals whether labeled or not, and there is no reason to require parody to state the obvious (or even the reasonably perceived). See Patry & Perlmutter 716-717.

The Court of Appeals, however, immediately cut short the enquiry into 2 Live Crew's fair use claim by confining its treatment of the first factor essentially to one relevant fact, the commercial nature of the use. The court then inflated the significance of this fact by applying a presumption ostensibly [\*584] [\*1174] culled from *Sony*, that "every commercial use of copyrighted material is presumptively . . . unfair . . ." *Sony*, 464 U.S. at 451. In giving virtually dispositive weight to the commercial nature of the parody, the Court of Appeals erred.

\*\*\*LEdHR1B] [1B] \*\*\*LEdHR2D] [2D] \*\*\*LEdHR10A] [10A] The language of the statute makes clear that the commercial or nonprofit educational purpose of a work is only one element of the first factor enquiry into its purpose and character. Section 107(1) uses the term "including" to begin the dependent clause referring to commercial use, and the main clause speaks of a broader investigation into "purpose and character." As we explained in *Harper & Row*, Congress resisted attempts to narrow the ambit of this traditional enquiry by adopting categories of presumptively \*\*\*519] fair use, and it urged courts to preserve the breadth of their traditionally ample view of the universe of relevant evidence. 471 U.S. at 561; House Report, p. 66. Accordingly, the mere fact that a use is educational and not for profit does not insulate it from a finding of infringement, any more than the commercial character of a use bars a finding of fairness. If, indeed, commerciality carried presumptive force against a finding of fairness, the presumption would swallow nearly all of the illustrative uses listed in the preamble paragraph of B 107, including news reporting, comment, criticism, teaching, scholarship, and research, since these activities "are generally conducted for profit in this country." *Harper & Row*, *supra*, at 592 (Brennan, J., dissenting). Congress could not have intended such a rule, which certainly is not inferable from the common-law cases, arising as they did from the world of letters in which Samuel Johnson could pronounce that "no man but a blockhead ever wrote, except for money." 3 Boswell's Life of Johnson 19 (G. Hill ed. 1934).

\*\*\*LEdHR10B] [10B] \*\*\*LEdHR11A] [11A] *Sony* itself called for no hard evidentiary presumption. There, we emphasized the need for a "sensitive balancing of interests," 464 U.S. at 455, n.40, noted that Congress had "eschewed a rigid, bright-line approach to fair use," *id.*, at [\*585] 449, n.31, and stated that the commercial or nonprofit educational character of a work is "not conclusive," *id.*, at 448-449, but rather a fact to be "weighed along with other[s] in fair use decisions," *id.*, at 449, n.32 (quoting House Report, p. 66). The Court of Appeals's elevation of one sentence from *Sony* to a *per se* rule thus runs as much counter to *Sony* itself as to the long common-law tradition of fair use adjudication. Rather, as we explained in *Harper & Row*, *Sony* stands for the proposition that the "fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use." 471 U.S. at 562. But that is all, and the fact that even the force of that tendency will vary with the context is a further reason against elevating commerciality to hard presumptive significance. The use, for example, of a copyrighted work to advertise a product, even in a parody, will be entitled to less indulgence under the first factor of the fair use enquiry than the sale of a parody for its own sake, let alone one performed a single time by students in school. See generally Patry & Perlmutter 679-680; *Fisher v. Dees*, 794 F.2d at 437; *Maxtone-Graham v. Burchaell*, 803 F.2d 1253, 1262 (CA2 1986); *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1522 (CA9 1992). n18

\*\*\*LEdHR11B] [11B]

n18 Finally, regardless of the weight one might place on the alleged infringer's state of mind, compare *Harper & Row*, 471 U.S. at 562 (fair use presupposes good faith and fair dealing) (quotation marks omitted), with *Folsom v. Marsh*, 9 F. Cas. 342, 349 (No. 4,901) (CCD Mass. 1841) (good faith does not bar a finding of infringement); *Leval* 1126-1127 (good faith irrelevant to fair use analysis), we reject Acuff-Rose's argument that 2 Live Crew's request for permission to use the original should be weighed against a finding of fair use. Even if good faith were central to fair use, 2 Live Crew's actions do not necessarily suggest that they believed their version was not fair use; the offer may simply have been made in a good-faith effort to avoid this litigation. If the use is otherwise fair, then no permission need be sought or granted. Thus, being denied permission to use a work does not weigh against a finding of fair use. See *Fisher v. Dees*, 794 F.2d 432, 437 (CA9 1986).

[\*586] [\*\*\*520] [\*\*\*1175] B

\*\*\*LEdHR12] [12] The second statutory factor, "the nature of the copyrighted work," B 107(2), draws on Justice Story's expression, the "value of the materials used." *Folsom v. Marsh*, 9 F. Cas. at 348. This factor calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied. See, e.g., *Stewart v. Abend*, 495 U.S. at 237-238 (contrasting fictional short story with factual works); *Harper & Row*, 471 U.S. at 563-564 (contrasting soon-to-be-published memoir with published speech); *Sony*, 464 U.S. at 455, n.40 (contrasting motion pictures with news broadcasts); *Feist*, 499 U.S. at 348-351 (contrasting creative works with bare factual compilations); 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* B 13.05[A][2] (1993) (hereinafter Nimmer); *Leval* 1116. We agree with both the District Court and the Court of Appeals that the Orbison original's creative expression for public dissemination falls within the core of the copyright's protective purposes. 754 F. Supp. at 1155-1156; 972 F.2d at 1437. This fact, however, is not much help in this case, or ever likely to help much in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works.

C

\*\*\*LEdHR13] [13] The third factor asks whether "the amount and substantiality of the portion used in relation to the copyrighted work as a whole," B 107(3) (or, in Justice Story's words, "the quantity and value of the materials used," *Folsom v. Marsh*, *supra*, at 348) are reasonable in relation to the purpose of the copying. Here, attention turns to the persuasiveness of a parodist's justification for the particular copying done, and the enquiry will harken back to the first of the statutory factors, for, as in prior cases, we recognize that the extent of permissible copying varies with the purpose and character [\*587] of the use. See *Sony*, *supra*, at 449-450 (reproduction of entire work "does not have its ordinary effect of militating against a finding of fair use" as to home videotaping of television programs); *Harper & Row*, *supra*, at 564 ("Even substantial quotations might qualify as fair use in a review of a published work or a news account of a speech" but not in a scoop of a soon-to-be-published memoir). The facts bearing on this factor will also tend to address the fourth, by revealing the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives. See *Leval* 1123.

The District Court considered the song's parodic purpose in finding that 2 Live Crew had not helped themselves overmuch. 754 F. Supp. at 1156-1157. The Court of Appeals disagreed, stating that "while it may not be inappropriate to find that [\*\*\*521] no more was taken than necessary, the copying was qualitatively substantial. . . . We conclude that taking the heart of the original and making it the heart of a new work was to purloin a substantial portion of the essence of the original." 972 F.2d at 1438.

The Court of Appeals is of course correct that this factor calls for thought not only about the quantity of the materials used, but about their quality and importance, too. In *Harper & Row*, for example, the Nation had taken only some 300 words out of President Ford's memoirs, but we signaled the significance of the quotations in finding them to amount to "the heart of the book," the part most likely to be news-worthy and important in licensing serialization. 471 U.S. at 564-566, 568 (internal quotation marks omitted). We also agree with the Court of Appeals that whether "a substantial portion of the infringing work [\*\*\*1176] was copied verbatim" from the copyrighted work is a relevant question, see *id.*, at 565, for it may reveal a dearth of transformative character or purpose under the first factor, or a greater likelihood of market harm under the fourth; a work composed primarily of an original, particularly its heart, with little added or changed, [\*588] is more likely to be a merely superseding use, fulfilling demand for the original.



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\*\*\*LEdHR14] [14]Where we part company with the court below is in applying these guides to parody, and in particular to parody in the song before us. Parody presents a difficult case. Parody's humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. Its art lies in the tension between a known original and its parodic twin. When parody takes aim at a particular original work, the parody must be able to "conjure up" at least enough of that original to make the object of its critical wit recognizable. See, e.g., *Elsmere Music*, 623 F.2d at 253, n.1; *Fisher v. Dees*, 794 F.2d at 438-439. What makes for this recognition is quotation of the original's most distinctive or memorable features, which the parodist can be sure the audience will know. Once enough has been taken to assure identification, how much more is reasonable will depend, say, on the extent to which the song's overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original. But using some characteristic features cannot be avoided.

We think the Court of Appeals was insufficiently appreciative of parody's need for the recognizable sight or sound when it ruled 2 Live Crew's use unreasonable as a matter of law. It is true, of course, that 2 Live Crew copied the characteristic opening bass riff (or musical phrase) of the original, and true that the words of the first line copy the Orbison lyrics. But if quotation of the opening riff and the first line may be said to go to the "heart" of the original, the heart is also what most readily conjures up the song for parody, and it is the heart at which parody takes aim. Copying does not become excessive in relation to parodic purpose merely because the portion taken was the original's heart. If 2 Live Crew had copied a significantly less memorable part of the original, it is difficult to see how its parodic character [\*589] [\*\*\*522] would have come through. See *Fisher v. Dees*, *supra*, at 439.

\*\*\*LEdHR1C] [1C] [\*\*\*LEdHR15A] [15A]This is not, of course, to say that anyone who calls himself a parodist can skim the cream and get away scot free. In parody, as in news reporting, see *Harper & Row*, *supra*, context is everything, and the question of fairness asks what else the parodist did besides go to the heart of the original. It is significant that 2 Live Crew not only copied the first line of the original, but thereafter departed markedly from the Orbison lyrics for its own ends. 2 Live Crew not only copied the bass riff and repeated it, n19 but also produced otherwise distinctive sounds, interposing "scrapper" noise, overlaying the music with solos in different keys, and altering the drum beat. See 754 F. Supp. at 1155. This is not a case, then, where "a substantial portion" of the parody itself is composed of a "verbatim" copying of the original. It is not, that is, a case where the parody is so insubstantial, as compared to the copying, that the third factor must be resolved as a matter of law against the parodists.

n19 This may serve to heighten the comic effect of the parody, as one witness stated, App. 32a. Affidavit of Oscar Brand; see also *Elsmere Music, Inc. v. National Broadcasting Co.*, 482 F. Supp. 741, 747 (SDNY 1980) (repetition of "I Love Sodom"), or serve to dazzle with the original's music, as Acuff-Rose now contends.

\*\*\*LEdHR15B] [15B] [\*\*\*LEdHR16] [16]Suffice it to say here that, as to the lyrics, we think the Court of Appeals correctly suggested that "no more was taken than necessary," 972 F.2d at 1438, but just for that reason, we fail to see how the copying can be excessive in relation to its parodic purpose, even if the portion taken is the original's "heart." As to the music, we express no opinion whether repetition of the bass riff is excessive copying, and we remand to permit [\*1177] evaluation of the amount taken, in light of the song's parodic purpose and character, its transformative elements, and considerations of the potential for market substitution sketched more fully below.

[\*590] D

\*\*\*LEdHR17] [17]The fourth fair use factor is "the effect of the use upon the potential market for or value of the copyrighted work." B 107(4). It requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also "whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market" for the original. *Nimmer*  $\beta$  13.05[A][4], p. 13-102.61 (footnote omitted); accord, *Harper & Row*, 471 U.S. at 569; Senate Report, p. 65; *Folsom v. Marsh*, 9 F. Cas. at 349. The enquiry "must take account not only of harm to the original but also of harm to the market for derivative works." *Harper & Row*, *supra*, at 568.

\*\*\*LEdHR1D] [1D] [\*\*\*LEdHR18A] [18A]Since fair use is an affirmative defense, n20 its proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets. n21 In moving for summary judgment, 2 Live Crew left themselves at just such a disadvantage when they failed to address the effect [\*\*\*523] on the market for rap derivatives, and confined themselves to uncontroverted submissions that there was no likely effect on the market for the original. They did not, however, thereby subject themselves to the evidentiary

presumption applied by the Court of Appeals. In assessing the likelihood of significant market harm, the Court of Appeals [\*591] quoted from language in *Sony* that "if the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated." 972 F.2d at 1438, quoting *Sony*, 464 U.S. at 451. The court reasoned that because "the use of the copyrighted work is wholly commercial, . . . we presume that a likelihood of future harm to Acuff-Rose exists." 972 F.2d at 1438. In so doing, the court resolved the fourth factor against 2 Live Crew, just as it had the first, by applying a presumption about the effect of commercial use, a presumption which as applied here we hold to be error.

n20 *Harper & Row*, 471 U.S. at 561; H. R. Rep. No. 102-836, p. 3, n.3 (1992).

\*\*\*LEdHR18B] [18B]

n21 Even favorable evidence, without more, is no guarantee of fairness. Judge Leval gives the example of the film producer's appropriation of a composer's previously unknown song that turns the song into a commercial success; the boon to the song does not make the film's simple copying fair. Leval 1124, n.84. This factor, no less than the other three, may be addressed only through a "sensitive balancing of interests." *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 455, n.40, 78 L. Ed. 2d 574, 104 S. Ct. 774 (1984). Market harm is a matter of degree, and the importance of this factor will vary, not only with the amount of harm, but also with the relative strength of the showing on the other factors.

No "presumption" or inference of market harm that might find support in *Sony* is applicable to a case involving something beyond mere duplication for commercial purposes. *Sony's* discussion of a presumption contrasts a context of verbatim copying of the original in its entirety for commercial purposes, with the noncommercial context of *Sony* itself (home copying of television programming). In the former circumstances, what *Sony* said simply makes common sense: when a commercial use amounts to mere duplication of the entirety of an original, it clearly "supersede[s] the objects," *Folsom v. Marsh*, *supra*, at 348, of the original and serves as a market replacement for it, making it likely that cognizable market harm to the original will occur. *Sony*, *supra*, at 451. But when, on the contrary, the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred. Indeed, as to parody pure and simple, it is more likely that the new work will not affect the market for the original in a way cognizable under this factor, that is, by acting as a substitute for it ("superseding [\*1178] [its] objects"). See Leval 1125; Patry & Perlmutter 692, 697-698. This is so because the parody and the original usually serve different market functions. Bisceglia, ASCAP, Copyright Law Symposium, No. 34, at 23.

\*\*\*LEdHR19] [19]We do not, of course, suggest that a parody may not harm the market at all, but when a lethal parody, like a scathing [\*592] theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act. Because "parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically," B. Kaplan, *An Unhurried View of Copyright 69* (1967), the role of the courts is to distinguish between "biting criticism [that merely] suppresses demand [and] copyright infringement[, which] usurps it. [\*\*\*524] " *Fisher v. Dees*, 794 F.2d at 438.

\*\*\*LEdHR1E] [1E] [\*\*\*LEdHR20A] [20A]This distinction between potentially remediable displacement and unremediable disparagement is reflected in the rule that there is no protectible derivative market for criticism. The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market. "People ask . . . for criticism, but they only want praise." S. Maugham, *Of Human Bondage* 241 (Penguin ed. 1992). Thus, to the extent that the opinion below may be read to have considered harm to the market for parodies of "Oh, Pretty Woman," see 972 F.2d at 1439, the court erred. Accord, *Fisher v. Dees*, *supra*, at 437; Leval 1125; Patry & Perlmutter 688-691. n22

n22 We express no opinion as to the derivative markets for works using elements of an original as vehicles for satire or amusement, making no comment on the original or criticism of it.

\*\*\*LEdHR20B] [20B] [\*\*\*LEdHR21] [21] In explaining why the law recognizes no derivative market for critical works, including parody, we have, of course, been speaking of the later work as if it had nothing but a critical

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aspect (*i.e.*, "parody pure and simple," *supra*, at 591). But the later work may have a more complex character, with effects not only in the arena of criticism but also in protectible markets for derivative works, too. In that sort of case, the law looks beyond the criticism to the other elements of the work, as it does here. 2 Live Crew's song comprises not [\*593] only parody but also rap music, and the derivative market for rap music is a proper focus of enquiry, see *Harper & Row, supra*, at 568; *Nimmer B 13.05B*. Evidence of substantial harm to it would weigh against a finding of fair use, n23 because the licensing of derivatives is an important economic incentive to the creation of originals. See *17 U.S.C. § 106(2)* (copyright owner has rights to derivative works). Of course, the only harm to derivatives that need concern us, as discussed above, is the harm of market substitution. The fact that a parody may impair the market for derivative uses by the very effectiveness of its critical commentary is no more relevant under copyright than the like threat to the original market. n24

n23 See *Nimmer § 13.05[A][4]*, p. 13-102.61 ("a substantially adverse impact on the potential market"); *Leval 1125* ("reasonably substantial" harm); *Patry & Perlmutter 697-698* (same).

n24 In some cases it may be difficult to determine whence the harm flows. In such cases, the other fair use factors may provide some indicia of the likely source of the harm. A work whose overriding purpose and character is parodic and whose borrowing is slight in relation to its parody will be far less likely to cause cognizable harm than a work with little parodic content and much copying.

[\*\*\*LEdHR22] [22]Although 2 Live Crew submitted uncontroverted affidavits on the question of market harm to the original, neither they, nor Acuff-Rose, introduced evidence or affidavits addressing the likely effect of 2 Live Crew's parodic rap song on the market for a nonparody, rap version of "Oh, Pretty Woman." And while Acuff-Rose would have us find evidence of a rap market in the very facts that 2 Live Crew recorded a rap parody of "Oh, Pretty Woman" and [\*\*\*525] another rap group sought a license to record a rap derivative, [\*\*1179] there was no evidence that a potential rap market was harmed in any way by 2 Live Crew's parody, rap version. The fact that 2 Live Crew's parody sold as part of a collection of rap songs says very little about the parody's effect on a market for a rap version of the original, either of the music alone or of the music with its lyrics. The District Court essentially passed [\*594] on this issue, observing that Acuff-Rose is free to record "whatever version of the original it desires," *754 F. Supp. at 1158*; the Court of Appeals went the other way by erroneous presumption. Contrary to each treatment, it is impossible to deal with the fourth factor except by recognizing that a silent record on an important factor bearing on fair use disentitled the proponent of the defense, 2 Live Crew, to summary judgment. The evidentiary hole will doubtless be plugged on remand.

### III

[\*\*\*LEdHR1F] [1F]It was error for the Court of Appeals to conclude that the commercial nature of 2 Live Crew's parody of "Oh, Pretty Woman" rendered it presumptively unfair. No such evidentiary presumption is available to address either the first factor, the character and purpose of the use, or the fourth, market harm, in determining whether a transformative use, such as parody, is a fair one. The court also erred in holding that 2 Live Crew had necessarily copied excessively from the Orbison original, considering the parodic purpose of the use. We therefore reverse the judgment of the Court of Appeals and remand the case for further proceedings consistent with this opinion.

*It is so ordered.*

#### APPENDIX A TO OPINION OF THE COURT

"Oh, Pretty Woman" by Roy Orbison and William Dees

Pretty Woman, walking down the street,  
Pretty Woman, the kind I like to meet,  
Pretty Woman, I don't believe you,

you're not the truth,  
No one could look as good as you  
Mercy

Pretty Woman, won't you pardon me,  
Pretty Woman, I couldn't help but see,

[\*595] Pretty Woman, that you look lovely as can be  
Are you lonely just like me?

Pretty Woman, stop a while,  
Pretty Woman, talk a while,  
Pretty Woman give your smile to me  
Pretty Woman, yeah, yeah, yeah  
Pretty Woman, look my way,  
Pretty Woman, say you'll stay with me  
'Cause I need you, I'll treat you right  
Come to me baby, Be mine tonight

Pretty Woman, don't walk on by,  
Pretty Woman, don't make me cry,  
Pretty Woman, don't walk away,  
[\*\*\*526] Hey, O. K.  
If that's the way it must be, O. K.  
I guess I'll go on home, it's late  
There'll be tomorrow night, but wait!

What do I see  
Is she walking back to me?  
Yeah, she's walking back to me!  
Oh, Pretty Woman.

#### APPENDIX B TO OPINION OF THE COURT

"Pretty Woman" as Recorded by 2 Live Crew

Pretty woman walkin' down the street  
Pretty woman girl you look so sweet  
Pretty woman you bring me down to that knee  
Pretty woman you make me wanna beg please  
Oh, pretty woman

Big hairy woman you need to shave that stuff  
Big hairy woman you know I bet it's tough  
Big hairy woman all that hair it ain't legit [\*596] 'Cause you look like 'Cousin It'  
Big hairy woman

[\*\*1180] Bald headed woman girl your hair won't grow  
Bald headed woman you got a teeny weeny afro  
Bald headed woman you know your hair could look nice  
Bald headed woman first you got to roll it with rice  
Bald headed woman here, let me get this hunk of biz for ya  
Ya know what I'm saying you look better than rice a roni  
Oh bald headed woman

Big hairy woman come on in  
And don't forget your bald headed friend  
Hey pretty woman let the boys  
Jump in

Two timin' woman girl you know you ain't right  
Two timin' woman you's out with my boy last night

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Two timin' woman that takes a load off my mind  
Two timin' woman now I know the baby ain't mine  
Oh, two timin' woman  
Oh pretty woman

**CONCURBY: KENNEDY**

**CONCUR:**

JUSTICE KENNEDY, concurring.

I agree that remand is appropriate and join the opinion of the Court, with these further observations about the fair use analysis of parody.

The common-law method instated [\*\*\*527] by the fair use provision of the copyright statute, 17 U.S.C. § 107 (1988 ed. and Supp. IV), presumes that rules will emerge from the course of decisions. I agree that certain general principles are now discernible to define the fair use exception for parody. One of these rules, as the Court observes, is that parody may qualify as fair use regardless of whether it is published or performed [\*597] for profit. *Ante*, at 591. Another is that parody may qualify as fair use only if it draws upon the original composition to make humorous or ironic commentary about that same composition. *Ante*, at 580. It is not enough that the parody use the original in a humorous fashion, however creative that humor may be. The parody must target the original, and not just its general style, the genre of art to which it belongs, or society as a whole (although if it targets the original, it may target those features as well). See *Rogers v. Koons*, 960 F.2d 301, 310 (CA2 1992) ("Though the satire need not be only of the copied work and may . . . also be a parody of modern society, the copied work must be, at least in part, an object of the parody"); *Fisher v. Dees*, 794 F.2d 432, 436 (CA9 1986) ("[A] humorous or satiric work deserves protection under the fair-use doctrine only if the copied work is at least partly the target of the work in question"). This prerequisite confines fair use protection to works whose very subject is the original composition and so necessitates some borrowing from it. See *MCA, Inc. v. Wilson*, 677 F.2d 180, 185 (CA2 1981) ("If the copyrighted song is not at least in part an object of the parody, there is no need to conjure it up"); Bisceglia, Parody and Copyright Protection: Turning the Balancing Act Into a Juggling Act, in ASCAP, Copyright Law Symposium, No. 34, pp. 23-29 (1987). It also protects works we have reason to fear will not be licensed by copyright holders who wish to shield their works from criticism. See *Fisher*, *supra*, at 437 ("Self-esteem is seldom strong enough to permit the granting of permission even in exchange for a reasonable fee"); Posner, When Is Parody Fair Use?, 21 *J. Legal Studies* 67, 73 (1992) ("There is an obstruction when the parodied work is a target of the parodist's criticism, for it may be in the private interest of the copyright owner, but not in the social interest, to suppress criticism of the work") (emphasis deleted).

If we keep the definition of parody within these limits, we have gone most of the way towards satisfying the four-factor [\*598] fair use test in § 107. The first factor (the purpose and character of use) itself concerns the definition of parody. The second factor (the nature of the copyrighted work) adds little to the first, since "parodies almost invariably [\*\*\*1181] copy publicly known, expressive works." *Ante*, at 586. The third factor (the amount and substantiality of the portion used in relation to the whole) is likewise subsumed within the definition of parody. In determining whether an alleged parody has taken too much, the target of the parody is what gives content to the inquiry. Some parodies, by their nature, require substantial copying. See *Elsmere Music, Inc. v. National Broadcasting Co.*, 623 F.2d 252 (CA2 1980) (holding that "I Love Sodom" skit on "Saturday Night Live" is legitimate parody of the "I Love New York" campaign). Other parodies, like Lewis Carroll's [\*528] "You Are Old, Father William," need only take parts of the original composition. The third factor does reinforce the principle that courts should not accord fair use protection to profiteers who do no more than add a few silly words to someone else's song or place the characters from a familiar work in novel or eccentric poses. See, e.g., *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (CA9 1978); *DC Comics Inc. v. Unlimited Monkey Business, Inc.*, 598 F. Supp. 110 (ND Ga. 1984). But, as I believe the Court acknowledges, *ante*, at 588-589, it is by no means a test of mechanical application. In my view, it serves in effect to ensure compliance with the targeting requirement.

As to the fourth factor (the effect of the use on the market for the original), the Court acknowledges that it is legitimate for parody to suppress demand for the original by its critical effect. *Ante*, at 591-592. What it may not do is usurp demand by its substitutive effect. *Ibid*. It will be difficult, of course, for courts to determine whether harm to the market results from a parody's critical or substitutive effects. But again, if we keep the definition of parody within appropriate bounds, this inquiry may be of little significance. If a work targets another for humorous or ironic effect, it is by definition [\*599] a new creative work. Creative works can compete with other creative works for the same market, even if

510 U.S. 569, \*; 114 S. Ct. 1164, \*\*;  
127 L. Ed. 2d 500, \*\*\*; 1994 U.S. LEXIS 2052

their appeal is overlapping. Factor four thus underscores the importance of ensuring that the parody is in fact an independent creative work, which is why the parody must "make some critical comment or statement about the original work which reflects the original perspective of the parodist -- thereby giving the parody social value beyond its entertainment function." *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Productions, Inc.*, 479 F. Supp. 351, 357 (ND Ga. 1979).

The fair use factors thus reinforce the importance of keeping the definition of parody within proper limits. More than arguable parodic content should be required to deem a would-be parody a fair use. Fair use is an affirmative defense, so doubts about whether a given use is fair should not be resolved in favor of the self-proclaimed parodist. We should not make it easy for musicians to exploit existing works and then later claim that their rendition was a valuable commentary on the original. Almost any revamped modern version of a familiar composition can be construed as a "comment on the naivete of the original," *ante*, at 583, because of the difference in style and because it will be amusing to hear how the old tune sounds in the new genre. Just the thought of a rap version of Beethoven's Fifth Symphony or "Achy Breaky Heart" is bound to make people smile. If we allow any weak transformation to qualify as parody, however, we weaken the protection of copyright. And underprotection of copyright disserves the goals of copyright just as much as overprotection, by reducing the financial incentive to create.

The Court decides it is "fair to say that 2 Live Crew's song reasonably could be perceived as commenting on the original or criticizing it, to some degree." *Ibid*. (applying the first fair use factor). While I am not so assured [\*\*\*529] that 2 Live Crew's song is a legitimate parody, the Court's treatment of [\*600] the [\*\*\*1182] remaining factors leaves room for the District Court to determine on remand that the song is not a fair use. As future courts apply our fair use analysis, they must take care to ensure that not just any commercial takeoff is rationalized *post hoc* as a parody.

With these observations, I join the opinion of the Court.

**REFERENCES:** Return To Full Text Opinion

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18 *Am Jur 2d*, Copyright and Literary Property 80-87

7A Federal Procedure, L Ed, Copyrights 18:171-18:175

6A Federal Procedural Forms, L Ed, Copyrights 17-98

7 *Am Jur Pl & Pr Forms* (Rev), Copyright and Literary Property, Form 48

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ALR Index, Copyright and Literary Property; Parody

Annotation References:

Supreme Court's views as to what constitutes copyright infringement. 78 *L Ed 2d* 957.

Parody as copyright infringement or fair use under Federal Copyright Act (17 *USCS 101* et seq.). 75 *ALR Fed* 822.

Extent of doctrine of "fair use" under Federal Copyright Act. 23 *ALR3d* 139.

Literary and artistic rights for purposes of, and their infringement by or in connection with, motion pictures, radio, and television. 23 *ALR2d* 244.

### **Choosing A Trademark**

*E. Lynn Perry*

A court holds that WINDSURFER is not a protectable trademark. The Trademark Office refuses to register GLUE STIK, saying it is only a misspelling of "glue stick." ULTRA PURE for a chemical is found to be so highly descriptive it is denied a trademark registration. Another court finds that the owner of the magazine title SOFTWARE NEWS cannot stop others from using it. How can this happen? Because the wrong type of term for a trademark was chosen, because a skilled trademark attorney was not consulted when the term was chosen, or because the trademark owner allowed the term to fall into the public domain.

Which terms should be avoided? Terms that have direct meaning in relation to goods or services have to remain available for all those in your industry to use to describe their goods or services. There are two categories of these terms, "generic" and "descriptive." The common or "generic" name of the product or service (eg. "shirt" for shirts and "chair" for chairs) can never be a trademark.

"Descriptive" terms may serve as trademarks, but can be very difficult to register and stop others from using. These are terms that describe a feature or function of the goods, such as GLOSSY for floor polish. Marks (short for trademarks or service marks) may also be descriptive of geographic origin, such as PALO ALTO SUPPLY for a business located in Palo Alto. Terms which are superlative or laudatory, such as SUPER, BETTER, EASY, PRO, PROFESSIONAL, and ADVANCED, are also considered descriptive. Merely misspelling a term may not avoid descriptiveness. KWIK still means QUICK.

A stronger category of words, from a trademark point of view, are terms which convey only a "suggestion" of what the goods or their characteristics might be or comprise. For example, ORACLE suggests seeing into the future; HERCULES suggests strength; WORDSTAR suggests excelling in manipulating words.

Real words with a real meaning, but that have no meaning in relation to the goods, are called "arbitrary." Arbitrary marks are stronger still than suggestive marks. Some examples of this are LOTUS for a car or software; SIDEKICK for a desktop organizer computer program; DISCOVERY for toys; and APRICOT for computers.

Made up terms with no meaning in any language are the strongest trademarks. These marks are dubbed "coined" or "fanciful." Examples include KODAK, XEROX, and CUTEX. Sometimes they contain components that are suggestive of the product, such as CLOROX, which has the misspelled prefix of one of its primary ingredients.

Armed with these principles, you are better able to select trademarks that are more easily protected and "stronger." Of course, advertising personnel often prefer marks that have some descriptive meaning to convey an idea of the product's attributes to consumers. Your trademark attorney prefers marks that are suggestive, arbitrary or made-up terms, rather than descriptive terms. There are, however, ways to accomplish the advertiser's goal without sacrificing trademark strength. A few tips:

1. Combine two highly suggestive components into one mark. A combination of two highly suggestive or even descriptive components can create a mark

which is much stronger than its component parts. Examples include WORDSTAR, MULTISOFT, and RAYBAN.

2. Stay away from terms that are widely used in the particular field or "diluted." Diluted terms are given a very narrow scope of protection because of the sheer numbers of them. Some examples are POWER, MINI, PLUS, ULTRA, PACK, STAR, MASTER, SYSTEMS, and DATA. A professional trademark search will show you just how diluted a term is.

3. If a weak (generic, descriptive) component of a mark is considered necessary, combine it with more distinctive components. An example might be SIZZLE CALC for a spreadsheet tool.

4. Combine descriptive components in unique way, for example, DISPLAYWRITE for a word processing program.

5. Use double meanings, such as SOFTSELL for a software distributor, YANKEE DOODLE for a drawing toy, and MY WORD! for a word processor.

6. Many foreign countries are much stricter than the United States in terms of the registrability of descriptive terms. If you anticipate selling your goods in a foreign market, choose a suggestive, arbitrary or fanciful term. Each foreign country has its own unique trademark laws. For example, in Great Britain, you cannot register as a trademark the name of a living member of the royal family, such as Prince Charles. In several countries, it is difficult to register single letters and acronyms as trademarks. If foreign use is contemplated, consult your trademark attorney.

7. Over time, the strength of weak trademarks can be enhanced through sales and advertising of the product in association with the mark. The association that a consumer acquires between your mark and your product is called "secondary meaning." The process can take considerable time and advertising dollars, however.

8. Once a trademark is chosen, it should be searched to determine if it is available. Use a trademark expert and obtain a full search which covers phonetic equivalents, non-registered uses, etc. It should then be registered federally.

9. Use the trademarks properly with guidance from your trademark attorney. Improper use could result in the loss of your trademark rights. In fact, this is what happened to the owners of the former trademarks CELLOPHANE, ASPIRIN, THERMOS, ESCALATOR, MURPHY BED, BUNDT, YO-YO, SHREDDED WHEAT, and KEROSENE. One aspect of proper use is to use your mark as an adjective preceding the generic product name (e.g., EQUAL artificial sweetener). It is especially crucial that "descriptive" marks be used properly. The last thing you need is to have an accused infringer use your own advertising literature to prove your mark is merely descriptive, and not a trademark.

By following these tips, you can give your company trademarks a better start in life.

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# Planning Advisory

## Licensing Your Intellectual Property: The Benefits and Risks of Granting Exclusivity

BY KELLY M. SLAVITT (THELEN REID & PRIEST LLP)

The licensing of technology and other intellectual property, such as trademarks, copyrights and software, can provide a valuable revenue stream to licensors. This is a lesson well learned by Marvel Comics, which has always depended on licensing and merchandising to increase its brand awareness. Today, by virtue of this successful exploitation of its cartoon characters (most recently, *Spider-Man* and *The Incredible Hulk*) in films, DVDs and video games, Marvel not only increased its licensing royalties from \$19 million in 2000 to \$200 million in 2003,<sup>1</sup> but it has become a powerful player in the Hollywood filmmaking community. In 2003, these increased royalties translated to per active domestic contract revenue of \$318,940!

Depending upon the nature of the license, licensors frequently grant licensees some level of exclusivity based on subject matter, territory, field of use and/or time period. Any grant of exclusivity by a licensor should be carefully considered and the risks weighed; once a licensor grants exclusivity, the licensee has a monopoly on the licensor's intellectual property and can prevent both competitors and the licensor from using the licensed intellectual property.

### Toys 'R Us / Amazon.com

The difficulties in granting exclusivity to a licensee is highlighted in the Toys 'R Us/Amazon.com dispute.<sup>2</sup> In 2000, traditional "brick and mortar" retailers were looking for ways to tap into the Internet as a medium for selling their products. To this end, Toys 'R Us and Amazon.com entered into a license agreement for the exclusive sale of certain merchandise by Toys 'R Us on the Amazon.com Web site. Toys 'R Us paid \$200 million for this right of exclusivity for a 10-year period.

In May of this year, Toys 'R Us filed suit against Amazon.com, claiming Amazon.com was allowing third parties to sell products in

the "Toys and Games" and "Baby Products" categories in violation of the exclusivity granted to Toys 'R Us to sell on and through the Amazon.com Web site. Toys 'R Us also claimed there were numerous other competing products resulting from Amazon.com's "Sponsored Links" that directly connect customers to third-party Web sites offering items exclusive to Toys 'R Us, and for which Amazon.com receives a per click fee.

**Once a licensor grants exclusivity, the licensee has a monopoly on the licensor's intellectual property and can prevent both competitors and the licensor from using the licensed intellectual property.**

Amazon.com's response was that the exclusivity granted gave Toys 'R Us the right to select certain products for sale in the "Toys and Games" and "Baby Products" categories, and that neither Amazon.com nor third parties could offer these same select products unless an exception applied. Amazon.com claims third-party sales in these categories through selling initiatives are exempt from exclusivity. Amazon.com further claims its efforts to compete with Wal-Mart, the nation's top toy seller, have been hampered by Toys 'R Us neither offering a comprehensive selection of top-selling products in the "Toys and Games" and "Baby Products" categories, nor keeping enough products in stock (particularly during the peak holiday buying weeks).

The Toys 'R Us/Amazon.com dispute is currently in mediation, as required by the license agreement, and proceeding through the New Jersey state courts. In July, the court denied an attempt by Toys 'R Us to block Amazon.com from launching a new technology (1 to 1 Graphical User Interface) that al-

continued on page 6

## Planning Advisory

Licensing from page 5

lows new merchants to offer additional products for sale on the Amazon.com Web site. However, the court did grant the request of Toys 'R Us that Amazon.com be prohibited from using such technology for toys, games or baby products, because such use would render the right of Toys 'R Us to exclusivity meaningless by allowing the largest competitors of Toys 'R Us to use the program to compete with Toys 'R Us without first having to pay the annual base fees Toys 'R Us pays for its exclusivity. In August 2004, Toys 'R Us claimed Amazon.com violated this order by allowing competing products to be posted on the Amazon.com Web site – a claim the court is now requiring the parties to work out together so that Amazon.com can comply. Failure by Amazon.com to comply will result in a fine by the court of \$1,000 per product to which Toys 'R Us claims exclusive rights to sell.

**Many companies have not tapped into the valuable revenue stream their intellectual property can provide.**

To be sure, each party has not received what it expected when entering into an exclusive license. The intent of Amazon.com in entering into an exclusive license with Toys 'R Us was to offer exclusivity to Toys 'R Us in certain categories of products in order to increase its ability to compete with Wal-Mart; the intent of Toys 'R Us in accepting exclusivity from Amazon.com was to save money by discontinuing its own online retailing efforts in favor of the Amazon.com Web site and distribution network.

### Exclusivity Considerations

Licensors must consider not only whether to grant exclusivity, but how broadly or narrowly

such exclusivity needs to be defined. Licensors must also ensure that, in return for granting a licensee an exclusivity monopoly to the licensor's product, the fee paid by the licensee is sufficiently high.

Both the licensor and the licensee must require minimum performance standards to ensure the protection of intellectual property rights, and remedies for failure to achieve such performance standards must also be included in the license agreement.

For example, in the case of technology, a licensor should be aware that an exclusive licensee is under no obligation to commercialize the technology absent a provision requiring the licensee's "best efforts" to meet minimum performance standards that include commercialization. The reasons licensees may want to "bury" the technology include its own efforts to develop similar technology and market it, and/or because the licensed technology has become obsolete or noncompetitive in the market after a few years.

### Conclusion

Many companies have not tapped into the valuable revenue stream their intellectual property can provide. Licensees generally seek some level of exclusivity and licensors must be mindful of the risks this presents and require an appropriate rate of return for granting licensees a monopoly. □

1. <http://www.marvel.com>, visited 6/30/04.
2. *Toysrus.com, LLC v. Amazon.com Kids, Inc.*, Superior Court of NJ, Chancery Division, Passaic County, Docket No. PAS-C-96-04.

*Kelly M. Slavitt is an intellectual property attorney in the New York office of the law firm Thelen Reid & Priest LLP. This article was previously published in the firm's Fall 2004 Intellectual Property and Trade Regulation Journal.*

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287 F.2d 492, \*, 1961 U.S. App. LEXIS 5191, \*\*;  
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LEXSEE 287 F2D 492

**POLAROID CORPORATION, Plaintiff-Appellant, v. POLARAD ELECTRONICS CORPORATION, Defendant-Appellee**

No. 162, Docket 26460

UNITED STATES COURT OF APPEALS SECOND CIRCUIT

287 F.2d 492; 1961 U.S. App. LEXIS 5191; 128 U.S.P.Q. (BNA) 411; 4 Fed. R. Serv. 2d (Callaghan) 81

January 17, 1961, Argued  
February 28, 1961, Decided

**COUNSEL:** [\*\*1]

Donald L. Brown, Cambridge, Mass. (Silver, Saperstein & Barnett, and Isaac M. Barnett, New York City, Tracy R. V. Fike, Scarsdale, N.Y., and Herbert S. Kassman, Cambridge, Mass., on the brief), for plaintiff-appellant.

Morris Relson, New York City (Darby & Darby and Howard C. Miskin, New York City, on the brief), for defendant-appellee.

**JUDGES:**

Before MEDINA, FRIENDLY and SMITH, Circuit Judges.

**OPINIONBY:**

FRIENDLY

**OPINION:**

[\*493]

Plaintiff, Polaroid Corporation, a Delaware corporation, owner of the trademark Polaroid and holder of 22 United States registrations thereof granted between 1936 and 1956 and of a New York registration granted in 1950, brought this action in the Eastern District of New York, alleging that defendant's use of the name Polarad as a trademark and as part of defendant's corporate title infringed plaintiff's Federal and state trademarks and constituted unfair competition. It sought a broad injunction and an accounting. Defendant's answer, in addition to denying the allegations of the complaint, sought a declaratory judgment establishing defendant's right to use Polarad in the business in which defendant was engaged, an injunction against plaintiff's [\*\*2] use of Polaroid in the television and electronics fields, and other relief. Judge Rayfiel, in an opinion reported in *D.C.1960, 182 F.Supp. 350*, dismissed both the claim and the counterclaims, concluding that neither plaintiff nor defendant had made an adequate showing with respect to confusion and that both had been guilty of laches. Both parties appealed but defendant has withdrawn its cross-appeal. We find it unnecessary to pass upon Judge Rayfiel's conclusion that defendant's use of Polarad does not violate any of plaintiff's rights. For we agree that plaintiff's delay in proceeding against defendant bars plaintiff from relief so long as defendant's use of Polarad remains as far removed from plaintiff's primary fields of activity as it has been and still is.

The name Polaroid was first adopted by plaintiff's predecessor in 1935. It has [\*494] been held to be a valid trademark as a coined or invented symbol and not to have lost its right to protection by becoming generic or descriptive, *Marks v. Polaroid Corp., D.C.D.Mass.1955, 129 F.Supp. 243*. Polaroid had become a well known name as applied to sheet polarizing material and products made therefrom, [\*\*3] as well as to optical desk lamps, stereoscopic viewers, etc., long before defendant was organized in 1944. During World War II, plaintiff's business greatly expanded, from \$ 1,032,000 of gross sales in 1941 to \$ 16,752,000 in 1945, due in large part to government contracts. Included in this

government business were three sorts on which plaintiff particularly relies, the sale of Schmidt corrector plates, an optical lens used in television; research and development contracts for guided missiles and a machine gun trainer, both involving the application of electronics; and other research and development contracts for what plaintiff characterizes as 'electro-optical devices employing electronic circuitry in combination with optical apparatus.' In 1947 and 1948 plaintiff's sales declined to little more than their pre-war level; the tremendous expansion of plaintiff's business, reaching sales of \$ 65,271,000 in 1958, came after the development of the Land camera in 1948.

Defendant was organized in December, 1944. Originally a partnership called Polarad Electronics Co., it was converted in 1948 into a New York corporation bearing the name Polarad Television Corp., which was changed a year [\*\*4] later to Polarad Electronics Corp. Its principal business has been the sale of microwave generating, receiving and measuring devices and of television studio equipment. Defendant claimed it had arrived at the name Polarad by taking the first letters of the first and last names of its founder, Paul Odessey, and the first two letters of the first name of his friend and anticipated partner, Larry Jaffe, and adding the suffix 'rad,' intended to signify radio; however, Odessey admitted that at the time he had 'some knowledge' of plaintiff's use of the name Polaroid, although only as applied to glasses and polarizing filters and not as to electronics. As early as November, 1945, plaintiff learned of defendant; it drew a credit report and had one of its attorneys visit defendant's quarters, then two small rooms; plaintiff made no protest. By June, 1946, defendant was advertising television equipment in 'Electronics' -- a trade journal. These advertisements and other notices with respect to defendant came to the attention of plaintiff's officers; still plaintiff did nothing. In 1950, a New York Attorney who represented plaintiff in foreign patent matters came upon a trade show display [\*\*5] of defendant's television products under the name Polarad and informed plaintiff's house counsel; the latter advised plaintiff's president, Dr. Land, that 'the time had come when he thought we ought to think seriously about the problem.' However, nothing was done save to draw a further credit report on defendant, although defendant's sales had grown from a nominal amount to a rate of several hundred thousand dollars a year, and the report related, as had the previous one, that defendant was engaged 'in developing and manufacturing equipment for radio, television and electronic manufacturers throughout the United States.' In October, 1951, defendant, under its letterhead, forwarded to plaintiff a letter addressed to 'Polarad Electronics Corp.' at defendant's Brooklyn address, inquiring in regard to 'polaroid material designed for night driving'; there was no protest by plaintiff. In 1953, defendant applied to the United States Patent Office for registration of its trademark Polarad for radio and television units and other electronic devices; in August, 1955, when this application was published in the Official Gazette of the Patent Office, plaintiff for the first time took action by [\*\*6] filing a notice of opposition, which was overruled by the Examiner in April, 1957. Still plaintiff delayed bringing suit until late 1956. Through all this period defendant was expending considerable sums for advertising and its business was growing -- employees increasing [\*495] from eight in the calendar year 1945 to 530 in the year ended June 30, 1956, fixed assets from \$ 2,300 to \$ 371,800, inventories from \$ 3,000 to \$ 1,547,400, and sales from \$ 12,000 to \$ 6,048,000.

Conceding that the bulk of its business is in optics and photography, lines not pursued by defendant, plaintiff nevertheless claims to be entitled to protection of its distinctive mark in at least certain portions of the large field of electronics. Plaintiff relies on its sales of Schmidt corrector plates, used in certain types of television systems, first under government contracts beginning in 1943 and to industry commencing in 1945; on its sale, since 1946, of polarizing television filters, which serve the same function as the color filters that defendant supplies as a part of the television apparatus sold by it; and, particularly, on the research and development contracts with the government referred [\*\*7] to above. Plaintiff relies also on certain instances of confusion, predominantly communications intended for defendant but directed to plaintiff. Against this, defendant asserts that its business is the sale of complex electronics equipment to a relatively few customers; that this does not compete in any significant way with plaintiff's business, the bulk of which is now in articles destined for the ultimate consumer; that plaintiff's excursions into electronics are insignificant in the light of the size of the field; that the instances of confusion are minimal; that there is no evidence that plaintiff has suffered either through loss of customers or injury to reputation, since defendant has conducted its business with high standards; and that the very nature of defendant's business, sales to experienced industrial users and the government, precludes any substantial possibility of confusion. Defendant also asserts plaintiff's laches to be a bar.

The problem of determining how far a valid trademark shall be protected with respect to goods other than those to which its owner has applied it, has long been vexing and does not become easier of solution with the years. Neither of our [\*\*8] recent decisions so heavily relied upon by the parties, *Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc., 2 Cir., 1960, 281 F.2d 755*, by plaintiff, and *Avon Shoe Co., Inc. v. David Crystal, Inc., 2 Cir., 1960, 279 F.2d 607* by defendant, affords much assistance, since in the Ritchie case there was confusion as to the identical product and the defendant in the Avon case had adopted its mark 'without knowledge of the plaintiffs' prior use,' at page 611. Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his mark, the

287 F.2d 492, \*; 1961 U.S. App. LEXIS 5191, \*\*;  
128 U.S.P.Q. (BNA) 411; 4 Fed. R. Serv. 2d (Callaghan) 81

287 F.2d 492, \*; 1961 U.S. App. LEXIS 5191, \*\*;  
128 U.S.P.Q. (BNA) 411; 4 Fed. R. Serv. 2d (Callaghan) 81

degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities -- the court may have to take still other variables into account. American Law Institute, Restatement of Torts, § 614, 729, 730, [\*9] 731. Here plaintiff's mark is a strong one and the similarity between the two names is great, but the evidence of actual confusion, when analyzed, is not impressive. The filter seems to be the only case where defendant has sold, but not manufactured, a product serving a function similar to any of plaintiff's, and plaintiff's sales of this item have been highly irregular, varying, e.g., from \$ 2,300 in 1953 to \$ 303,000 in 1955, and \$ 48,000 in 1956. n1

[\*496] If defendant's sole business were the manufacture and sale of microwave equipment, we should have little difficulty in approving the District Court's conclusion that there was no such likelihood of confusion as to bring into play either the Lanham Act, 15 U.S.C.A. § 1114(1), or *New York General Business Law*, § 368-b, or to make out a case of unfair competition under New York decisional law, see *Avon Shoe Co. v. David Crystal, Inc.*, supra, at page 614, footnote 11. What gives us some pause is defendant's heavy involvement in a phase of electronics that lies closer to plaintiff's business, namely, television. Defendant makes much of the testimony of plaintiff's executive vice president [\*10] that plaintiff's normal business is 'the interaction of light and matter.' Yet, although television lies predominantly in the area of electronics, it begins and ends with light waves. The record tells us that certain television uses were among the factors that first stimulated Dr. Land's interest in polarization, see *Marks v. Polaroid Corporation*, supra, 129 F.Supp. at page 246, plaintiff has manufactured and sold at least two products for use in television systems, and defendant's second counterclaim itself asserts likelihood of confusion in the television field. We are thus by no means sure that, under the views with respect to trademark protection announced by this Court in such cases as *Yale Electric Corp. v. Robertson*, 2 Cir., 1928, 26 F.2d 972 (locks vs. flashlights); *L. E. Waterman Co. v. Gordon*, 2 Cir., 1934, 72 F.2d 272 (mechanical pens and pencils vs. razor blades); *Triangle Publications, Inc. v. Rohrlich*, 2 Cir., 1948, 167 F.2d 969, 972 (magazines vs. girdles); and *Admiral Corp. v. Penco, Inc.*, 2 Cir., 1953, 203 F.2d 517 (radios, electric ranges and refrigerators vs. sewing machines and vacuum cleaners), [\*11] plaintiff would not have been entitled to at least some injunctive relief if it had moved with reasonable promptness. However, we are not required to decide this since we uphold the District Court's conclusion with respect to laches.

Plaintiff endeavors to answer that claim on three grounds: (1) That defendant is barred from advancing the claim because defendant sought affirmative relief; (2) that the doctrine of laches does not apply in trademark and unfair competition cases insofar as the complaint seeks an injunction rather than damages; and (3) that the defense is not made out on the facts. We find no merit in any of these contentions.

(1) Plaintiff's first position rests upon a remark, quoted in the margin, n2 given as an alternative ground of decision in *Southern Pine Lumber Co. v. Ward*, 1908, 208 U.S. 126, 140-141, 28 S.Ct. 239, 246, 52 L.Ed. 420. Mr. Justice White does not explain what 'in the nature of things' prevented the defendants there from asserting both that the attachment under which their title arose was valid and that in any event plaintiff was barred by laches from attacking it. To be sure, when both parties are aggrieved by the same facts and [\*12] these became known to both at the same time, a defendant's demand for affirmative relief may be logically inconsistent with a claim on his part that the plaintiff is barred by laches from making a similar demand, see, e.g., *Steenberg v. Kaysen*, 1949, 229 Minn. 300, 39 N.W.2d 18; *Charleston Library Society v. Citizens & Southern Nat. Bank*, 1942, 201 S.Ct. 447, 23 S.E.2d 362, although even in such a case it would seem that the effect was merely evidentiary and that a defendant ought [\*497] not be precluded from taking alternative positions, *F.R.Civ.Proc. 8(e)(2)*, 28 U.S.C.A. Moreover, here the circumstances as to the two parties are not parallel. Plaintiff seeks to prevent defendant's use of Polaroid in the very areas where that name had been used to plaintiff's knowledge since 1946 or at least since 1950. In contrast, defendant makes no objection to plaintiff's use of Polaroid in the areas of optics, and photography which, so far as defendant knew until the Patent Office interference in 1955, were the only fields where plaintiff employed it. So far as our research has disclosed, the statement in *Southern Pine* has not been applied by Federal courts [\*13] in trademark and unfair competition cases; on the contrary, where both sides failed to press their claims after knowledge of the facts, this Court has reached the conclusion, seemingly far more sensible, that both were barred, rather than that defendant had waived the defense by seeking cross-relief to which it was not entitled, *Landers, Frary & Clark v. Universal Cooler Corp.*, 2 Cir., 1936, 85 F.2d 46. Of the state cases cited by appellant only *Bagby v. Blackwell*, 1948, 240 Mo.App. 574, 211 S.W.2d 69, lies in the trademark and unfair competition field; we do not find it persuasive. The statement in *Southern Pine* seems to us to have been undermined even on its own facts by the provision in *F.R.Civ.Proc. 8(e)(2)* that 'A party may also state as many separate claims or defenses as he has regardless of consistency \* \* \*' A fortiori do we deem the statement inapplicable where, as here, the plaintiff had long known the circumstance underlying its demand for relief but defendant had not known those relating to its more limited counterclaim.

(2) For its second ground appellant [\*14] relies on the statement in *Menendez v. Holt*, 1888, 128 U.S. 514, 523, 9 S.Ct. 143, 145, 32 L.Ed. 526, that Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has been continued so long, and under such circumstances, as to defeat the right itself.' It contends that such defeat can come only from conduct, such as in *Landers, Frary & Clark v. Universal Cooler Corp.*, supra, 85 F.2d at page 49, giving a defendant justification for concluding that plaintiff had no objection to defendant's using its name. See *McLean v. Fleming*, 1877, 96 U.S. 245, 24 L.Ed. 828. However, the portion of the opinion in *Saxlehner v. Eisner & Mendelson Co.*, 1900, 179 U.S. 19, 21 S.Ct. 7, 45 L.Ed. 60, also relied on by appellant, which upheld the defense of laches with respect to the word 'Hunyadi,' indicated that *Menendez v. Holt* does not go so far as appellant claims, even when a portion of the marks and the products are identical. We need not explore just where the boundaries lie in such a case, for the *Landers, Frary & Clark* opinion itself and, even more clearly, *Emerson Electric Manufacturing Co. v. Emerson Radio & Phonograph Corp.*, 2 Cir., 1939, 105 F.2d 908, and *Dwinell-Wright Co. v. White House Milk Co.*, 2 Cir., 1943, 132 F.2d 822, 824-825, show the doctrine has no such reach as claimed when, as here, the goods are different. The distinctions are developed in Judge Learned Hand's classic opinion in *Dwinell-Wright*, where he explained that the *Menendez* rule applies only when 'a newcomer invades another's market by the use of the other's mark,' since then 'every sale is a separate wrong.' 'If however the question comes up, not when the newcomer is actually competing in the owner's market, but \* \* \* is selling goods which the owner has never sold, though they are like enough to make people think him their source, the determining considerations are different. The owner's only interest in preventing such a use of his mark is because he may wish to preempt the market for later exploitation, or not to expose his reputation to the hazard of the newcomer's business practices, or both \* \* \* Here, as often, equity does not seek for general principles, but weighs the [\*16] opposed interests in the scales of conscience and fair dealing \* \* \* The owner's rights in such appellant markets are easily lost; they must be asserted early, lest [\*498] they be made the means of reaping a harvest which others have sown.'

(3) The previous summary of the facts shows how far plaintiff came from meeting this rigorous test. Plaintiff seeks to excuse its early inactivity on the ground that defendant's sales were small. But that is the very time when the owner of a mark ought forcefully to claim protection; 'the scales of conscience and fair dealing' will tip far more readily for a plaintiff when a defendant will suffer little disadvantage by changing to another name. See *Valvoline Oil Co. v. Havoline Oil Co.*, D.C.S.D.N.Y.1913, 211 F. 189, 195. Moreover, even if plaintiff's inaction in 1945 and 1946 could be excused on the basis that defendant's activities were de minimis and that plaintiff might reasonably have expected defendant to fall by the wayside, an issue which we do not decide, the situation had surely changed by the year ended June 30, 1951, when defendant made \$ 192,000 in catalog sales and \$ 356,000 in sales under military contracts. [\*17] Plaintiff would have us disregard the latter on the issue of its laches -- just why we are not told -- although it relies heavily on confusion by Federal purchasing agencies as part of its case on the merits. Plaintiff concedes that by 1952 defendant 'had expanded its business from the design and construction of special apparatus on order, to include the manufacture and sale of television and other devices operable throughout the entire radio frequency band'; but plaintiff waited another four years before bringing suit. We find nothing to support plaintiff's assertion that defendant has further encroached on plaintiff's field since 1953; to be sure, defendant has trebled its business but not by moving away from its traditional area and into plaintiff's. As said in *Valvoline Oil Co. v. Havoline Oil Co.*, supra, at page 195, 'it cannot be equitable for a well-informed merchant with knowledge of a claimed invasion of right, to wait to see how successful his competitor will be and then destroy with the aid of a court decree, much that the competitor has striven for and accomplished -- especially [\*18] in a case where the most that can be said is that the trade-mark infringement is a genuinely debatable question.' True, what the court regarded as debatable there was the confusing qualities of the names rather than, as here, the identity of the product; but the principle applies with at least the same force. If defendant should move into new territory more closely related to optics and photography, different considerations as to laches as well as on the merits will, of course, apply.

Judgment affirmed.

n1. Even the high figure, in 1955, amounted to little more than 1% Of plaintiff's business.

Plaintiff also cites defendant's sale of bicycle headlights and other consumer products and defendant's patents for a radio automatic vehicle guidance system and an electronic auto headlight dimmer. However, the former business, conducted through a separate division, has been abandoned, and exploitation of the patents has not been instituted. Our decision is not to be understood as dealing with plaintiff's rights if defendant should resume, or begin, activity along any of these lines.

287 F.2d 492, \*; 1961 U.S. App. LEXIS 5191, \*\*;  
128 U.S.P.Q. (BNA) 411; 4 Fed. R. Serv. 2d (Callaghan) 81

n2. 'Besides, the contention as to laches disregards the considerations which in the nature of things must arise, when it is borne in mind that the defendants, who claimed title under the attachment proceedings, did not rest content with defending their alleged title, but made that title the base of an assertion of right to affirmative relief, since they substantially, by cross-petition, invoked such relief to maintain the validity of their title, and to obtain a cancellation of the trust deed upon which Ward relied.'

[\*\*19]

2 of 6 DOCUMENTS

**TWO PESOS, INC., PETITIONER v. TACO CABANA, INC.**

**No. 91-971**

**SUPREME COURT OF THE UNITED STATES**

*505 U.S. 763; 112 S. Ct. 2753; 120 L. Ed. 2d 615; 1992 U.S. LEXIS 4533; 60 U.S.L.W. 4762; 23 U.S.P.Q.2D (BNA) 1081; 92 Cal. Daily Op. Service 5571; 92 Daily Journal DAR 8910; 6 Fla. L. Weekly Fed. S 643*

**April 21, 1992, Argued**  
**June 26, 1992, Decided**

**SUBSEQUENT HISTORY:**

As Amended July 2, 1992

**PRIOR HISTORY:** ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

**DISPOSITION:** *932 F. 2d 1113*, affirmed.

**DECISION:**

Inherently distinctive trade dress held protectable from infringement, under federal trademark law (*15 USCS 1125(a)*), without proof of secondary meaning.

**SUMMARY:**

A fast-food Mexican restaurant chain, alleging that a second chain which had opened restaurants with a very similar motif had thereby infringed the first chain's trade dress in violation of 43(a) of the Trademark Act of 1946 (Lanham Act) (*15 USCS 1125(a)*) (later amended)—which provided that any person who used, in connection with any goods or services, any false description or representation was liable to any person damaged by such use—brought an action against the second chain in the United States District Court for the Southern District of Texas. The District Court instructed the jury that trade dress—that is, the total image and appearance of a business—was protected under 43(a) if it either was inherently distinctive or had acquired a secondary meaning—that is, a unique association with a specific source. The jury found that the first chain's trade dress was inherently distinctive but had not acquired a secondary meaning, and the District Court entered a judgment for the first chain. In affirming, the United States Court of Appeals for the Fifth Circuit (1) ruled that the District Court's instructions had adequately stated the applicable law, and that the evidence supported the jury's findings, and (2) rejected the second chain's argument that a finding of no secondary meaning contradicted a finding of inherent distinctiveness (*932 F.2d 1113, 19 USPQ2d 1253*).

On certiorari, the United States Supreme Court affirmed. In an opinion by White, J., joined by Rehnquist, Ch. J., and Blackmun, O'Connor, Scalia, Kennedy, and Souter, JJ., it was held that the trade dress of a business may be protected under 43(a), based on a finding of inherent distinctiveness, without proof that the trade dress has secondary meaning, because (1) recovery for trademark infringement under 43(a) was generally available without proof of a secondary meaning; (2) there was no persuasive reason to apply different principles to trade dress, since (a) the protections of trademarks and trade dress under 43(a) served the same statutory purpose of preventing deception and unfair competition, (b) there was no textual basis in 43(a) for different treatment, and (c) requiring a secondary meaning for inherently distinctive trade dress would undermine the purposes of the Lanham Act (*15 USCS 1051 et seq.*) and could have



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anticompetitive effects; and (3) there was no basis in 43(a) to support the suggestion that the requirement of a secondary meaning for a trade dress came into being after some unspecified time.

Scalia, J., concurring, expressed the view that (1) Thomas, J., was correct in stating that the language of 43(a) and its common-law derivation were broad enough to embrace inherently distinctive trade dress; but (2) this analysis was complementary to, rather than inconsistent with, the opinion of the court.

Stevens, J., concurring in the judgment, expressed the view that the conclusion that a secondary meaning was not required to establish a trade dress violation under 43(a) was supported by the principle of stare decisis, in light of (1) the general consensus among the Federal Courts of Appeals that had addressed the question, and (2) Congress' codification of that consensus.

Thomas, J., concurring in the judgment, expressed the view that (1) it followed from the language of 43(a) that the first user of an arbitrary package, like the first user of an arbitrary word, should be entitled to a presumption the package represented the first user without having to show that it did so in fact; and (2) this rule applied under 43(a) without regard to the rules that applied under the sections of the Lanham Act dealing with registration.

#### LAWYERS' EDITION HEADNOTES:

\*\*\*LEdHN1]  
TRADEMARKS AND TRADENAMES § 7  
protectability -- Lanham Act -- inherently distinctive trade dress -- lack of secondary meaning --  
Headnote:[1A][1B][1C][1D][1E][1F]

The trade dress of a business--that is, the total image and appearance of a business--may be protected under 43(a) of the Trademark Act of 1946 (Lanham Act) (*15 USCS 1125(a)*) (later amended), without proof that the trade dress has a secondary meaning--that is, a unique association with a specific source--because (1) recovery for trademark infringement under 43(a) is generally available without proof of a secondary meaning; (2) there is no persuasive reason to apply to trade dress a general requirement of secondary meaning which is at odds with the principles generally applicable, under 43(a), to trademark infringement suits concerning distinctive words, symbols, or devices capable of identifying a producer's product, since (a) the protections of trademarks and trade dress under 43(a) serve the same statutory purpose of preventing deception and unfair competition, (b) there is no textual basis in 43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently distinctive trade dress, given that 43(a) does not mention trademarks, trade dress, or secondary meaning, and (c) engrafting onto 43(a) a requirement of secondary meaning for inherently distinctive trade dress (i) would undermine the purposes of the Lanham Act (*15 USCS 1051 et seq.*)--to secure to business owners the goodwill of their businesses and to protect the ability of consumers to distinguish among competing products--by making more difficult the identification of a producer with its product, and (ii) could have anticompetitive effects by creating particular burdens on the startup of small companies; and (3) there is no basis in 43(a) to support the suggestion that the requirement of a secondary meaning for a trade dress comes into being after some unspecified time, since to terminate protection for failure to gain secondary meaning after some unspecified time could only be based on the failure of the user of the trade dress to be successful enough in the marketplace, which is not a valid basis for finding a trade dress or a trademark to be ineligible for protection; thus, a restaurant chain claiming trade dress infringement by a second restaurant chain that has adopted a motif very similar to the motif of the first chain's restaurants is entitled to recover under 43(a), where a jury properly finds that the first chain's trade dress is inherently distinctive but has not acquired a secondary meaning.

\*\*\*LEdHN2]  
TRADEMARKS AND TRADENAMES § 1  
protection under Lanham Act --  
Headnote:[2]

Section 43(a) of the Trademark Act of 1946, also known as the Lanham Act (*15 USCS 1125(a)*) (later amended), prohibits a broader range of practices than does 32 of the Act (*15 USCS 1114*), which applies to registered marks, but it is common ground that 43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under 2 of the Act (*15 USCS 1052*) are for the most part applicable in determining whether an unregistered mark is entitled to protection under 43(a).

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\*\*\*LEdHN3]  
TRADEMARKS AND TRADENAMES § 8  
Lanham Act -- protected marks -- distinctive -- generic -- descriptive --  
Headnote:[3]

Under 32 of the Trademark Act of 1946, also known as the Lanham Act (*15 USCS 1114*), concerning trademark registrability, marks that are suggestive, arbitrary, or fanciful are deemed inherently distinctive and are entitled to protection, because their intrinsic nature serves to identify a particular source of a product; in contrast, generic marks--that is, those that refer to the genus of which the particular product is a species--are not registrable as trademarks; marks which are merely descriptive of a product cannot be protected, because they are not inherently distinctive, since, when used to describe a product, they do not inherently identify a particular source; however, descriptive marks may acquire the distinctiveness which will allow them to be protected under the Act, and this acquired distinctiveness is generally called "secondary meaning."

\*\*\*LEdHN4]  
TRADEMARKS AND TRADENAMES § 7  
distinctiveness -- protectability -- nonfunctionality -- likelihood of confusion --  
Headnote:[4A][4B]

A business' identifying mark generally is distinctive and capable of being protected if it either (1) is inherently distinctive, or (2) has acquired distinctiveness through secondary meaning--that is, a unique association with a specific source; under 43(a) of the Trademark Act of 1946 (Lanham Act) (*15 USCS 1125(a)*) (later amended), eligibility for protection depends on the nonfunctionality of the item sought to be protected, and liability for use of such an item requires proof of the likelihood of confusion resulting from such use; thus, only nonfunctional, distinctive trade dress--that is, the total image and appearance of a business--is protected under 43(a).

\*\*\*LEdHN5]  
§ 1087.7  
certiorari -- questions not raised  
Headnote:[5]

The United States Supreme Court, on certiorari to review a Federal Court of Appeals decision affirming a Federal District Court judgment in favor of a restaurant chain that has brought an action for trade dress infringement under 43(a) of the Trademark Act of 1946, also known as the Lanham Act (*15 USCS 1125(a)*) (later amended), will assume, without deciding, that certain lower court rulings--(1) the Court of Appeals' determinations that the (a) District Court's instructions to the jury were consistent with certain principles, including the protectability of inherently distinctive marks and the dependence on functionality for protection under 43(a), and (b) evidence supported the jury's verdict, and (2) the rulings by both lower courts that the chain's trade dress was (a) not descriptive but rather inherently distinctive, and (b) not functional--are correct, because none of the rulings are before the Supreme Court, where the Supreme Court granted certiorari to resolve the conflict among the Courts of Appeals as to whether inherently distinctive trade dress is protectable under 43(a) without a showing that the trade dress has acquired a secondary meaning.

\*\*\*LEdHN6]  
TRADEMARKS AND TRADENAMES § 7  
registrability -- secondary meaning -- descriptive marks -- copying unregistered mark --  
Headnote:[6]

Because 2 of the Trademark Act of 1946 (Lanham Act) (*15 USCS 1052*), under which section verbal or symbolic marks that may be registered are necessarily those by which the goods of the applicant for registration may be distinguished from the goods of others, requires secondary meaning--that is, a unique association with a specific source--as a condition to registering only descriptive marks, there are marks that are registrable without a showing of secondary meaning; the copier of such a mark that has not been registered may be seen as falsely claiming that the copier's products may be thought of as originating from the initial user of the mark, because such a mark, even if not registered, remains inherently capable of distinguishing the goods of the initial user of the mark.

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**SYLLABUS:** Respondent, the operator of a chain of Mexican restaurants, sued petitioner, a similar chain, for trade dress infringement under § 43(a) of the Trademark Act of 1946 (Lanham Act), which provides that "any person who . . . uses in connection with any goods or services . . . any false description or representation . . . shall be liable to . . . any person . . . damaged by [such] use." The District Court instructed the jury, *inter alia*, that respondent's trade dress was protected if it either was inherently distinctive -- *i. e.*, was not merely descriptive -- or had acquired a secondary meaning -- *i. e.*, had come through use to be uniquely associated with a specific source. The court entered judgment for respondent after the jury found, among other things, that respondent's trade dress is inherently distinctive but has not acquired a secondary meaning. In affirming, the Court of Appeals ruled that the instructions adequately stated the applicable law, held that the evidence supported the jury's findings, and rejected petitioner's argument that a finding of no secondary meaning contradicted a finding of inherent distinctiveness.

**Held:** Trade that is inherently distinctive is protectable under § 43(a) without a showing that it has acquired secondary meaning, since such trade dress itself is capable of identifying products or services as coming from a specific source. This is the rule generally applicable to trademarks, see, *e. g.*, *Restatement (Third) of Unfair Competition* § 13, pp. 37-38, and the protection of trademarks and of trade dress under § 43(a) serves the same statutory purpose of preventing deception and unfair competition. There is no textual basis for applying different analysis to the two. Section 43(a) mentions neither and does not contain the concept of secondary meaning, and that concept, where it does appear in the Lanham Act, is a requirement that applies only to merely descriptive marks and not to inherently distinctive ones. Engrafting a secondary meaning requirement onto § 43(a) also would make more difficult the identification of a producer with its product and thereby undermine the Lanham Act's purposes of securing to a mark's owner the goodwill of his business and protecting consumers' ability to distinguish among competing producers. Moreover, it could have anticompetitive effects by creating burdens on the startup of small businesses. Petitioner's suggestion that such businesses be protected by briefly dispensing with the secondary meaning requirement at the outset of the trade dress' use is rejected, since there is no basis for such requirement in § 43(a). Pp. 767-776.

**COUNSEL:** Kimball J. Corson argued the cause and filed the briefs for petitioner.

Richard G. Taranto argued the cause for respondent. With him on the brief were H. Bartow Farr III and James Eliasberg.\*

\* Arthur M. Handler and Ronald S. Katz filed a brief for the Private Label Manufacturers Association as amicus curiae urging reversal.

Bruce P. Keller filed a brief for the United States Trademark Association as amicus curiae.

**JUDGES:** WHITE, J., delivered the opinion of the Court, in which REHNQUIST, C. J., and BLACKMUN, O'CONNOR, SCALIA, KENNEDY, and SOUTER, JJ., joined. SCALIA, J., filed a concurring opinion, post, p. 776. STEVENS, J., post, p. 776, and THOMAS, J., post, p. 785, filed opinions concurring in the judgment.

**OPINIONBY:** WHITE

**OPINION:**

[\*764] [\*\*\*621] [\*\*2755] JUSTICE WHITE delivered the opinion of the Court.

[\*\*LEdHR1A] [1A]The issue in this case is whether the trade dress n1 of a restaurant may be protected under § 43(a) of the Trademark Act of 1946 (Lanham Act), 60 Stat. 441, 15 U.S.C. § 1125(a) [\*765] (1982 ed.), based on a finding of inherent distinctiveness, without proof that the trade dress has secondary meaning.

[\*\*LEdHR1B] [1B]

n1 The District Court instructed the jury:"Trade dress' is the total image of the business. Taco Cabana's trade dress may include the shape and general appearance of the exterior of the restaurant, the identifying sign, the interior kitchen floor plan, the decor, the menu, the equipment used to serve food, the servers' uniforms and other features reflecting on the total image of the restaurant." 1 App. 83-84. The Court of Appeals accepted this definition and quoted from *Blue Bell Bio-Medical v. Cin-Bad, Inc.*, 864 F.2d 1253, 1256 (CA5 1989): "The 'trade

dress' of a product is essentially its total image and overall appearance." See 932 F.2d 1113, 1118 (CA5 1991). It "involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (CA11 1983). Restatement (Third) of Unfair Competition § 16, Comment a (Tent. Draft No. 2, Mar. 23, 1990).

1

Respondent Taco Cabana, Inc., operates a chain of fast-food restaurants in Texas. The restaurants serve Mexican food. The first Taco Cabana restaurant was opened in San Antonio in September 1978, and five more restaurants had been opened in San Antonio by 1985. Taco Cabana describes its Mexican trade dress as

"a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme." 932 F.2d 1113, 1117 (CA5 1991).

In December 1985, a Two Pesos, Inc., restaurant was opened in Houston. Two Pesos adopted a motif very similar to the foregoing description of Taco Cabana's trade dress. Two [\*\*\*622] Pesos restaurants expanded rapidly in Houston and other markets, but did not enter San Antonio. In 1986, Taco Cabana entered [\*\*2756] the Houston and Austin markets and expanded into other Texas cities, including Dallas and El Paso where Two Pesos was also doing business.

In 1987, Taco Cabana sued Two Pesos in the United States District Court for the Southern District of Texas for trade dress infringement under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982 ed.), n2 and for theft of trade secrets [\*766] under Texas common law. The case was tried to a jury, which was instructed to return its verdict in the form of answers to five questions propounded by the trial judge. The jury's answers were: Taco Cabana has a trade dress; taken as a whole, the trade dress is nonfunctional; the trade dress is inherently distinctive; n3 the trade dress has not acquired a secondary meaning n4 in the Texas market; and the alleged infringement creates a likelihood of confusion on the part of ordinary customers as to the source or association of the restaurant's goods or services. Because, as the jury was told, Taco Cabana's trade dress was protected if it either was inherently distinctive or had acquired a secondary meaning, judgment was entered awarding damages to Taco Cabana. In the course of calculating damages, the trial court held that Two Pesos had intentionally and deliberately infringed Taco Cabana's trade dress. n5

n2 Section 43(a) provides: "Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation." 60 Stat. 441.

This provision has been superseded by § 132 of the Trademark Law Revision Act of 1988, 102 Stat. 3946, 15 U.S.C. § 1121.

n3 The instructions were that, to be found inherently distinctive, the trade dress must not be descriptive.

n4 Secondary meaning is used generally to indicate that a mark or dress "has come through use to be uniquely associated with a specific source." Restatement (Third) of Unfair Competition § 13, Comment e (Tent. Draft No. 2, Mar. 23, 1990). "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

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than the product itself." *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n.11, 72 L. Ed. 2d 606, 102 S. Ct. 2182 (1982).

n5 The Court of Appeals agreed: "The weight of the evidence persuades us, as it did Judge Singleton, that Two Pesos brazenly copied Taco Cabana's successful trade dress, and proceeded to expand in a manner that foreclosed several lucrative markets within Taco Cabana's natural zone of expansion." 932 F.2d at 1127, n.20.

[\*767] The Court of Appeals ruled that the instructions adequately stated the applicable law and that the evidence supported the jury's findings. In particular, the Court of Appeals rejected petitioner's argument that a finding of no secondary meaning contradicted a finding of inherent distinctiveness.

In so holding, the court below followed [\*\*\*623] precedent in the Fifth Circuit. In *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (CA5 1981), the court noted that trademark law requires a demonstration of secondary meaning only when the claimed trademark is not sufficiently distinctive of itself to identify the producer; the court held that the same principles should apply to protection of trade dresses. The Court of Appeals noted that this approach conflicts with decisions of other courts, particularly the holding of the Court of Appeals for the Second Circuit in *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299 (1981), cert. denied, 455 U.S. 909, 71 L. Ed. 2d 448, 102 S. Ct. 1257 (1982), that § 43(a) protects unregistered trademarks or designs only where secondary meaning is shown. *Chevron, supra*, at 702. We granted [\*\*2757] certiorari to resolve the conflict among the Courts of Appeals on the question whether trade dress that is inherently distinctive is protectible under § 43(a) without a showing that it has acquired secondary meaning. n6 502 U.S. 1071 (1992). We find that it is, and we therefore affirm.

n6 We limited our grant of certiorari to the above question on which there is a conflict. We did not grant certiorari on the second question presented by the petition, which challenged the Court of Appeals' acceptance of the jury's finding that Taco Cabana's trade dress was not functional.

II

[\*\*\*LEdHR2] [2]The Lanham Act n7 was intended to make "actionable the deceptive and misleading use of marks" and "to protect persons [\*768] engaged in . . . commerce against unfair competition." § 45, 15 U.S.C. § 1127. Section 43(a) "prohibits a broader range of practices than does § 32," which applies to registered marks. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 858, 72 L. Ed. 2d 606, 102 S. Ct. 2182 (1982), but it is common ground that § 43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a). See *A. J. Canfield Co. v. Honickman*, 808 F.2d 291, 299, n.9 (CA3 1986); *Thompson Medical Co. v. Pfizer Inc.*, 753 F.2d 208, 215-216 (CA2 1985).

n7 The Lanham Act, including the provisions at issue here, has been substantially amended since the present suit was brought. See Trademark Law Revision Act of 1988, 102 Stat. 3946, 15 U.S.C. § 1121.

[\*\*\*LEdHR3] [3] A trademark is defined in 15 U.S.C. § 1127 as including "any word, name, symbol, or device or any combination thereof" used by any person "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." In order to be registered, a mark must be capable of distinguishing the applicant's goods from those of others. § 1052. Marks are often classified in categories of generally increasing distinctiveness; following the classic formulation set out by Judge Friendly, they may be (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (CA2 1976). The Court of Appeals followed this classification and petitioner accepts it. [\*\*\*624] Brief for Petitioner 11-15. The latter three categories of marks, because their intrinsic nature serves to identify a particular source of a product, are deemed inherently distinctive and are entitled to protection. In contrast, generic marks -- those that "refer to the genus of which the particular product is a species," *Park 'N*

*Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194, 83 L. Ed. 2d 582, 105 S. Ct. 658 (1985), citing *Abercrombie & Fitch, supra*, at 9 -- are not registrable as trademarks. *Park 'N Fly, supra*, at 194.

[\*769] Marks which are merely descriptive of a product are not inherently distinctive. When used to describe a product, they do not inherently identify a particular source, and hence cannot be protected. However, descriptive marks may acquire the distinctiveness which will allow them to be protected under the Act. Section 2 of the Lanham Act provides that a descriptive mark that otherwise could not be registered under the Act may be registered if it "has become distinctive of the applicant's goods in commerce." § 2(e), (f), 15 U.S.C. §§ 1052(e), (f). See *Park 'N Fly, supra*, at 194, 196. This acquired distinctiveness is generally called "secondary meaning." See *ibid.*; *Inwood Laboratories, supra*, at 851, n.11; *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118, 83 L. Ed. 73, 59 S. Ct. 109 (1938). The [\*\*2758] concept of secondary meaning has been applied to actions under § 43(a). See, e.g., *University of Georgia Athletic Assn. v. Laite*, 756 F.2d 1535 (CA11 1985); *Thompson Medical Co. v. Pfizer Inc., supra*.

[\*\*\*LEdHR4A] [4A]The general rule regarding distinctiveness is clear: An identifying mark is distinctive and capable of being protected if it either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning. *Restatement (Third) of Unfair Competition* § 13, pp. 37-38, and Comment a (Tent. Draft No. 2, Mar. 23, 1990). Cf. *Park 'N Fly, supra*, at 194. It is also clear that eligibility for protection under § 43(a) depends on nonfunctionality. See, e.g., *Inwood Laboratories, supra*, at 863 (WHITE, J., concurring in result); see also, e.g., *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 517 (CA10 1987); *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1381 (CA9 1987); *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971, 974 (CA2 1987); *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1535 (CA11 1986); *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1141 (CA3 1986). It is, of course, also undisputed that liability under § 43(a) requires proof of the likelihood of confusion. See, e.g., *Brunswick Corp., supra*, at 516-517; *AmBrit, [\*\*770] supra*, at 1535; *First Brands, supra*, at 1381; *Stormy Clime, supra*, at 974; *American Greetings, supra*, at 1141.

[\*\*\*LEdHR1C] [1C] [\*\*\*LEdHR5] [5]The Court of Appeals determined that the District Court's instructions were consistent with the foregoing principles and that the evidence supported the jury's verdict. Both courts thus ruled that Taco Cabana's trade dress was not descriptive but rather inherently distinctive, and that it was not functional. None of these rulings is before us in this case, and for present purposes we assume, without deciding, that each of them is correct. In [\*\*\*625] going on to affirm the judgment for respondent, the Court of Appeals, following its prior decision in *Chevron*, held that Taco Cabana's inherently distinctive trade dress was entitled to protection despite the lack of proof of secondary meaning. It is this issue that is before us for decision, and we agree with its resolution by the Court of Appeals. There is no persuasive reason to apply to trade dress a general requirement of secondary meaning which is at odds with the principles generally applicable to infringement suits under § 43(a). Petitioner devotes much of its briefing to arguing issues that are not before us, and we address only its arguments relevant to whether proof of secondary meaning is essential to qualify an inherently distinctive trade dress for protection under § 43(a).

Petitioner argues that the jury's finding that the trade dress has not acquired a secondary meaning shows conclusively that the trade dress is not inherently distinctive. Brief for Petitioner 9. The Court of Appeals' disposition of this issue was sound:

"Two Pesos' argument -- that the jury finding of inherent distinctiveness contradicts its finding of no secondary meaning in the Texas market -- ignores the law in this circuit. While the necessarily imperfect (and often prohibitively difficult) methods for assessing secondary meaning address the empirical question of current consumer association, the legal recognition of an inherently distinctive trademark or trade dress acknowledges the [\*\*771] owner's legitimate proprietary interest in its unique and valuable informational device, regardless of whether substantial consumer association yet bestows the additional empirical protection of secondary meaning." 932 F.2d at 1120, n.7.

[\*\*\*LEdHR1D] [1D]Although petitioner makes the above argument, it appears to concede elsewhere in its brief that it is possible for a trade dress, even a restaurant trade dress, to be inherently distinctive and thus eligible for protection under § 43(a). Brief for Petitioner 10-11, 17-18; Reply Brief for Petitioner 10-14. Recognizing that a general requirement of [\*\*2759] secondary meaning imposes "an unfair prospect of theft [or] financial loss" on the developer of fan-

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ciful or arbitrary trade dress at the outset of its use, petitioner suggests that such trade dress should receive limited protection without proof of secondary meaning. *Id.*, at 10. Petitioner argues that such protection should be only temporary and subject to defeasance when over time the dress has failed to acquire a secondary meaning. This approach is also vulnerable for the reasons given by the Court of Appeals. If temporary protection is available from the earliest use of the trade dress, it must be because it is neither functional nor descriptive, but an inherently distinctive dress that is capable of identifying a particular source of the product. Such a trade dress, or mark, is not subject to copying by concerns that have an equal opportunity to choose their own inherently distinctive trade dress. To terminate protection for failure to gain secondary meaning over some unspecified time could not be based on the failure of the dress to retain its fanciful, arbitrary, or suggestive nature, but on the failure of the user of the dress to be successful enough in the marketplace. This is not a valid basis to find a dress or [\*\*\*626] mark ineligible for protection. The user of such a trade dress should be able to maintain what competitive position it has and continue to seek wider identification among potential customers.

[\*772] This brings us to the line of decisions by the Court of Appeals for the Second Circuit that would find protection for trade dress unavailable absent proof of secondary meaning, a position that petitioner concedes would have to be modified if the temporary protection that it suggests is to be recognized. Brief for Petitioner 10-14. In *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299 (1981), the plaintiff claimed protection under § 43(a) for a product whose features the defendant had allegedly copied. The Court of Appeals held that unregistered marks did not enjoy the "presumptive source association" enjoyed by registered marks and hence could not qualify for protection under § 43(a) without proof of secondary meaning. *Id.*, at 303, 304. The court's rationale seemingly denied protection for unregistered, but inherently distinctive, marks of all kinds, whether the claimed mark used distinctive words or symbols or distinctive product design. The court thus did not accept the arguments that an unregistered mark was capable of identifying a source and that copying such a mark could be making any kind of a false statement or representation under § 43(a).

[\*\*\*LEdHR6] [6]This holding is in considerable tension with the provisions of the Lanham Act. If a verbal or symbolic mark or the features of a product design may be registered under § 2, it necessarily is a mark "by which the goods of the applicant may be distinguished from the goods of others," 60 Stat. 428, and must be registered unless otherwise disqualified. Since § 2 requires secondary meaning only as a condition to registering descriptive marks, there are plainly marks that are registrable without showing secondary meaning. These same marks, even if not registered, remain inherently capable of distinguishing the goods of the users of these marks. Furthermore, the copier of such a mark may be seen as falsely claiming that his products may for some reason be thought of as originating from the plaintiff.

[\*\*\*LEdHR1E] [1E] Some years after *Vibrant*, the Second Circuit announced in *Thompson Medical Co. v. Pfizer Inc.*, 753 F.2d 208 (1985), [\*773] that in deciding whether an unregistered mark is eligible for protection under § 43(a), it would follow the classification of marks set out by Judge Friendly in *Abercrombie & Fitch*, 537 F.2d at 9. Hence, if an unregistered mark is deemed merely descriptive, which the verbal mark before the court proved to be, proof of secondary meaning is required; however, "suggestive marks are eligible for protection without any proof of secondary meaning, since the connection between the mark and the source is presumed." 753 F.2d at 216. The Second Circuit has nevertheless continued [\*2760] to deny protection for trade dress under § 43(a) absent proof of secondary meaning, despite the fact that § 43(a) provides no basis for distinguishing between trademark and trade dress. See, e.g., *Stormy Climate Ltd. v. ProGroup, Inc.*, 809 F.2d at 974; *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 48 (1985); *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 75 (1985).

The Fifth Circuit was quite right [\*\*\*627] in *Chevron*, and in this case, to follow the *Abercrombie* classifications consistently and to inquire whether trade dress for which protection is claimed under § 43(a) is inherently distinctive. If it is, it is capable of identifying products or services as coming from a specific source and secondary meaning is not required. This is the rule generally applicable to trademarks, and the protection of trademarks and trade dress under § 43(a) serves the same statutory purpose of preventing deception and unfair competition. There is no persuasive reason to apply different analysis to the two. The "proposition that secondary meaning must be shown even if the trade dress is a distinctive, identifying mark, [is] wrong, for the reasons explained by Judge Rubin for the Fifth Circuit in *Chevron*," *Blau Plumbing, Inc. v. S. O. S. Fix-It, Inc.*, 781 F.2d 604, 608 (CA7 1986). The Court of Appeals for the Eleventh Circuit also follows *Chevron*, *AmBrit, Inc. v. Kraft, Inc.*, 805 F.2d 974, 979 (1986), and the Court of Appeals for the Ninth Circuit appears to think that proof of secondary meaning is superfluous [\*774] if a trade dress is inherently distinctive, *Fuddrucker, Inc. v. Doc's B. R. Others, Inc.*, 826 F.2d 837, 843 (1987).

It would be a different matter if there were textual basis in § 43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently distinctive trade dress. But there is none. The section does not mention trademarks or trade dress, whether they be called generic, descriptive, suggestive, arbitrary, fanciful, or functional. Nor does the concept of secondary meaning appear in the text of § 43(a). Where secondary meaning does appear in the statute, 15 U.S.C. § 1052 (1982 ed.), it is a requirement that applies only to merely descriptive marks and not to inherently distinctive ones. We see no basis for requiring secondary meaning for inherently distinctive trade dress protection under § 43(a) but not for other distinctive words, symbols, or devices capable of identifying a producer's product.

Engrafting onto § 43(a) a requirement of secondary meaning for inherently distinctive trade dress also would undermine the purposes of the Lanham Act. Protection of trade dress, no less than of trademarks, serves the Act's purpose to "secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." *Park 'N Fly*, 469 U.S. at 198, citing S. Rep. No. 1333, 79th Cong., 2d Sess., 3-5 (1946) (citations omitted). By making more difficult the identification of a producer with its product, a secondary meaning requirement for a nondescriptive trade dress would hinder improving or maintaining the producer's competitive position.

[\*\*\*LEdHR4B] [4B]Suggestions that under the Fifth Circuit's law, the initial user of any shape or design would cut off competition from [\*775] products of like design and shape are not persuasive. Only nonfunctional, distinctive trade dress is protected under § 43(a). The Fifth Circuit holds that a design is legally functional, and thus unprotectible, if it is one of a limited number of equally efficient options [\*\*\*628] available to competitors and free competition would be unduly hindered by according the design trademark protection. See *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 426 (1984). This serves to assure that competition [\*2761] will not be stifled by the exhaustion of a limited number of trade dresses.

[\*\*\*LEdHR1F] [1F]On the other hand, adding a secondary meaning requirement could have anticompetitive effects, creating particular burdens on the startup of small companies. It would present special difficulties for a business, such as respondent, that seeks to start a new product in a limited area and then expand into new markets. Denying protection for inherently distinctive nonfunctional trade dress until after secondary meaning has been established would allow a competitor, which has not adopted a distinctive trade dress of its own, to appropriate the originator's dress in other markets and to deter the originator from expanding into and competing in these areas.

As noted above, petitioner concedes that protecting an inherently distinctive trade dress from its inception may be critical to new entrants to the market and that withholding protection until secondary meaning has been established would be contrary to the goals of the Lanham Act. Petitioner specifically suggests, however, that the solution is to dispense with the requirement of secondary meaning for a reasonable, but brief, period at the outset of the use of a trade dress. Reply Brief for Petitioner 11-12. If § 43(a) does not require secondary meaning at the outset of a business' adoption of trade dress, there is no basis in the statute to support the suggestion that such a requirement comes into being after some unspecified time.

[\*776] III

We agree with the Court of Appeals that proof of secondary meaning is not required to prevail on a claim under § 43(a) of the Lanham Act where the trade dress at issue is inherently distinctive, and accordingly the judgment of that court is affirmed.

*It is so ordered.*

**CONCURRY:** STEVENS; SCALIA; THOMAS

**CONCUR:**

JUSTICE SCALIA, concurring.

I write separately to note my complete agreement with JUSTICE THOMAS's explanation as to how the language of § 43(a) and its common-law derivation are broad enough to embrace inherently distinctive trade dress. Nevertheless, because I find that analysis to be complementary to (and not inconsistent with) the Court's opinion, I concur in the latter.

JUSTICE STEVENS, concurring in the judgment.

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As the Court notes in its opinion, the text of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982 ed.), "does not mention trademarks or trade dress." *Ante*, 505 U.S. at 774. Nevertheless, the Court interprets this section as having created a federal cause of action for infringement of an unregistered trademark or trade dress [\*\*\*629] and concludes that such a mark or dress should receive essentially the same protection as those that are registered. Although I agree with the Court's conclusion, I think it is important to recognize that the meaning of the text has been transformed by the federal courts over the past few decades. I agree with this transformation, even though it marks a departure from the original text, because it is consistent with the purposes of the statute and has recently been endorsed by Congress.

[\*777] 1

It is appropriate to begin with the relevant text of § 43(a). n1 See, e.g., *Moskal v. United* [\*\*2762] *States*, 498 U.S. 103, 112 L. Ed. 2d 449, 111 S. Ct. 461 (1990); *Kmart Corp. v. Cartier, Inc.*, 486 U.S. 281, 291, 100 L. Ed. 2d 313, 108 S. Ct. 1811 (1988); *United States v. Turckette*, 452 U.S. 576, 580, 69 L. Ed. 2d 246, 101 S. Ct. 2524 (1981). Section 43(a) n2 provides a federal remedy for using either "a false designation of origin" or a "false description or representation" in connection with any goods or services. The full text of the section makes it clear that the word "origin" refers to the geographic location in which the goods originated, and in fact, the phrase "false designation of origin" was understood to be limited to false advertising of geographic origin. For example, the "false designation of origin" language contained [\*\*778] in the statute makes it unlawful to represent that California oranges came from Florida, or vice versa. n3

n1 The text that we consider today is § 43(a) of the Lanham Act prior to the 1988 amendments; it provides:

"Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation." 15 U.S.C. § 1125(a) (1982 ed.).

n2 Section 43(a) replaced and extended the coverage of § 3 of the Trademark Act of 1920, 41 Stat. 534, as amended. Section 3 was destined for oblivion largely because it referred only to false designation of origin, was limited to articles of merchandise, thus excluding services, and required a showing that the use of the false designation of origin occurred "willfully and with intent to deceive." *Ibid*. As a result, "almost no reported decision can be found in which relief was granted to either a United States or foreign party based on this newly created remedy." *Derenberg, Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue?*, 32 *N. Y. U. L. Rev.* 1029, 1034 (1957).

n3 This is clear from the fact that the cause of action created by this section is available only to a person doing business in the locality falsely indicated as that of origin. See n.1, *supra*.

For a number of years after the 1946 enactment of the Lanham Act, a "false description or representation," like "a false designation of origin," was construed narrowly. The phrase encompassed two kinds of wrongs: false advertising n4 and the [\*\*\*630] common-law tort of "passing off." n5 False advertising meant representing that goods or services possessed characteristics that they did not actually have and passing off meant representing one's goods as those of another. Neither "secondary meaning" nor "inherent distinctiveness" had anything to do with false advertising, but proof of secondary meaning was an element of the common-law [\*779] passing-off cause of action. See, e.g., *G. & C. Merriam Co. v. Saalfeld*, 198 F. 369, 372 (CA6 1912) ("The ultimate offense always is that defendant has passed off his goods as and for those of the complainant").

n4 The deleterious effects of false advertising were described by one commentator as follows: "[A] campaign of false advertising may completely discredit the product of an industry, destroy the confidence of consumers and impair a communal or trade good will. Less tangible but nevertheless real is the injury suffered by the honest dealer who finds it necessary to meet the price competition of inferior goods, glamorously misdescribed by the unscrupulous merchant. The competition of a liar is always dangerous even though the exact injury may not be susceptible of precise proof." *Handler, Unfair Competition*, 21 *Iowa L. Rev.* 175, 193 (1936).

n5 The common-law tort of passing off has been described as follows:

"Beginning in about 1803, English and American common law slowly developed an offshoot of the tort of fraud and deceit and called it 'passing off' or 'palming off.' Simply stated, passing off as a tort consists of one passing off his goods as the goods of another. In 1842 Lord Langdale wrote:

"I think that the principle on which both the courts of law and equity proceed is very well understood. A man is not to sell his own goods under the pretence that they are the goods of another man. . . ."

"In 19th century cases, trademark infringement embodied much of the elements of fraud and deceit from which trademark protection developed. That is, the element of fraudulent intent was emphasized over the objective facts of consumer confusion." 1 J. McCarthy, *Trademarks and Unfair Competition* § 5.2, p. 133 (2d ed. 1984) (McCarthy) (footnotes omitted).

## II

Over time, the Circuits have expanded the categories of "false designation of origin" and "false description or representation." One [\*\*2763] treatise n6 identified the Court of Appeals for the Sixth Circuit as the first to broaden the meaning of "origin" to include "origin of source or manufacture" in addition to geographic origin. n7 Another early case, described as unique among the Circuit cases because it was so "forward-looking," n8 interpreted the "false description or representation" language to mean more than mere "palming off." *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649 (CA3 1954). The court explained: "We find nothing in the legislative history of the Lanham Act to justify the view that [§ 43(a)] is merely declarative of existing law. . . . It seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts." *Id.*, at 651. Judge Clark, writing a concurrence in 1956, presciently observed: "Indeed, there is indication here and elsewhere that the bar has not yet realized the potential impact of this statutory provision [§ 43(a)]." *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 546 (CA2). Although some have criticized the expansion as unwise, n9 it is now "a [\*\*631] firmly [\*780] embedded reality." n10 The United States Trade Association Trademark Review Commission noted this transformation with approval: "Section 43(a) is an enigma, but a very popular one. Narrowly drawn and intended to reach false designations or representations as to the geographical origin of products, the section has been widely interpreted to create, in essence, a federal law of unfair competition. . . . It has definitely eliminated a gap in unfair competition law, and its vitality is showing no signs of age." n11

n6 2 *id.*, § 27:3, p. 345.

n7 *Federal Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405, 408 (CA6 1963).

n8 *Derenberg*, 32 *N. Y. U. L. Rev.*, at 1047, 1049.

n9 See, e.g., *Germain, Unfair Trade Practices Under § 43(a) of the Lanham Act: You've Come a Long Way Baby -- Too Far, Maybe?*, 64 *Trademark Rep.* 193, 194 (1974) ("It is submitted that the cases have applied Section 43(a) to situations it was not intended to cover and have used it in ways that it was not designed to function").

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n10 2 McCarthy B 27:3, p. 345.

n11 The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 *Trademark Rep.* 375, 426 (1987).

Today, it is less significant whether the infringement falls under "false designation of origin" or "false description or representation" n12 because in either case B 43(a) may be invoked. The federal courts are in agreement that B 43(a) creates a federal cause of action for trademark and trade dress infringement claims. 1 J. *Gilson, Trademark Protection and Practice* B 2.13, p. 2-178 (1991). They are also in agreement that the test for liability is likelihood of confusion: "Under the Lanham Act [B 43(a)], the ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks. . . . Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical -- is there a 'likelihood of confusion?'" *New West Corp. v. NYM Co. of California, Inc.*, 595 F.2d 1194, 1201 (CA9 1979) (footnote omitted). And the Circuits are in [\*781] general agreement, n13 with perhaps the exception of [\*2764] the Second Circuit, n14 that secondary [\*\*632] meaning need not be established once there is a finding of inherent distinctiveness in order to establish a trade dress violation under B 43(a).

n12 Indeed, in count one of the complaint, respondent alleged that petitioner "is continuing to affix, apply, or use in connection with its restaurants, goods and services a false designation of origin, or a false description and representation, tending to falsely describe or represent the same," and that petitioner "has falsely designated the origin of its restaurants, goods and services and has falsely described and represented the same . . . ." App. 44-45; see Tr. of Oral Arg. 37.

n13 See, e. g., *AmBrit, Inc. v. Kraft, Inc.*, 805 F.2d 974 (CA11 1986), cert. denied, 481 U.S. 1041, 95 L. Ed. 2d 822, 107 S. Ct. 1983 (1987); *Blau Plumbing, Inc. v. S. O. S. Fix-It, Inc.*, 781 F.2d 604 (CA7 1986); *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1343 (C. C. P. A. 1982); *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695 (CA5 1981), cert. denied, 457 U.S. 1126, 73 L. Ed. 2d 1342, 102 S. Ct. 2947 (1982); see also *Fudruckers, Inc. v. Doc's B. R. Others, Inc.*, 826 F.2d 837, 843-844 (CA9 1987); *M. Kramer Mfg. Co. v. Andrews*, 783 F.2d 421, 449, n.26 (CA4 1986).

n14 Consistent with the common-law background of B 43(a), the Second Circuit has said that proof of secondary meaning is required to establish a claim that the defendant has traded on the plaintiff's good will by falsely representing that his goods are those of the plaintiff. See, e. g., *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299 (1917). To my knowledge, however, the Second Circuit has not explained why "inherent distinctiveness" is not an appropriate substitute for proof of secondary meaning in a trade dress case. Most of the cases in which the Second Circuit has said that secondary meaning is required did not involve findings of inherent distinctiveness. For example, in *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299 (1981), cert. denied, 455 U.S. 909, 71 L. Ed. 2d 448, 102 S. Ct. 1257 (1982), the product at issue -- a velcro belt -- was functional and lacked "any distinctive, unique or non-functional mark or feature." 652 F.2d at 305. Similarly, in *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971, 977 (1987), the court described functionality as a continuum, and placed the contested rainjacket closer to the functional end than to the distinctive end. Although the court described the lightweight bag in *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71 (1985), as having a distinctive appearance and concluded that the District Court's finding of nonfunctionality was not clearly erroneous, *id.*, at 74, it did not explain why secondary meaning was also required in such a case.

### III

Even though the lower courts' expansion of the categories contained in B 43(a) is unsupported by the text of the Act, I am persuaded that it is consistent with the general purposes of the Act. For example, Congressman Lanham, the bill's sponsor, stated: "The purpose of [the Act] is to protect legitimate [\*782] business and the consumers of the country." n15 92 Cong. Rec. 7524 (1946). One way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy. Although the protection of trademarks had once been "entirely a State matter," the result of such a piecemeal approach was that there were almost "as many different varieties of common law as there are States" so that a person's right to a trademark "in one State may differ widely from the rights

which [that person] enjoys in another." H. R. Rep. No. 944, 76th Cong., 1st Sess., 4 (1939). The House Committee on Trademarks and Patents, recognizing that "trade is no longer local, but . . . national," saw the need for "national legislation along national lines [to] secure to the owners of trademarks in interstate commerce definite rights." *Ibid.* n16

n15 The Senate Report elaborated on these two goals:

"The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trade-mark owner." S. Rep. No. 1333, 79th Cong., 2d Sess., 3 (1946).

By protecting trademarks, Congress hoped "to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not. This is the end to which this bill is directed." *Id.*, at 4.

n16 Forty years later, the USTA Trademark Review Commission assessed the state of trademark law. The conclusion that it reached serves as a testimonial to the success of the Act in achieving its goal of uniformity: "The federal courts now decide, under federal law, all but a few trademark disputes. State trademark law and state courts are less influential than ever. Today the Lanham Act is the paramount source of trademark law in the United States, as interpreted almost exclusively by the federal courts." Trademark Review Commission, 77 *Trademark Rep.*, at 377.

[\*783] Congress has revisited this statute from time to time, and has accepted the "judicial legislation" that has created this federal cause of action. Recently, for example, in [\*2765] the Trademark Law Revision Act of 1988, 102 Stat. 3935, Congress codified the judicial interpretation of B 43(a), giving its *imprimatur* to a growing body of case law from the Circuits that had expanded the section beyond its original language.

Although Congress has not specifically addressed the question whether secondary meaning is required under B 43(a), the steps it has taken in this subsequent legislation suggest [\*\*\*633] that secondary meaning is not required if inherent distinctiveness has been established. n17 First, Congress broadened the language of B 43(a) to make explicit that the provision prohibits "any word, term, name, symbol, or device, or any combination thereof" that 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." 15 U.S.C. B 1125 (a). That language makes clear that a confusingly similar trade dress is actionable under B 43(a), without necessary reference to "falsity." Second, Congress approved and confirmed the extensive judicial development under the provision, including its application to trade dress that the federal courts had come to apply. n18 Third, the legislative [\*784] history of the 1988 amendments reaffirms Congress' goals of protecting both businesses and consumers with the Lanham Act. n19 And fourth, Congress explicitly extended to any violation of B 43(a) the basic Lanham Act remedial provisions whose text previously covered only registered trademarks. n20 The aim of the amendments was to apply the same protections to unregistered marks as were already afforded to registered marks. See S. Rep. No. 100-515, p. 40 (1988). These steps buttress the conclusion that B 43(a) is properly understood to provide protection in accordance with the standards for registration in B 2. These aspects of the 1988 legislation bolster the claim that an inherently distinctive trade dress may be protected under B 43(a) without proof of secondary meaning.

n17 "When several acts of Congress are passed touching the same subject-matter, subsequent legislation may be considered to assist in the interpretation of prior legislation upon the same subject." *Tiger v. Western Investment Co.*, 221 U.S. 286, 309, 55 L. Ed. 738, 31 S. Ct. 578 (1911); see *NLRB v. Bell Aerospace Co. of Textron, Inc.*, 416 U.S. 267, 275, 40 L. Ed. 2d 134, 94 S. Ct. 1757 (1974); *Red Lion Broadcasting Co. v. FCC*, 395 U.S. 367, 380-381, 23 L. Ed. 2d 371, 89 S. Ct. 1794 (1969); *United States v. Stajoff*, 260 U.S. 477, 480, 67 L. Ed. 358, 43 S. Ct. 197 (1923) (opinion of Holmes, J.).

505 U.S. 763, \*, 112 S. Ct. 2753, \*\*;  
120 L. Ed. 2d 615, \*\*\*; 1992 U.S. LEXIS 4533

505 U.S. 763, \*, 112 S. Ct. 2753, \*\*;  
120 L. Ed. 2d 615, \*\*\*; 1992 U.S. LEXIS 4533

n18 As the Senate Report explained, revision of B 43(a) is designed "to codify the interpretation it has been given by the courts. Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section.

"As written, Section 43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in essence, a federal law of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims." S. Rep. No. 100-515, p. 40 (1988).

n19 "Trademark protection is important to both consumers and producers. Trademark law protects the public by making consumers confident that they can identify brands they prefer and can purchase those brands without being confused or misled. Trademark laws also protect trademark owners. When the owner of a trademark has spent considerable time and money bringing a product to the marketplace, trademark law protects the producer from pirates and counterfeiters." *Id.*, at 4.

n20 See *15 U.S.C. § 1114*, 1116-1118.

#### IV

In light of the consensus among the Courts of Appeals that have actually addressed the question, and the steps on the part of Congress to codify that consensus, [\*\*\*634] *stare decisis* concerns persuade me to join the Court's conclusion that secondary meaning is not required to establish a trade dress violation [\*\*2766] under B 43(a) once inherent distinctiveness [\*\*785] has been established. Accordingly, I concur in the judgment, but not in the opinion, of the Court.

JUSTICE THOMAS, concurring in the judgment.

Both the Court and JUSTICE STEVENS decide today that the principles that qualify a mark for registration under B 2 of the Lanham Act apply as well to determining whether an unregistered mark is entitled to protection under B 43(a). The Court terms that view "common ground," though it fails to explain why that might be so, and JUSTICE STEVENS decides that the view among the Courts of Appeals is textually insupportable, but worthy nonetheless of adherence. See *ante*, 505 U.S. at 768 (opinion of the Court); *ante*, 505 U.S. at 781-782 (STEVENS, J., concurring in judgment). I see no need in answering the question presented either to move back and forth among the different sections of the Lanham Act or to adopt what may or may not be a misconstruction of the statute for reasons akin to *stare decisis*. I would rely, instead, on the language of B 43(a).

Section 43(a) made actionable (before being amended) "any false description or representation, including words or other symbols tending falsely to describe or represent," when "used in connection with any goods or services." *15 U.S.C. § 1125(a)* (1982 ed.). This language codified, among other things, the related common-law torts of technical trademark infringement and passing off, see *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 861, n.2, 72 L. Ed. 2d 606, 102 S. Ct. 2182 (1982) (WHITE, J., concurring in result); *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 701 (CA5 1981), cert. denied, 457 U.S. 1126, 73 L. Ed. 2d 1342, 102 S. Ct. 2947 (1982), which were causes of action for false descriptions or representations concerning a good's or service's source of production, see, e.g., *Yale Electric Corp. v. Robertson*, 26 F.2d 972, 973 (CA2 1928); *American Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281, 284-286 (CA6 1900).

[\*\*786] At common law, words or symbols that were arbitrary, fanciful, or suggestive (called "inherently distinctive" words or symbols, or "trademarks") were presumed to represent the source of a product, and the first user of a trademark could sue to protect it without having to show that the word or symbol represented the product's source in fact. See, e.g., *Heublein v. Adams*, 125 F. 782, 784 (CC Mass. 1903). That presumption did not attach to personal or geographic names or to words or symbols that only described a product (called "trade names"), and the user of a personal or geographic name or of a descriptive word or symbol could obtain relief only if he first showed that his trade name did in fact represent not just the product, but a producer (that the good or service had developed "secondary meaning"). See, e.g., *Florence Mfg. Co. v. J. C. Dowd & Co.*, 178 F. 73, 74-75 (CA2 1910). Trade dress, which consists not of words or symbols, but of a product's packaging (or "image," more broadly), seems at common law [\*\*\*635] to have

been thought incapable ever of being inherently distinctive, perhaps on the theory that the number of ways to package a product is finite. Thus, a user of trade dress would always have had to show secondary meaning in order to obtain protection. See, e.g., *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 300-301 (CA2 1917); *Flagg Mfg. Co. v. Holway*, 178 Mass. 83, 91, 59 N.E. 667 (1901); *Philadelphia Novelty Mfg. Co. v. Rouss*, 40 F. 585, 587 (CC SDNY 1889); see also J. Hopkins, Law of Trademarks, Tradenames and Unfair Competition B 54, pp. 140-141 (3d ed. 1917); W. Browne, Law of Trade-Marks B 89b, 89c, pp. 106-110 (2d ed. 1885); Restatement (Third) of the Law of Unfair Competition B 16, Comment *b* (Tent. Draft No. 2, Mar. 23, 1990) (hereinafter Third Restatement).

Over time, judges have come to conclude that packages or images may be as arbitrary, fanciful, or suggestive as words or symbols. [\*\*2767] their numbers limited only by the human imagination. See, e.g., *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1536 (CA11 1986) ("square size, bright coloring, pebbled texture, [\*\*787] polar bear and sunburst images" of the package of the "Klondike" ice cream bar held inherently distinctive), cert. denied, 481 U.S. 1041, 95 L. Ed. 2d 822, 107 S. Ct. 1983 (1987); see also Third Restatement B 13, 16. A particular trade dress, then, is now considered as fully capable as a particular trademark of serving as a "representation or designation" of source under B 43(a). As a result, the first user of an arbitrary package, like the first user of an arbitrary word, should be entitled to the presumption that his package represents him without having to show that it does so in fact. This rule follows, in my view, from the language of B 43(a), and this rule applies under that section without regard to the rules that apply under the sections of the Lanham Act that deal with registration.

Because the Court reaches the same conclusion for different reasons, I join its judgment.

#### REFERENCES: Return To Full Text Opinion

Go to Supreme Court Brief(s)  
Go to Oral Argument Transcript

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L Ed Index, Restaurants and Eating Places; Trademarks and Tradenames

Index to Annotations, Description and Identification; Restaurants and Other Eating Places; Trademarks, Tradenames, and Unfair Trade Practices

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Unfair competition by imitation in sign or design of business place. *86 ALR3d 884*.

## copyright – the basics

- the law of copyright stops someone
- exercising copyright rights
- in a copyright work
- without copyright owner's permission

Hanpro





- the law of copyright stops someone
- exercising copyright **rights**
- in a copyright **work**
- without copyright **owner's** permission

- Copyright protects copyright **works**

copyright works

- literary
- dramatic
- musical
- artistic
- film
- sound recordings

*Hanpro*

*Hanpro*

works – they don't have to be any good

- low creativity threshold
- courts don't want to decide
- is it a work of genius ... or is it silly
- so they protect nearly everything

Hantro

why copyright works important for Hantro

- Hantro creates copyright works
- Hantro uses copyright works

Hantro

## Hantro creates copyright works

- project plans
- algorithms
- source code
  
- marketing brochures
- press releases
  
- photographs
- demo clips

Hantro

## Hantro uses copyright works

- Microsoft Windows
- 3GPP standards
- SMPTE reference code
- testing suites

Hantro

composite work – 3rd party work and Hantro work

- Hantro work incorporates 3rd party work
- the third party work doesn't *disappear*
- Hantro owns copyright in composite work  
*subject to* 3rd party rights in 3rd party work

Hantro

- copyright grants **copyright owner**  
certain rights

Hantro

## ownership

- *creative works* – literary, artistic
- the author – the writer, the programmer
  
- *industrial works* – film, sound recordings
- the person who paid for it

Hanpro

## ownership - exceptions

- some countries
  
- **employer** owns it
- created by employee in course of employment (eg US, UK, Finland-computer software)
  
- **person who commissions and pays for it**
- if "work-for-hire" type work and arrangement is expressed to be "work-for-hire" (eg US)

Hanpro

### ownership – joint works

- more than one person contributed to work
- *jointly own* copyright
- Cannot exercise copyright
- unless everyone's permission

Hanpro

### ownership - assignment

- copyright is personal property
- like a car or a computer
  
- author of copyright can assign to someone
- just like sell a car or a computer

Hanpro

## ownership – make it clear

- difficult to confirm
  - who contributed
    - employees, subcontractors, customers
  - when created
    - during project, integration, trade show
  - where created
    - Oulu, US (trade show), elsewhere (subcontractor)
- **SO ALL CONTRACT SHOULD MAKE CLEAR**
- Hantro owns all rights
- all contributors assign all rights to Hantro

Hantro

- Copyright is a bundle of **rights**

Hantro



## copyright rights

- copy / reproduce
- distribute
- perform in public
- publish
- modify / translate
- communicate / make available online

 Hanpro

## copyright protects expression

- copyright protects EXPRESSION
- copyright NOT protect ideas or methods
- copyright NOT give owner exclusive right to use
  - ideas or logic underlying the way the work is written / structured
  - processes, know-how, procedures or methods described in the work

 Hanpro

## what are you doing?

- copyright stops you from burning a DVD of the source code
- BUT
- copyright does NOT stop you
  - *analysing* the source code for the ideas underlying the source code
  - using the source code *as a tool* to create completely original source code

- are you exercising copyright rights?
- are you copying?
- are you copying the expressions, the structure, the architecture
- are you just analysing it
- are you just following the instructions set out in the work
- *there may be other reasons you can't do it*
- *eg confidential information*

what should I do?

- if you are exercising copyright rights
- what do you need to do?

Hantro

Hantro copyright works - who can exercise rights

- if Hantro is the copyright owner
- **Hantro** can exercise copyright rights
- **anyone else** who wants to exercise copyright rights need to get Hantro's permission
- this is what Hantro's licence agreement is
- Hantro's permission to use Hantro's source code

Hantro

### 3rd party copyright works

- If Hantro wants to exercise copyright rights in a 3rd party work
- Hantro needs to get permission from the copyright owner of 3rd party work
- the owner may impose other requirements on Hantro as a condition of giving Hantro permission to exercise copyright rights

The Hantro logo, featuring the word "Hantro" in a stylized font with a small graphic element above the 'o'.

### 3rd party copyright works – project plan

- identify any 3rd party copyright works required for project
- confirm that Hantro has rights to exercise copyright rights
- check if any conditions / limitations
- explain conditions / limitations to project members

The Hantro logo, featuring the word "Hantro" in a stylized font with a small graphic element above the 'o'.

3rd party copyright works – project members

- cutting and pasting from document
- ***check who owns rights***
- If its on internet or in book...its not Hantro
- even if its a Hantro document ...it may contain 3rd party works

Hantro

3rd party copyright works -- subcontractors

- ensure subcontractors do not include 3rd party copyright works
- *unless*
  - have permission for sub AND HANTRO AND HANTRO CUSTOMERS to exercise rights
  - notify Hantro of any conditions / limitations

Hantro

## what about an NDA?

- NDA controls how information is managed
- NDA only gives recipient the right to use the information for a project
  - eg to evaluate Hantro's product
- NDA does NOT give any right to exercise copyright rights
  - no right to copy the information and put it into their product
  - no right to distribute the information

The Hantro logo is located at the bottom of the slide, centered horizontally. It features the word "Hantro" in a stylized, italicized font with a small graphic element above the 'o'.

## 3rd party copyright works – open source

- "but its not copyright, its free, its open source"
- open source **still protected by copyright**
- what makes open source different is the **conditions imposed** by copyright owner

The Hantro logo is located at the bottom of the slide, centered horizontally. It features the word "Hantro" in a stylized, italicized font with a small graphic element above the 'o'.

## GNU licence

- allowed to change / modify source code
- BUT if distribute own copyright work which includes GNU protected work
- need to distribute in source code
- must allow anyone to do anything with it (including put it on the internet)
- must allow anyone to change / modify it
- your work becomes subject to GNU
- your work is "contaminated" by GNU work

The Hanfro logo features the word "Hanfro" in a stylized, italicized font with a small graphic element above the 'o'.

## 3rd party copyright work – only a little bit

- copyright law protects the whole *or a substantial part*
- substantial part is determined by quality NOT quantity
- may infringe copyright even if only copy a few lines...if they are important lines
- just in case – don't copy ANYTHING

The Hanfro logo features the word "Hanfro" in a stylized, italicized font with a small graphic element above the 'o'.

## copyright notices

- copyright notices help copyright owners if the case ever goes to court
- court presumes
  - person named in the copyright notice is the copyright owner
  - year in the copyright notice is the year the work was created
- Licence agreements usually include condition that cannot remove copyright notice

The Hantro logo is located at the bottom of the slide, centered horizontally. It features the word "Hantro" in a stylized, italicized font with a small graphic element above the 'o'.

## copyright notices – what should I do

- do not remove 3rd party copyright notice
- include copyright notice all Hantro documents
  - source code header files
  - diagrams
  - marketing presentations
  - project plans
- Hantro Products Oy or Hantro
- year/s in which product created
- © 2005 Hantro Products Oy

The Hantro logo is located at the bottom of the slide, centered horizontally. It features the word "Hantro" in a stylized, italicized font with a small graphic element above the 'o'.



## introduction copyright law

Therese Oppermann  
introduction entertainment law  
METKA, University of Oulu

## copyright essentials

- works
- rights
- ownership
- assignment
- registration and copyright notices
- moral rights

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copyright  
protects  
copyright works

works are expression ideas / facts

copyright protects *expression*

copyright not protect *ideas / facts*

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## different types of works

- literary
- dramatic
- musical
- artistic
- film
- sound recordings

(s1 UK, s 102 US, A1 Finland)

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## different types of works

- literary - books, newspaper articles  
AND bus timetables, source code-recorded in material form
- artistic - pretty pictures  
AND logos and plans and scale drawings
- musical - melodies  
AND collection of sounds
- sound recordings – DECCA recording of Sibelius  
AND recording a jackhammer on a building site
- film - movies  
AND games and moving images

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- ideas / facts are not "works"
- WHY
  - not recorded in material form
  - not involve time, labour and effort
- copyright does not give the copyright owner the exclusive right to use the ideas / facts
- the only way to protect ideas  
trade secrets / confidential information
- fine line protected detailed formats / unprotected ideas

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low creativity threshold

courts don't want to decide

is it a work of genius... or is it crap

"what is worth copying  
is worth protecting"

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## why copyright works important for film

- *creates* copyright works  
creative contributors creating copyright works  
*producer needs an assignment of rights*
- *uses* copyright works  
use existing copyright works  
*producer needs right to use*
- *is* a copyright work  
film is a copyright work  
*producer need to grant rights to distributors and broadcasters*

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## film creates copyright works

- dramatic works – script / choreography
- sound recording - dialogue / music track
- musical work - melody original songs
- literary work - lyrics original songs
- artistic work - set design / costumes / artwork

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## film may use existing works

- literary works
  - “Four Weddings and a Funeral” - Auden poem
- dramatic work
  - “West Side Story” - choreography
- musical work
  - “50 First Dates” – Beach Boys “Wouldn’t It Be Nice”
- film
  - “Fahrenheit 9/11” - news footage
- artistic work
  - “Notting Hill” - Chagall painting

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## film is copyright work

- film means recording on any medium from which a moving image may by any means be produced  
(s5 UK)
- cinematographic work  
(A1 Finland)
- “Motion pictures” are audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any  
(s101 US)

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copyright grants copyright owner

certain rights

in copyright works

different types of rights

- reproduction
- prepare derivative works
- publish / distribute
- public performance / display
- digital communication
- rental and lending rights (Europe)

*(s16 UK, s106 US, A2 Finland)*

## reproduction

does not need to be same dimensions or format

- making a copy
- making a recording
- hardwiring on to chip
- storing in RAM
- reproducing the format, structure or architecture

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## public performance / display

you don't have to yell in Savonlinna

copyright owner's public

- live performances
- playing in cinemas
- ring-tones

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## communication / availability

- broadcasting
- cable transmission
- digital transmission
- making available online
  
- sending JPG /GIF by email
- putting on a server or bulletin board

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can i, can i, can i,

the copyright owner has the exclusive  
right to exercise copyright rights

if you want to exercise rights need to  
become the owner – assignment  
get owner's permission - licence

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## assignment or licence

- assignment is irrevocable  
licence may be terminated
- assignment gives total control  
licence still subject to licensor control
- assignment can exclude others  
non-exclusive licence others may have rights
- assignment one-off purchase price  
licence may be continuing licence fees

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## grant of rights

- grant specific rights
  - reproduction
  - publication
- grant specific media  
*especially* when different jurisdictions  
rights may be called different things
  - television
  - theatrical
  - video
  - distribution

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## what if i only want to use a bit

- you don't have to use the whole work  
whole or a substantial part
- "substantial part" depends on the quality
- the essential part, the main part, the riff
- fair dealing
  - transformative, amount, profit (US)
- not available in all countries

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## fair dealing

- need to check jurisdiction
- US – fair use – character of use, amount, effect on market (s107)
- UK – incidental use in artistic, film, sound recording (s31)  
UK - criticism or review, report current events
- Finland – private use, education, quotation, current topics (Ch 2) NOT INCIDENTAL

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# copyright grants certain rights to the copyright owner

## *first owner*

- creative works
  - the author - writer, artist, composer, lyricist  
UNLESS they are an employee
- industrial works
  - the person who paid for it
- films
  - person who paid for it - US work for hire, Australia
  - director may be one of owners - England
  - creative contributors including director, writer – Germany, France  
BUT compulsory assignment to producer  
*(s9 UK, s201 US)*

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### *first* owner - work for hire

- "work for hire" (s101(2) and 201(b) US)
- if you are paid to do work
- the work is a "work for hire" type work
- the person who paid you owns the work

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### US work for hire

- a work *specifically ordered or commissioned for use* as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

*section 101(2) US Copyright Act 1976*

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first owner may not own it for long

first owner may assign copyright to  
someone else

the assignee becomes the owner

## assignment of rights

- first owner may assign rights
    - some or all rights
    - some or all territories
    - part or all of term
  - assignments must be in writing
  - assignments must be signed by first owner
- need to check there is a written agreement

*(s90(3) UK, s204 US)*

## need an assignment

- it is *not* enough to say
  - this is a work for hire - *this is a pink pussycat*
  - all rights are owned by the producer
- "work for hire" only applies to the US
- US law does not apply in Europe
- need an assignment from first owner

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## assignment or licence

- assignment is irrevocable  
licence may be terminated
- assignment gives total control  
licence still subject to licensor control
- assignment can exclude others  
non-exclusive licence others may have rights

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## registration

- copyright may be registered  
but it does not need to be
- copyright may have a copyright notice  
but it does not need to have a notice
- the only sure way to stop people copying  
is to keep it locked in a cupboard

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- copyright subsists from creation
- don't NEED to register  
BUT
  - notice to the world
  - picked up in clearance checks (eg Thomson)
  - damages in US courts
  - presumptions in US courts
  - needed in UCC countries

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## copyright notice

- copyright subsists from creation
  - don't NEED to have a copyright notice
- BUT**
- notice to the world
  - presumption ownership
  - presumption year

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## moral rights

- works are part of the author  
"spirit of personality"
- authors
  - right of attribution/paternity (usually satisfied by credit)
  - right of integrity
- may not be assigned
- *may last after death*

*(Ch IV UK, A3 Finland)*

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## right of integrity

- not subject to derogatory treatment
- risk that challenge editorial control

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## moral rights

- film is a collaboration
- vision shaped and moulded by all creative contributors  
*every film is a compromised vision*
- someone has to have the final cut
- need to deliver a film satisfying distribution agreement  
*otherwise no-one gets paid*

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## moral rights

- acknowledge producer final creative and financial responsibility
- consents
  - consent to specified uses
- waiver
  - waive moral rights (some countries CAN'T WAIVE)
- non-assertion

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## copyright does not mean cash

- copyright does not automatically generate money, riches, fame and fortune
- earn money when enter contract granting right to use copyright
  - licence fees, royalties, profit share*
- money comes from contract not copyright

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# checklist

- clearances
  - identify all copyright works
  - secure written licence to use copyright works
  - rights match distribution agreements
  
- contributors
  - assign in writing all rights in results of their services
  - rights match distribution agreements
  - moral rights consent / waiver / non-assertion
  
- distribution / broadcasting
  - only grant the rights they need  
*check media / territory / term*
  - only grant the rights you own / control  
*check clearances/contributors*

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## COPYRIGHT ASSIGNMENT AND RELEASE

On [\_\_\_\_] you will be permitted access to the offices of The American Society for the Prevention of Cruelty to Animals (the "ASPCA") at 424 East 92<sup>nd</sup> Street, New York, NY 10128 for the sole purpose of photographing people with their pets in accordance with the proposal in Attachment A (the "Proposal").

You agree to grant to the ASPCA, its legal representatives, successors and assigns all right, title and interest in and to the related images captured on film (the "Works") by you on [\_\_\_\_]. You agree that at no time will you retain any ownership in or to the Works. You acknowledge that you are an independent contractor and are solely being granted access by the ASPCA to create the Works so that their ownership can be assigned by You to the ASPCA immediately. You agree to deliver the Works to the ASPCA on or before [\_\_\_\_]. You will provide all equipment necessary for creating the Works (i.e., camera, film, lights, required personnel, etc.). The ASPCA will pay you \$[\_\_\_\_] in accordance with the Proposal.

Further, I hereby agree to release, indemnify, defend, and hold harmless the ASPCA, its officers, directors, employees, and agents from any and all claims, damages, and liability arising from or related to my obligations under this agreement.

I HEREBY WARRANT THAT I (A) HAVE THE RIGHT TO ENTER INTO THIS AGREEMENT, (B) AM OVER EIGHTEEN (18) YEARS OF AGE, (C) HAVE READ THE ABOVE AGREEMENT CAREFULLY PRIOR TO ITS EXECUTION AND FULLY UNDERSTAND ITS CONTENTS AND REALIZE THAT THIS IS AN ENFORCEABLE LEGAL DOCUMENT BETWEEN MYSELF AND THE ASPCA, AND (D) VOLUNTARILY SIGN OF MY OWN FREE WILL.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Email: \_\_\_\_\_

Date: \_\_\_\_\_, 2005



## **909: Nuts & Bolts of Copyright, Trademarks & Patents**

**Thomas W. Lynch**  
180s, LLC – Baltimore, MD

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## **Patent Law Basics**

- What is a Patent?
- What Can Be Patented?
- Types of Patents
- Parts of a Patent
- Why File for a Patent?
- Third Party Patents
- Enforcement
- Internal Patent Considerations

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## What is a Patent?

- A grant from the U.S. Government
  - To promote the progress of science
  - Right to exclude in exchange for disclosure of invention
  
- Right to exclude others from:
  - Making;
  - Using;
  - Offering for sale;
  - Selling; and
  - Importingthe patented invention.

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## What is a Patent?

- Rights are for a limited period of time
  - Generally 20 years from effective filing date
  - Maintenance /annuity fees
  
- “Fence around a yard”
  
- Can build a “neighborhood” of protection

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## What is a Patent?

- A Patent is not:
  - A right to make or use your invention
  
- Chair vs. Improved Chair
  - Patent A: Chair with legs and seat back
  - Patent B: Chair with legs, seat back and wheels



## What Can Be Patented?

- 35 USC 101 (U.S. Code)
  - “Whoever invents or discovers any new and useful *process, machine, manufacture, or composition of matter*, or any new and useful improvement thereof, may obtain a patent therefor ...” (emphasis added)
  
- Patentability Requirements
  - New
  - Useful
  - Nonobvious



## Types of Patents

- Utility
- Design
- Plant
  
- Differences include:
  - What is protected
  - Scope of protection
  - Duration of protection
  - Annuity / maintenance fees



## Types of Patents

- Utility
  - Function / structure / composition / method
  - “1. An ear warmer comprising: ...” or  
“1. A method of making a hat comprising the steps of: ...”
- Design
  - Drawing based – solid lines vs. dashed lines
  - “The ornamental aspects of the ear warmer, as shown and described.”
- Plant





## Parts of a Patent

- Specification
  - Description of the invention
  
- Claim(s)
  - Words (utility) vs. Drawing (design)
  - Form the scope of the protection
  
- Drawings (when required)



## Why File for a Patent?

- Protection from Competition
  - Prevent copyists
  - Develop a "minefield"
  
- Generate Revenue / Investment Interest
  - License out patents for royalty income
  - Develop patent portfolio for investment purposes



## Why File for a Patent?

- Filing Considerations
  - Scope of potential patent protection
  - Importance of product to company
  - Identification of key markets to protect
    - Where sold, where made
  - Protection of investment and R&D efforts
  - Cost of protection
  - Patent process takes time (2-3+ years)
  - Life cycle of product
  - Whether any unprotected disclosure has been made

## Why File for a Patent?

- Timing for Filing
  - Depends on rights being pursued
  - Public disclosure or use
  - Foreign rights – absolute bar
  - US rights – one year grace period
- First to File / First to Invent



## Third Party Patents

- Clearance / Freedom to Operate
  - Development of a new product
  - Analysis of an existing product of interest
  
- Considerations
  - Third party patent may cover a product
  - Infringement may result in:
    - Injunction
    - Damages



## Third Party Patents

- Identify Third Party Patents and Applications
  - Searches
  
- Timing for Analysis
  - Integral part of product development
  - As early as possible
  - Need a product, method or use; but it does not need to be finalized



## Third Party Patents

- Infringement
  - Alternatives
    - Design around
    - Abandon product / process
    - Seek a license
    - Challenge / invalidate the patent



## Enforcement

- Cease & desist letters
- Legal system - patent infringement suits
  - Injunctions
  - Damages
- International Trade Commission actions
- Border / Customs seizures



## Internal Patent Considerations

- Documentation
  - Employees assign rights to company
  - Evidence of conception and development
  - Invention Disclosure submission
  
- Monitor Competitors
  - Information from competitors
  - Publication of applications
  - Conduct searches

- Patent law
- Patent infringement
- Essential patents / standardisation



## patent law

- Elements
  - application of an idea
  - novel
  - not obvious
- Rights
- Term
- Who can apply

The Hanfro logo features the word "Hanfro" in a stylized, italicized font with a small graphic element above the 'o'.

## application of an idea

- NO
- idea, mathematical equation, algorithm, laws of nature, physical phenomenon
- YES
- *application* of idea, equation, algorithm to a particular process / product

The Hanfro logo features the word "Hanfro" in a stylized, italicized font with a small graphic element above the 'o'.

## application of idea

- **NO** patent Arrhenius equation calculating the cure time of rubber
- **YES** application of Arrhenius equation to rubber molding device which monitored temperature and use equation to calculate cure time and automatically open when rubber cured

*its not what you say, its the way you say it*

 Hanfro

## novel

- new relative to "prior art"
- new
  - never been done before
- "prior art"
  - Written
  - Used / demonstration
  - anywhere in world (country)

 Hanfro

## novel

- novelty may be in the combination
- may be known old products
- *but* a new combination of old products
  
- novel does not mean it has to be clever
- *one reason no-one did it before is because it was a silly thing to do*

The Hanfro logo is located at the bottom of the slide, centered horizontally. It consists of the word "Hanfro" in a stylized, italicized font with a small graphic element above the 'o'.

## not obvious

- the conceptual leap, the bright spark, the clever-clever
- essentially different to what was known (Finland)
- person with ordinary skill in particular area of technology could have done it
- workmanlike improvement

*anyone who knows what they are doing could have done it*

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not obvious

- If there is evidence of long existing problem, then suggests it is not obvious

*If there was a problem and solution was so easy, why hadn't anyone done it before?*

The Hanpro logo features the word "Hanpro" in a bold, italicized sans-serif font, with a stylized graphic of three curved lines above the letter 'o'.

but why are sandwich crusts patented?

- each country gets lots of applications
- don't have resources, time, expertise to thoroughly check each application
- usually presume valid
  
- *rely on people who are badly affected to discover the problems*

The Hanpro logo features the word "Hanpro" in a bold, italicized sans-serif font, with a stylized graphic of three curved lines above the letter 'o'.

patent rights

- make / manufacture
- use
- sell / offer for sale
- import



patent rights - monopoly

- patents give a **monopoly**
- doesn't matter if you didn't
  - copy
  - access
  - know about



term

- Generally (varies between countries)
- 20 years from application

The Hanpro logo features the word "Hanpro" in a bold, italicized sans-serif font, with a stylized graphic of three curved lines above the letter 'o'.

who can apply

- Inventor
  - mental - thought about it
  - physical - put it into practice
- Status
  - referred to in application - Europe
  - applicant - US

The Hanpro logo features the word "Hanpro" in a bold, italicized sans-serif font, with a stylized graphic of three curved lines above the letter 'o'.

## who gets the patent

- First to file (Europe)
  - Infringer has defence if show was commercially using / made plans to use before filing date
- First to invent (US)
  - difficult to prove if not first file
  - infringer can invalidate patent if show was using before filing date

The Hanfro logo is located at the bottom of the slide, centered horizontally. It consists of the word "Hanfro" in a stylized, italicized font, with a small graphic element above the 'o'.

## patent infringement - options

- Challenge patent (eg prior art)
- Negotiate licence
- Design around
- Abandon project

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## essential patents

- industry players join industry consortiums
- industry consortiums create solution
- solution combines ideas, innovations and techniques from industry players
- Ideas, innovations and techniques covered by patents owned by industry players

The Hanfro logo is located at the bottom of the slide, centered horizontally. It features the word "Hanfro" in a stylized, italicized font with a small graphic element above the 'o'.

## essential patents

- Solution needs to be widely adopted
- Solution not widely adopted if can't use patent
- Industry players agree to grant patent rights to people using solution
- RAND – reasonable and non-discriminatory
- only essential – only to extent needed to implement solution

The Hanfro logo is located at the bottom of the slide, centered horizontally. It features the word "Hanfro" in a stylized, italicized font with a small graphic element above the 'o'.

# clearances - law

Therese Oppermann  
introduction entertainment law  
METKA, University of Oulu

## areas of law

- copyright
- trade mark
- passing off
- personality rights / right of publicity
- defamation

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## copyright

- copyright subsists in works  
*literary, musical, artistic, dramatic, sound recordings, film*
- need owner's permission to exercise copyright rights  
*reproduction, publication, distribution, public performance, communication*
- even if you are only taking part  
need to check whether it is a substantial part
- there may be a fair dealing defence

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## copyright risks

- songs, snatches of songs, radio playing in the background  
*musical work, sound recording, literary work*
- stock footage, film clips, news footage, TV playing in the background  
*cinematograph film*
- photographs  
*artistic work*
- paintings  
*artistic works*
- icons  
*artistic works*

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## copyright examples

- literary works
  - “Four Weddings and a Funeral” - Auden poem
- dramatic work
  - “West Side Story” - choreography
- musical work
  - “50 First Dates” – Beach Boys “Wouldn’t It Be Nice”
- film
  - “Fahrenheit 9/11” - news footage
- artistic work
  - “Notting Hill” - Chagall painting

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## copyright .....or trade mark??

- **and** trade marks and logos *-artistic work*
- trade mark law may be very limited
- use in the course of trade
- as a badge of origin, to indicate source, to distinguish goods from other goods
- mere use of trade mark / logo may not breach
- rely on **copyright** to stop use of trade mark

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## copyright - fair dealing

- need to check jurisdiction
- US – fair use – character of use, amount, effect on market (s107)
- UK – incidental use in artistic, film, sound recording (s31)
- Finland – private use, education, quotation, current topics (Ch 2)  
NOT INCIDENTAL
- Australia – research, news, education  
INCIDENTAL ARTISTIC WORKS ONLY

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## copyright risks

- any use of creative works (including logos)
- or the essential part of creative works
- will infringe copyright
- *may* not infringe if incidental

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## trade mark

- difference between US and Europe / UK
- need to be aware of US  
if exploiting in US territory

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## Europe trade mark commercial badge of origin

- uses in course of trade  
*(s10, UK; A16(1), TRIPS)*
- offered for sale or otherwise purveyed for business  
*(A1, Finland)*
- trade symbol  
*(A1, A6, Finland)*
- used to distinguish goods and services from other goods  
and services  
badge of origin, source of product  
*(English case law)*

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### Europe trade mark tied to class of goods / services

- identical mark / identical goods
- similar mark / similar goods
- if likelihood of confusion

*(s10(1) and (2), UK; A6, Finland, A16(1), TRIPS;  
A5(1)(a) and (b) TM Harmonisation Directive)*

including likelihood of association

*(s10(2), UK)*

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### Europe trade mark - well-known mark

- trade mark with reputation / any goods
- use indicates a connection between goods and owner of mark  
and owner's interests likely to be damaged  
*(A16 (3), TRIPS)*
- use of sign takes unfair advantage of or is detrimental to distinctive character or repute of mark

*(s10(3), UK; A6(1) Finland); A5(2) TM Harmonisation Directive)*

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### Europe trade mark – well-known mark unfair advantage / detrimental

- don't have to show confusion
- tarnished
- diluted – no longer distinctive
- free-riding on mark's reputation / goodwill

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### not infringe Europe / UK trademark

- they are completely different goods if mark is not well-known
- they are similar goods, but mark is not well-known and there is no confusion including no association with the trade mark owner
- if mark is well-known but there is no unfair advantage or damage to reputation

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## US trade mark commercial but not badge of origin

- use in commerce
- in connection with sale, offering for sale, distribution or advertising

(s1114, US)

- no requirement that used as a trade symbol
- ***any use in commerce in connection to goods***

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## US trade mark not tied to any class of goods

- in connection with ....any goods
- such use likely to cause confusion, or to cause mistake, or to deceive

s1114, US

- no requirement has to be similar goods
- ***any goods*** if cause confusion

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## US trade mark well-known – any commercial use

- commercial use in commerce
- of famous mark
- cause dilution of distinctive quality of mark  
(s1125(c)(1), US)
- no requirement connect to goods
- ***any commercial use*** if dilution

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## trade mark risks

- well-known marks are always a risk
- well-known marks are a greater risk in US  
because don't need connection to any product
- non well-known marks are risk in US  
because don't need to be a badge of origin  
because can be connection to *any* goods

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## passing off

- brand / person has reputation / goodwill in the indicia of reputation
- a misrepresentation of some connection between the goods / services and the brand / person
- damage

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## passing off - reputation

- need to establish reputation
- in the relevant market
- established brands
- established celebrities

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## passing off - misrepresentation

- need *misrepresentation*  
suggest that the celebrity endorses or approves the product/service when they actually don't
- *not enough* if inappropriate / free-ride  
if merely use image without suggesting connection
- *not enough* if consumers aware no connection  
parodies and jokes – eg anti-Bush emails
- *not enough* if merely use occasion/ambush marketing  
take advantage of the spirit without suggesting connection

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## "passing off" - US

- person uses in commerce on or in connection with any goods or services
- 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*
- 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,
  - as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person,

(Lanham Act, 15 U.S.C. § 1125 (a)(A))

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## passing off risk – brands / products

- merely showing or using brand / product / service in a film
- will not generally suggest any connection between the product/service and the film
- and will not generally infringe passing off

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## passing off risk - celebrity

- merely using a celebrity
- in advertisement or product
- may infringe passing off
- particularly well-known celebrities
- particularly celebrities who are known for endorsement/sponsorship

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## right of publicity

- US states (including NY and California)
- France
- Germany
- UK – passing off
- *kind of* UK – Advertising Standards Code

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## right of publicity - US

- uses another's name, voice, signature, photograph, or likeness
- on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting
- for advertising purposes, for purposes of trade
- without prior consent  
(California Civil Code § 3344(a); NY Civil Rights Law A5 § 50)

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## right of publicity – US exceptions

- freedom of speech  
*(US Constitution – First amendment)*
- usually protect news and facts  
*not protect commercial speech*

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## right of publicity - UK

- living people
- not portrayed, caricatured or referred to
- in advertisements  
*not any product*
- without permission  
*(A6(5), Advertising Standards Code)*

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## right of publicity – France (*droit a l'image*)

- part of right to privacy
- “everyone has the right to respect for his private life”  
(*Article 9, French Civil Code*)
- courts consider what images have been authorised.  
only entitled to publish
  - what has been authorised
  - to the extent / for purposes it has been authorised (“*finalite*”)
- *not* protect
  - publicly known facts
  - images of public figures in their public / official capacity

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## right of publicity - Germany

- Human dignity shall be inviolable. To respect and protect it shall be the duty of all state authority.  
(*A1(1) German Basic Law*)
- Every person shall have the right to free development of his personality insofar as he does not violate the rights of others or offend against the constitutional order or the moral law.  
(*A2(1) German Basic Law*)
- unjustified infringements to health, property or freedom and other rights  
(*s823 general tort law*)  
“other rights” interpreted to include personality rights

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## right of publicity – Germany exceptions

- figure of contemporary society  
(*Persönlichkeitsrecht*)
- images of person who is part of history  
birth, professional position, personal achievements
- *cannot use* if images are outside public  
sphere / official functions

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## right of publicity risk

- if use image of well-known person  
*and* person not portrayed in any public /  
official duties
- if use image of person in Europe
- if use image of person in US / UK  
*and* appears to be endorsing / sponsoring

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## defamation

- damaging to a person's reputation
- cause others to think less of a person
- bring person into disrepute
  
- *may* cease on death
- *may* only apply to individuals
- *maybe* protected by free speech / fair comment
- *maybe* protected by public interest
- *maybe* protected if true (**but not always!**)

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## defamation risks

- if use image of someone to falsely suggest they are endorsing a product when inconsistent with their public profile
  
- if use image of someone and risk damage reputation or bringing them into disrepute

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## 909: Nuts and Bolts of Copyright, Trade Marks and Patents

### Identifying IPR

Therese Catanzariti, GE Healthcare, Finland

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- you can see and touch a factory
- you can see and touch a computer
  
- *IPR is intangible*
- open your eyes – its all around you
  
- but don't look in balance sheet / corporate records
- *its not nicely wrapped up in a licence agreement*
- YOU have to identify and document IPR

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**UPM paper mill quality control systems**

**Elektrobit tool to test radio frequency devices**

**Finlandia Vodka**



**caller ID on Nokia phone**



# IPR

**Kone method for installing an elevator**

**Alvar Aalto vase**



**Marimekko t-shirts**



**F-Secure virus protection software**

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## how does the business use the IP

Does the business manufacture / buy / sell products / services *incorporating* the IP?

Does the business *use the IP to* manufacture / buy / sell other products / services

Does the business manufacture / buy / sell products and services *by associating the IP* with products / services

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Does the business manufacture / buy / sell products / services *incorporating* the IP?

- is the IP the actual product / service”
  - does the product / service include the IP’s actual expression – copy the actual words and pictures
- OR
- does the product / service include the IP’s underlying ideas



Actual expression

**COPYRIGHT**

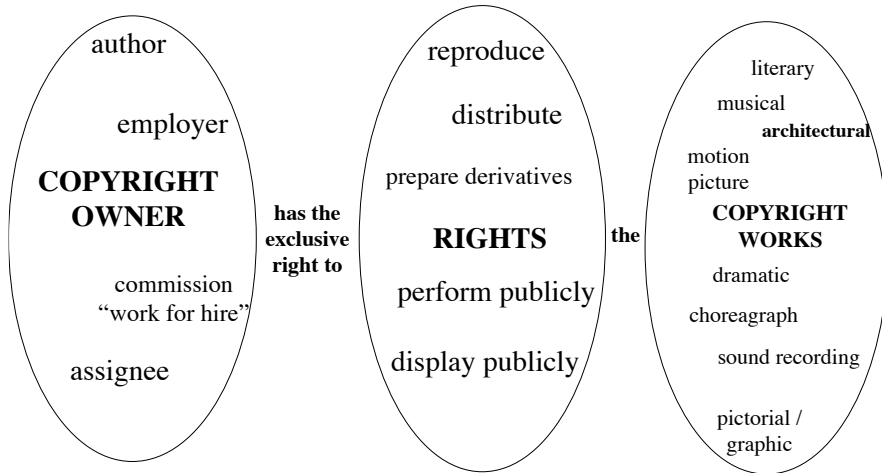
- books
- artwork / plans / logos
- software
- training videos

● **DESIGN**

**PATENT**

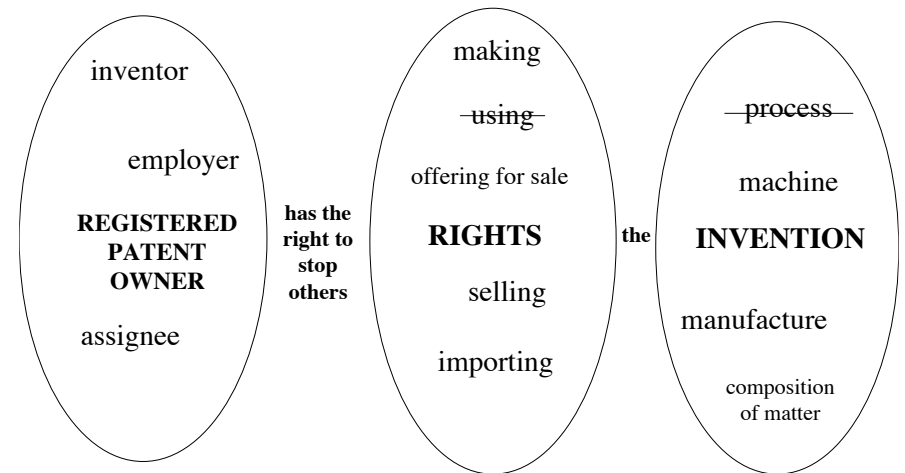
Ideas / functions

- drugs
- cosmetics
- machines



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**Elektrobit tool to  
test radio frequency  
devices**

**UPM paper mill  
quality control  
systems**

**Finlandia Vodka**

**caller ID on  
Nokia phone  
PATENT  
US # 6,233,450**

**IPR**

**Kone method for  
installing an  
elevator**

**F-Secure virus  
protection  
software  
COPYRIGHT**

**Alvar  
Aalto  
vase  
DESIGN**

**Marimekko  
t-shirts  
COPYRIGHT**

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Does the business *use the IP* to manufacture /  
buy / sell other products / services

● does the business use the IP as a tool?

● does the business use the IP process?

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**TRADE SECRETS**

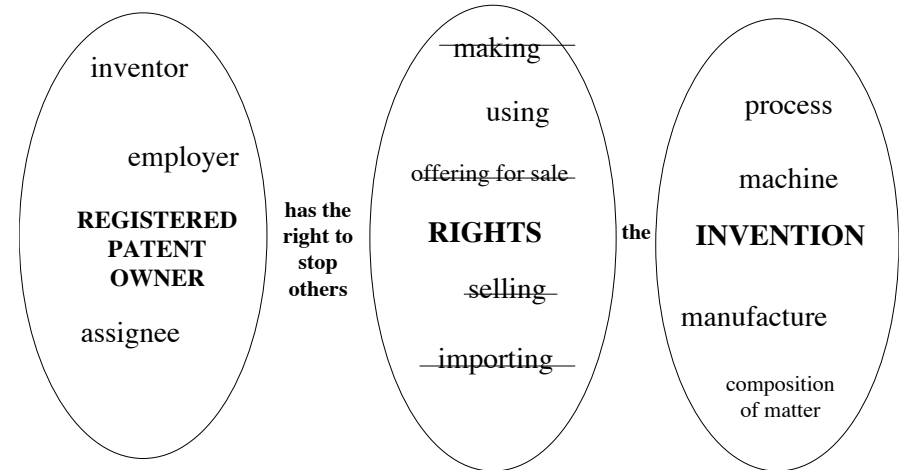
- Know how
- Marketing Data
- Business methods
- Industrial processes
- Computer manuals
- Work manuals
- Customer lists

**PATENTS**

- Industrial processes
- Machinery
- Methods
- Design tools

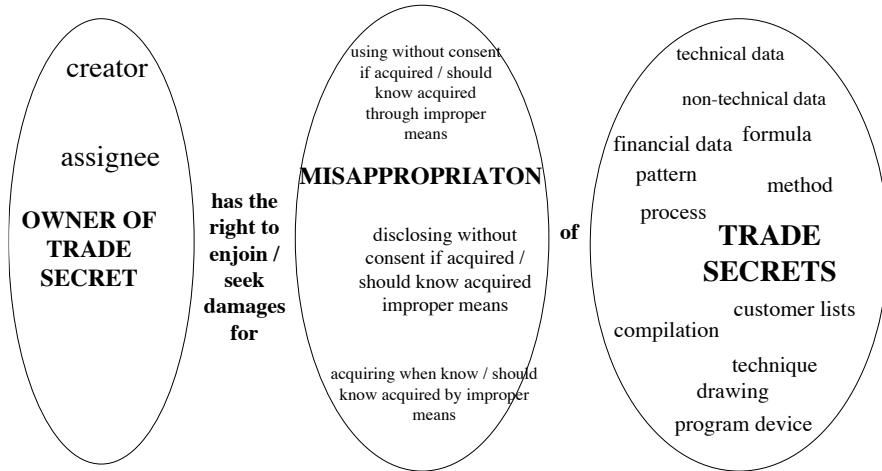
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**UPM paper mill quality control**  
**TRADE SECRET**

**Elektrobit tool to test radio frequency devices**  
**PATENT**  
US App # 20050282502

**Finlandia**  
**Vodka**

**Kone method for installing an elevator**  
**PATENT**  
US App # 20050150728

**IPR**

**caller ID on Nokia phone**

**Alvar Aalto vase**

**F-Secure virus protection software**

**Marimekko t-shirts**

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- difference *using* and *incorporating / including* IPR
- owning copyright in a manual / book gives the owner the exclusive right to ***copy or distribute*** the manual / book  
**NOT** the exclusive right to ***use*** the facts / ideas in the manual / book
- the information in the manual / book is ideas
- Can only protect ideas through ***trade secrets***  
**NOT *copyright***



Does the business manufacture / buy / sell products and services *by associating IP* with other products / services

- brands
- image
- personal endorsement



**TRADE MARK**

- words
- logo
- colour
- shape
- sound
- scent

**UNFAIR COMPETITION / PASSING OFF**

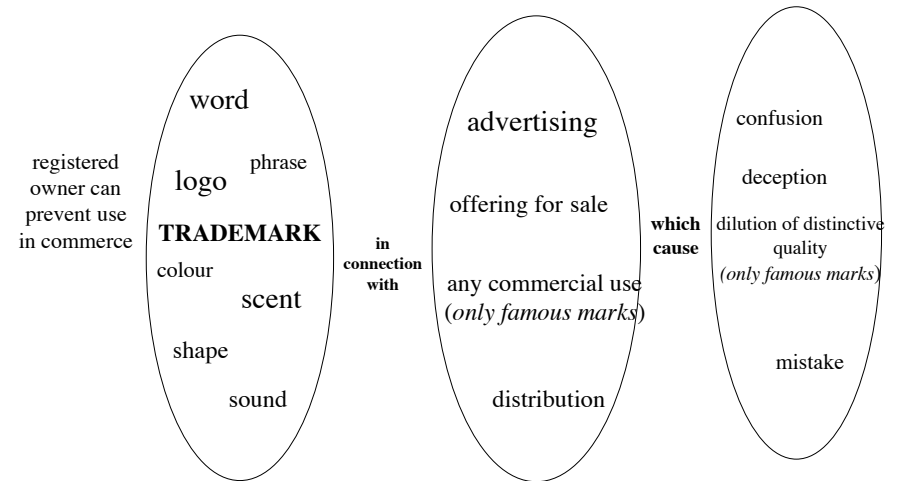
- unregistered words
- unregistered logo
- image
- get-up
- gestalt / identity

**PERSONALITY RIGHTS**

- name (inc nicknames)
- image (photo, drawing)

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*The heart of your building* **KONE**

**IPR**

**Alvar Aalto vase**



World-famous Designs by Alvar Aalto

**Marimekko t-shirts**  
**marimekko®**

**UPM paper mill quality control**



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## **909: Nuts and Bolts of Copyright, Trade Marks and Patents**

**international aspects**

**Therese Catanzariti, GE Healthcare, Finland**

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- this may come as a surprise
  
- the US Copyright Act does not apply
- in Finland
- or Australia
- Or Zimbabwe
  
- (*neither does the Lanham Act*)



### **international treaties**

- IPR
  - WTO TRIP (trade related intellectual property)
- Copyright
  - Berne Union
  - Universal Copyright Convention
  - Rome (films, sound recordings, broadcasts)
- Patent
  - Patent Convention Treaty



### copyright - national treatment

- copyright work is protected in every treaty country created by author of treaty country or first published in treaty country
- *treated just like the locals*
- US software program protected in Belgium



### copyright - assignment

- "work for hire" is a fantastic idea
- a shame only the US does it...
- author is the owner of copyright
- unless employee in course of employment (UK)
- unless employee creating software program (Finland)
- **NEED AN ASSIGNMENT IN WRITING**
- all creators / contributors should assign all rights in writing



## copyright – moral rights

- catalyst common law copyright was investment
- *lobbying by printing presses*
- protect *investment* in the work
  
- catalyst for civil law copyright was author
- *lobbying by Victor Hugo*
- protects *creative integrity and author reputation*



## copyright – moral rights

- protect creative integrity
  
- object to derogatory treatment of work
- claim authorship / identify as author
  
- colourisation of movies
- inserting ads of movies during tv broadcasts
- female actors playing male roles
- remixes of songs



## trade mark – use of mark *as a mark*

- in US, any use of mark in connection with goods
- in Europe, need to use mark "as a trade mark"
- used to distinguish goods and services from other goods and services
  
- in US, use of mark in connection with any goods provided it causes confusion, mistake or deception.
- in Europe, any use of mark
  - on same class of goods
  - on similar class of goods if causes confusion
  - on any goods if famous mark
  
- any use on any goods may not infringe trade mark  
BUT may be passing off (UK)



## patents – check before you go to Munich

- In the US, the inventor is applicant
- In Europe, the owner is the applicant  
(inventor referred to in application)
  
- in Europe, first to file  
First to invent has a defence to patent suit
  
- in US, first to invent  
First to invent can invalidate patent in patent suit