

Accordingly, Defendants deny that they infringe Plaintiffs' alleged rights. Plaintiffs' claims are without merit, and Defendants are entitled to judgment in their favor on their counterclaims set forth below. Except to the extent expressly admitted herein, Defendants deny each and every allegation of the Complaint.

1. The allegations in Paragraph 1 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants deny the allegations in Paragraph 1 of the Complaint, as the rights granted in 17 U.S.C. § 106(4) are subject to the qualifications of Section 111(a) of the Copyright Act.

2. The allegations in Paragraph 2 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer to such conclusions of law is required, Defendants deny such allegations in Paragraph 2 of the Complaint, as an incomplete description of the legal framework enacted by Congress, which expressly exempts secondary transmissions by non-profit organizations. Defendants otherwise lack knowledge or information sufficient to confirm the truth of the remainder of the allegations in Paragraph 2 of the Complaint, and therefore deny such allegations.

3. Defendants admit that Mr. Goodfriend founded SFCNY, and that SFCNY operates a public service named Locast that retransmits local over-the-air broadcast signals over the internet in thirteen "designated market areas" ("DMA"), as such term is defined by A.C. Nielsen Co. ("Nielsen"), a firm that surveys television viewers. Defendants deny that any permission or payment is required for SFCNY to retransmit local over-the-air broadcasts to the public in their respective DMAs because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Defendants deny that SFCNY purposely strips critical data

from the over-the-air broadcast signals. Defendants otherwise deny the remaining allegations in Paragraph 3 of the Complaint.

4. The allegations in Paragraph 4 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer to such conclusions of law is required, Defendants deny such allegations in Paragraph 4 of the Complaint. Defendants admit that Locast serves to extend the reach of, and ease of access to, local over-the-air broadcast signals throughout New York City (and twelve other DMAs throughout the country), including to places where tall buildings or other obstructions might interfere with over-the-air reception. Defendants deny that any authorization is required for SFCNY to retransmit local over-the-air broadcasts to the public in their respective DMAs because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Defendants further deny that Congress required booster or translator services that do not use the public airwaves for retransmission to obtain the authorization of the broadcast stations whose signals they seek to boost. Defendants otherwise deny the remaining allegations in Paragraph 4 of the Complaint.

5. Defendants deny the allegations in Paragraph 5 of the Complaint.

6. Defendants admit that the Locast service is available only to consumers in the following thirteen DMAs (to receive over-the-air broadcasts only from their corresponding DMAs): New York, Philadelphia, Boston, Washington D.C., Baltimore, Chicago, Houston, Dallas, Sioux Falls, Denver, Rapid City, Los Angeles, and San Francisco. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 6 of the Complaint.

7. Defendants admit that registered users access SFCNY's retransmissions of the over-the-air broadcasts in their DMAs through their internet-connected devices, including television sets, laptops, smartphones, and tablets. Defendants deny that any authorization or

permission is required for SFCNY to retransmit local over-the-air broadcasts to the public in their respective DMAs because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Defendants deny that the Locast service is available to anyone in the world, as SFCNY uses multiple technological methods (even though it is not required to) to restrict the viewing of local broadcast stations only to consumers physically located within a certain DMA (in the thirteen DMAs where Locast operates). Except as expressly admitted herein, Defendants deny the allegations in Paragraph 7 of the Complaint.

8. Defendants deny the allegations in Paragraph 8 of the Complaint.

9. Defendants admit that Mr. Goodfriend, who has a decades-long history of commitment to consumer advocacy and public service, founded SFCNY. Defendants further admit that Mr. Goodfriend was an employee of DISH Network LLC (“DISH”) more than a decade ago, and that although he still serves as a consultant for DISH today, his work for other clients and work on retransmission consent reform is consistent with his pro-consumer advocacy work generally (and is sometimes contrary to DISH’s positions). Defendants further admit that SFCNY received an arm’s-length loan from IoT Broadband, LLC (“IoT”), and that the loan’s terms are stringent, with above-market interest. Defendants also admit that the CEO of IoT was once employed by DISH. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 9 of the Complaint.

10. Defendants deny that DISH has assisted the Locast service. Defendants admit that AT&T made a \$500,000 donation to SFCNY in July 2019—more than a year and a half after SFCNY first launched the Locast service. Defendants further admit that Richard Greenfield is an industry analyst who has commented on Locast, and has noted, among other things, that the Locast service allows consumers to access over-the-air broadcast signals more easily, which will likely

encourage cord-cutting and harm pay-TV distributors like DISH and AT&T. Defendants state that the contents of Mr. Greenfield's publications speak for themselves. Defendants lack knowledge or information sufficient to confirm the truth of the remaining allegations in Paragraph 10, and therefore deny such allegations. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 10 of the Complaint.

11. Defendants admit that the Locast app is available (along with hundreds of other apps) through DISH's and AT&T's set-top boxes to consumers in the thirteen DMAs where the Locast service is available (to receive local over-the-air broadcasts from their corresponding DMAs). Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 11 relating to any benefits to third parties, particularly given that industry analysis suggests that Locast could encourage cord-cutting, and therefore may harm pay-TV distributors like DISH and AT&T, and therefore deny such allegations. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 11 of the Complaint.

12. Defendants deny that SFCNY departs from the activities of a booster of broadcast signals, except insofar as the signals are not relayed by over-the-air signals.

i. Defendants admit that in any given local DMA that Locast serves, SFCNY functions by capturing the over-the-air signals, transcoding the signals into digital formats viewable on internet-connected devices, and then streaming the signals over the internet to registered users at the users' requests on internet-connected devices located within the local market. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 12(i) of the Complaint.

ii. Defendants admit that Locast serves to extend the reach of, and ease of access to, local over-the-air broadcast signals in the thirteen DMAs in which it operates, including

to places where tall buildings or other obstructions might interfere with over-the-air reception. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 12(ii) of the Complaint.

iii. Defendants deny that SFCNY purposely strips from the over-the-air broadcast signals the Nielsen watermarks that measure viewing for local and national advertisers. Defendants otherwise deny the remaining allegations in Paragraph 12(iii) of the Complaint.

iv. Defendants admit that the Locast app is available (along with hundreds of other apps) through DISH's and AT&T's set-top boxes to consumers in the thirteen DMAs where the Locast service is available (to receive local over-the-air broadcasts from their corresponding DMAs). Defendants lack knowledge or information sufficient to confirm the truth of the remaining allegations in Paragraph 12(iv) of the Complaint, and therefore deny such allegations.

v. Defendants deny that any such licenses are required for SFCNY to retransmit over-the-air broadcasts to the public because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Defendants otherwise deny the remaining allegations in Paragraph 12(v) of the Complaint.

vi. Defendants admit that although Mr. Goodfriend serves as a consultant for DISH, his work for other clients and work on retransmission consent reform is consistent with his pro-consumer advocacy work generally (and is sometimes contrary to DISH's positions). Defendants otherwise deny the remaining allegations in Paragraph 12(vi) of the Complaint.

vii. Defendants admit that SFCNY maintains the email addresses for Locast users to enable SFCNY to detect hacking, misuse, or misappropriation of programming streams; contact users about technical or other issues with the Locast service; or provide other information

to users, and deny that there is no technological reason to maintain the email addresses. Defendants otherwise deny the remaining allegations in Paragraph 12(vii) of the Complaint.

viii. Defendants admit that SFCNY maintains anonymized, aggregated data about users' viewing habits, but deny that SFCNY offers that data to third parties to support the Locast service. Defendants otherwise deny the remaining allegations in Paragraph 12(viii) of the Complaint.

ix. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 12(ix) of the Complaint, and therefore deny such allegations.

x. Defendants admit that SFCNY solicits donations from Locast users solely to defray the costs of operating the Locast service. Defendants admit that the retransmissions made by SFCNY can be viewed for successive fifteen-minute periods of time by members of the public who choose to use Locast without making donations, in their local DMAs. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 12(x) of the Complaint.

13. Defendants deny the allegations in Paragraph 13 of the Complaint.

14. Defendants deny the allegations in Paragraph 14 of the Complaint.

15. Defendants deny the allegations in Paragraph 15 of the Complaint.

16. Paragraph 16 of the Complaint makes a demand for relief to which no answer is required. To the extent that an answer is required, Defendants deny the allegations in Paragraph 16 of the Complaint.

17. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 17 of the Complaint, and therefore deny such allegations.

18. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 18 of the Complaint, and therefore deny such allegations.

19. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 19 of the Complaint, and therefore deny such allegations.

20. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 20 of the Complaint, and therefore deny such allegations.

21. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 21 of the Complaint, and therefore deny such allegations.

22. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 22 of the Complaint, and therefore deny such allegations.

23. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 23 of the Complaint, and therefore deny such allegations.

24. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 24 of the Complaint, and therefore deny such allegations.

25. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 25 of the Complaint, and therefore deny such allegations.

26. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 26 of the Complaint, and therefore deny such allegations.

27. Defendants admit that Mr. Goodfriend is an individual who resides in Bethesda, Maryland. Defendants admit that Mr. Goodfriend is the unpaid President and Treasurer of SFCNY and is an unpaid member of the Board of Directors of SFCNY.

28. Defendants admit that SFCNY is a tax-exempt non-profit charitable organization under Internal Revenue Code Section 501(c)(3), incorporated under the Not-For-Profit Corporation Law of the State of New York, with its principal place of business at 3075 Veterans

Highway, Suite 131, Ronkonkoma, New York 11779. Defendants admit that SFCNY operates Locast.

29. The allegations in Paragraph 29 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants admit that this Court has subject matter jurisdiction. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 29 of the Complaint.

30. The allegations in Paragraph 30 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants admit that the Court has personal jurisdiction over them. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 30 of the Complaint.

31. The allegations in Paragraph 31 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants admit that venue is proper in this District. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 31 of the Complaint.

32. The allegations in Paragraph 32 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants deny the allegations in Paragraph 32 of the Complaint insofar as it is an incomplete statement of the balance that Congress struck with respect to the rights of the American public to access over-the-air broadcast signals, and the ability of non-profit organizations to retransmit those signals to facilitate such public access.

33. The allegations in Paragraph 33 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants deny the allegations in Paragraph 33 of the Complaint insofar as the “exclusive” rights granted by Congress in 17

U.S.C. § 106(4) are specifically subject to the limitations contained in 17 U.S.C. § 111(a)(5), which unambiguously states that retransmissions by non-profit entities do not constitute copyright infringement.

34. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 34 of the Complaint, and therefore deny such allegations.

35. The allegations in Paragraph 35 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants deny the allegations in Paragraph 35 of the Complaint insofar as the “exclusive” rights granted by Congress is 17 U.S.C. § 106(4) are specifically subject to the limitations contained in 17 U.S.C. § 111(a)(5), which unambiguously states that retransmissions by non-profit entities do not constitute copyright infringement.

36. The allegations in Paragraph 36 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants deny the allegations in Paragraph 36 of the Complaint insofar as the “exclusive” rights granted by Congress is 17 U.S.C. § 106(4) are specifically subject to the limitations contained in 17 U.S.C. § 111(a)(5), which unambiguously states that retransmissions by non-profit entities do not constitute copyright infringement.

37. The allegations in Paragraph 37 of the Complaint state conclusions of law to which no answer is required.

38. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 38 of the Complaint, and therefore deny such allegations.

39. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 39 of the Complaint, and therefore deny such allegations.

40. Defendants admit that the Locast service was launched in January 2018 by SFCNY and that SFCNY operates the Locast service. Defendants further admit that Mr. Goodfriend founded SFCNY. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 40 of the Complaint.

41. Defendants admit that in any given local DMA that Locast serves, SFCNY functions by capturing the over-the-air signals, transcoding the signals into digital formats viewable on internet-connected devices, and then streaming the signals over the internet to registered users at the users' requests on internet-connected devices located within the local market. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 41 of the Complaint.

42. Defendants admit that to use Locast in any given local DMA that Locast serves, a user located within that DMA may access the Locast service by visiting Locast's website or downloading the Locast app, registering for a free account (or logging in using Facebook), and subject to Locast's Terms of Service, selecting the programming to watch. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 42 of the Complaint.

43. The allegations in Paragraph 43 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer to such conclusions of law is required, Defendants deny that any authorization or consent is required for SFCNY to retransmit over-the-air broadcasts to the public because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Defendants otherwise deny the remaining allegations in Paragraph 43 of the Complaint.

44. Defendants admit that SFCNY retransmits local over-the-air broadcast signals over the internet in New York City (and twelve other DMAs throughout the country). Defendants

further admit that there is no direct or indirect commercial purpose to SFCNY, and thus no direct or indirect commercial advantage to SFCNY for operating Locast. Defendants further admit that Locast serves to extend the reach of, and ease of access to, local over-the-air broadcast signals throughout New York City (and twelve other DMAs), including to places where tall buildings or other obstructions might interfere with over-the-air reception. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 44 of the Complaint.

45. The allegations in Paragraph 45 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer to such conclusions of law is required, Defendants deny that any authorization is required for SFCNY to retransmit over-the-air broadcasts to the public because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Defendants otherwise deny the remaining allegations in Paragraph 45 of the Complaint.

46. Defendants admit that the Locast public service enables consumers to access local broadcast signals that they are permitted to access within their respective DMAs, and that the service can be used both by consumers who are not able to access such over-the-air signals (because of inadequate signal strength, physical obstruction, or any other reason) and by consumers who might be able to receive such over-the-air signals through a digital antenna. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 46 of the Complaint.

47. Defendants admit that to use Locast in any given local DMA that Locast serves, a user within that DMA may access the Locast service through applications for Android and Apple smartphones and devices, and applications for Roku, Chromecast, Amazon Fire TV, Apple TV, TiVo over-the-air set-top boxes, and Android TV television-viewing devices. Defendants further

admit that a growing number of users have installed and used these applications to access free over-the-air broadcast content. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 47 of the Complaint.

48. Defendants deny that any permission is required for SFCNY to retransmit over-the-air broadcasts to the public because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Defendants admit that the Locast service is available only to consumers in the following DMAs, to receive over-the-air broadcasts only from their corresponding local DMAs: New York, Philadelphia, Boston, Washington D.C., Baltimore, Chicago, Houston, Dallas, Sioux Falls, Denver, Rapid City, Los Angeles, and San Francisco. Defendants further admit that Locast serves to extend the reach of, and ease of access to, the local over-the-air broadcast signals in the thirteen markets in which it operates, including to places where tall buildings or other obstructions might interfere with over-the-air reception. Defendants further admit that SFCNY intends to continue to expand the Locast service to additional DMAs in the United States. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 48 of the Complaint.

49. Defendants deny the allegations in Paragraph 49 of the Complaint.

50. Defendants deny that any consent is required for SFCNY to retransmit local over-the-air broadcasts to the public in their respective DMAs because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Defendants otherwise deny the remaining allegations in Paragraph 50 of the Complaint.

51. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 51 of the Complaint relating to any benefits to third parties, and therefore deny such allegations. Defendants deny that the Locast service provides them any direct or indirect

commercial advantage. Defendants otherwise deny the remaining allegations in Paragraph 51 of the Complaint.

52. Defendants admit that Mr. Goodfriend, who has a decades-long history of commitment to consumer advocacy and public service, founded SFCNY. Defendants further admit that Mr. Goodfriend was an employee of DISH more than a decade ago, and that although he still serves as a consultant for DISH today, his work for other clients and work on retransmission consent reform is consistent with his pro-consumer advocacy work generally (and is sometimes contrary to DISH's positions). Defendants further admit that SFCNY received an arm's-length loan from IoT, and that the loan's terms are stringent, with above-market interest. Defendants also admit that the CEO of IoT was once employed by DISH. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 52 of the Complaint.

53. Defendants admit that AT&T made a \$500,000 donation to SFCNY in July 2019—more than a year and a half after SFCNY first launched the Locast public service. Defendants lack knowledge or information sufficient to confirm the truth of the remaining allegations in Paragraph 53, and therefore deny such allegations. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 53 of the Complaint.

54. Defendants deny that DISH has provided funding to SFCNY or the Locast service. Defendants otherwise lack knowledge or information sufficient to confirm the truth of the remaining allegations in Paragraph 54 of the Complaint, and therefore deny such allegations.

55. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 55 of the Complaint relating to any benefits to third parties, and therefore deny such allegations. Defendants otherwise deny the remaining allegations in Paragraph 55 of the Complaint.

56. Defendants admit that SFCNY promotes itself as, and indeed is, a public service that retransmits local over-the-air broadcast signals over the internet within thirteen DMAs, as a way for American consumers in those markets to exercise their rights to access broadcast television for free. Defendants state that SFCNY's public statements speak for themselves. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 56 of the Complaint.

57. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 57 of the Complaint relating to any benefits to third parties, and therefore deny such allegations. Defendants otherwise deny the remaining allegations in Paragraph 57 of the Complaint.

58. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in the first sentence of Paragraph 58 of the Complaint, and therefore deny such allegations. Defendants deny the allegations in the second sentence of Paragraph 58 of the Complaint.

59. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 59 of the Complaint relating to any benefits to, or actions taken by, third parties, and therefore deny such allegations. Defendants state that DISH's public statements speak for themselves. Defendants otherwise deny the remaining allegations in Paragraph 59 of the Complaint.

60. Defendants admit that Locast was launched in January 2018, and despite that fact, Plaintiffs delayed filing suit, or raising any legal concerns whatsoever, until July 2019. Defendants state that the content of the Locast program guide speaks for itself but deny that the program guide identifies any infringement whatsoever. Defendants otherwise deny the remaining allegations in Paragraph 60 of the Complaint.

61. Defendants deny the allegations in Paragraph 61 of the Complaint.

62. Defendants admit that SFCNY solicits donations from Locast users solely to defray the costs of operating the Locast service. Defendants further admit that the retransmissions made by SFCNY can be viewed for successive fifteen-minute periods of time by members of the public who choose to use Locast without making donations, in their respective local DMAs. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 62 of the Complaint.

63. Defendants admit that for identification, hacking-detection, and other purposes, SFCNY requires users to provide an email address and create an account, or log in using a Facebook account, to access the Locast service in their respective DMAs. Defendants deny that the user information is used for any commercial advantage. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 63 of the Complaint relating to any alleged commercial purposes to third parties, and therefore deny such allegations. Defendants otherwise deny remaining the allegations in Paragraph 63 of the Complaint.

64. Defendants admit that Mr. Goodfriend founded SFCNY and is an unpaid officer and director of SFCNY. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 64 of the Complaint.

65. Defendants admit the allegations in Paragraph 65 of the Complaint.

66. Defendants admit that Mr. Goodfriend is an unpaid officer and director of SFCNY, and solely in that capacity has been involved in decisions related to the operation and expansion of the Locast service. Except as expressly admitted herein, Defendants deny the allegations in Paragraph 66 of the Complaint.

67. Defendants admit that SFCNY retransmits local over-the-air broadcast signals to members of the public who are entitled to receive such signals in their respective DMAs, and deny

that any permission is required for SFCNY to retransmit over-the-air broadcasts to the public because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Except as expressly admitted herein, Defendants deny the allegations in Paragraph 67 of the Complaint.

68. Defendants admit that SFCNY retransmits local over-the-air broadcast signals to members of the public who are entitled to receive such signals in their respective DMAs, and deny that any permission is required for SFCNY to retransmit over-the-air broadcasts to the public because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Except as expressly admitted herein, Defendants deny the allegations in Paragraph 68 of the Complaint.

69. Defendants deny the allegations in Paragraph 69 of the Complaint.

70. Defendants incorporate their responses to each of the preceding paragraphs as if fully set forth herein.

71. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 71 of the Complaint, and therefore deny such allegations.

72. Defendants lack knowledge or information sufficient to confirm the truth of the allegations in Paragraph 72 of the Complaint, and therefore deny such allegations.

73. The allegations in Paragraph 73 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants deny the allegations in Paragraph 73 of the Complaint insofar as the “exclusive” rights granted by Congress in 17 U.S.C. § 106(4) are specifically subject to the limitations contained in 17 U.S.C. § 111(a)(5), which unambiguously states that retransmissions by non-profit entities do not constitute copyright infringement.

74. Defendants deny that any permission, authorization, or license is required for SFCNY to retransmit local over-the-air broadcasts to the public in their respective DMAs because SFCNY is a 501(c)(3) non-profit organization that meets the requirements of 17 U.S.C. § 111(a)(5). Defendants otherwise deny the remaining allegations in Paragraph 74 of the Complaint.

75. The allegations in Paragraph 75 of the Complaint state conclusions of law to which no answer is required. To the extent that an answer is required, Defendants deny such allegations in Paragraph 75 of the Complaint insofar as the “exclusive” rights granted by Congress in 17 U.S.C. § 106(4) are specifically subject to the limitations contained in 17 U.S.C. § 111(a)(5), which unambiguously states that retransmissions by non-profit entities do not constitute copyright infringement. Defendants otherwise deny the remaining allegations in Paragraph 75 of the Complaint.

76. Defendants deny the allegations in Paragraph 76 of the Complaint.

77. Defendants deny the allegations in Paragraph 77 of the Complaint.

78. Defendants deny the allegations in Paragraph 78 of the Complaint.

79. Defendants deny the allegations in Paragraph 79 of the Complaint.

80. Defendants deny the allegations in Paragraph 80 of the Complaint.

Defendants deny the allegations beginning with the word “WHEREFORE,” and deny that Plaintiffs are entitled to any of the relief sought in the Complaint, or to any relief whatsoever.

DEMAND FOR JURY TRIAL

Defendants hereby demand a jury trial on all issues so triable.

AFFIRMATIVE DEFENSES

Defendants, for their affirmative defenses, and without conceding that they bear the burden

of proof as to any such affirmative defense, state as follows:

1. The Complaint fails to state a claim upon which relief may be granted because, among other reasons, Plaintiffs' claims are barred by 17 U.S.C. § 111(a)(5).
2. Plaintiffs' claims against Mr. Goodfriend are barred by New York Not-For-Profit Corporation Law, Section 720-a.
3. Plaintiffs' claims are barred by the doctrine of unclean hands.
4. Plaintiffs' claims are barred by the doctrine of acquiescence.
5. Plaintiffs' claims are barred by waiver.
6. Plaintiffs' claims are barred by the doctrine of estoppel.
7. Plaintiffs' claims are barred by the doctrine of laches.
8. Plaintiffs' claims are barred by the doctrine of fair use.
9. Plaintiffs' claims are barred due to an express or implied license or consent.
10. Plaintiffs' claims are barred by the doctrine of copyright misuse.
11. Plaintiffs' claims are barred inasmuch as this Court lacks subject matter jurisdiction over claims to enforce copyrights for which Plaintiffs have not previously obtained, or have not pleaded ownership of, registrations.
12. Plaintiffs' copyrights are invalid and/or unenforceable as to Defendants.
13. Plaintiffs' claims are barred by their failure to mitigate damages.
14. The statutory damages sought by Plaintiffs are unconstitutionally excessive and disproportionate to any actual damages that may have been sustained, in violation of the Due Process Clause of the United States Constitution.

Defendants reserve the right to assert additional affirmative defenses based upon further investigation and discovery.

COUNTERCLAIMS

Counterclaim-Plaintiffs David R. Goodfriend (“Mr. Goodfriend”) and Sports Fans Coalition NY, Inc. (“SFCNY”) (together, “Counterclaim-Plaintiffs”) hereby assert the following counterclaims against Counterclaim-Defendants American Broadcasting Companies, Inc., Disney Enterprises, Inc., Twentieth Century Fox Film Corporation, CBS Broadcasting Inc., CBS Studios Inc., Fox Television Stations, LLC, Fox Broadcasting Company, LLC, NBCUniversal Media, LLC, Universal Television LLC, and Open 4 Business Productions, LLC (collectively, the “broadcasters” or “Counterclaim-Defendants”) and allege on personal knowledge as to all matters relating to Mr. Goodfriend and SFCNY and on information and belief as to all other matters, except where noted otherwise, as follows:

NATURE OF THE COUNTERCLAIMS

1. These Counterclaims arise from the broadcasters’ unlawful and collusive efforts to stifle competition in the retransmission of over-the-air broadcasts and to entrench the interests of the four largest television networks and their stations at the expense of consumers. As explained below, the broadcasters’ unlawful agreement has harmed competition and consumers in several relevant markets and submarkets, and injured Counterclaim-Plaintiffs in their business and property.

2. It is often forgotten that over-the-air broadcasting carries both benefits to and burdens on television broadcasters in the United States, as regulated by a series of laws enacted by Congress. At a basic level, the “bargain” is that in exchange for free broadcast licenses, the broadcasters are required to make free, over-the-air local broadcasting available to the entire American public.

3. Over time, the broadcasters have increasingly failed to fully satisfy their obligation to make local over-the-air broadcasting available to everyone for free. In particular, the broadcasters are failing to transmit over-the-air signals strong enough to cover local television markets (as required to fulfill their obligation to operate in the public interest). The broadcasters have also taken steps to ensure that local independent affiliates cannot retransmit the local over-the-air signals by other means to the public, ensuring that the signals are not fully accessible.

4. This failure has led to poor quality over-the-air transmissions in many markets, forcing consumers to pay for video services that include local or national television programming, including: (i) through cable or satellite providers; (ii) online through the cable or satellite providers' authenticated video services; (iii) over-the-top streaming services offered by the broadcasters for a monthly fee (e.g., CBS All Access); or (iv) virtual pay-TV providers (e.g., YouTubeTV). The broadcasters have then colluded to abuse their copyrights and extend their market power in a manner not contemplated under the copyright laws, to collect billions of dollars from consumers by charging "retransmission consent" fees to cable and satellite providers that carry their local television programs in each designated market area ("DMA"), as such term is defined by A.C. Nielsen Co. ("Nielsen"), a firm that surveys television viewers, and to launch or announce the launch of their own competing paid streaming services that transmit over-the-air broadcasts or content contained therein live over the internet.

5. Indeed, the copyright provisions that specifically cover broadcast programming were adopted by Congress with the expectation that the broadcasters would transmit signals in a manner that would make them reasonably and efficiently available to the entire local market, and not seek to discourage free access to those signals. By failing to live up to their promises, and then simultaneously using their copyrights to, as a practical matter, force the public to pay for the

programming that it is supposed to be able to receive for free (or to forgo access to that programming), Counterclaim-Defendants are committing classic copyright abuse.

6. To address this issue, SFCNY launched a free service named “Locast” to consumers in New York City in January 2018. Since the launch, SFCNY has expanded the Locast service to twelve other cities throughout the United States.

7. In effect, SFCNY does through Locast what the broadcasters are supposed to do—make free, local, over-the-air broadcasting widely available to the American public, including in particular those individuals without reasonable access to over-the-air broadcasts. And importantly, what SFCNY does falls squarely within 17 U.S.C. § 111(a)(5), an unambiguous statutory provision in the Copyright Act allowing non-profit organizations to retransmit local over-the-air broadcast signals to consumers, as long as the non-profits do not charge the consumers for the service (except assessments necessary to defray the operational costs of the service), and as long as the non-profits act without the purpose of direct or indirect commercial advantage.

8. SFCNY is a traditional non-profit organization in every sense. It has been approved by the Internal Revenue Service (“IRS”) as tax exempt under Internal Revenue Code 501(c)(3). It does not act with the purpose of any commercial advantage. It, like any other non-profit, seeks and receives consumer and corporate donations to run the organization. Although it operates to be sustainable, as any non-profit must do, it carries debt and has yet to achieve operational cash flow break-even.

9. SFCNY’s founder is Mr. Goodfriend, a consumer advocate, former public servant, and co-owner with his wife of a small public policy advocacy firm, with decades of experience in the communications industry. Mr. Goodfriend identified the failure of public access to over-the-air television broadcast signals and set out to create a non-profit with the immediate goal of using

the internet to provide free over-the-air broadcasts to American consumers that lack quality access to the broadcasts that they are entitled to receive.

10. Mr. Goodfriend also founded a non-profit organization named “Sports Fans Coalition,” a grassroots coalition of sports activists, fighting to give sports fans a greater voice in public policy impacting professional and collegiate sports. As one of its initiatives, Sports Fans Coalition took on the NFL, MLB, NHL, NBA, and the broadcast industry to petition the FCC to end the “Sports Blackout Rule” that had been in effect since 1975. In 2014, on a unanimous, bipartisan, 5-0 vote, as a direct result of Mr. Goodfriend’s and Sports Fans Coalition’s advocacy, the FCC eliminated the Sports Blackout Rule.

11. Mr. Goodfriend serves as SFCNY’s President and Treasurer, and is also a member of the Board of Directors; however, he has received no compensation whatsoever from SFCNY (in the form of a salary or otherwise). Accordingly, Mr. Goodfriend is exempt from any liability under New York Not-For-Profit Corporation Law Section 720-a, which protects uncompensated officers and directors of 501(c)(3) non-profit organizations from individual liability for actions taken in their corporate capacities on behalf of the non-profit.

12. Despite SFCNY’s non-profit purpose, the broadcasters perceive Locast as a threat to their business interests. As a result, they have taken deliberate and coordinated unlawful steps to attack and eliminate the Locast service, including: (i) filing sham copyright infringement litigation to increase the cost of running Locast for SFCNY and intimidate Mr. Goodfriend by suing him personally; and (ii) threatening retaliation and baseless litigation against current and potential Locast donors, supporters, and third-party vendors to undermine Locast’s ability to raise revenue and operate as a going concern.

13. The broadcasters have substantial market power. The broadcasters individually and together control the rights to programming, such as live sports, that is not substitutable with other programming. These rights give them leverage to demand higher retransmission fees or to bundle over-the-air programming with non-broadcast programming channels for pay-TV services. Industry estimates put retransmission consent rights revenues at nearly \$11 billion in the U.S. last year, an amount that is expected to increase another 11% this year.¹ Industry analysis shows that Counterclaim-Defendants together are estimated to account for more than roughly 60% of the aggregate revenue in retransmission consent rights expected nationally in 2019 and possess market power in each of the relevant markets and submarkets alleged herein.² In fact, the broadcasters are so dominant in these markets that they have been able to increase nationwide retransmission rights revenues roughly **5000%** since 2006, when they were only about \$215 million.³ These price increases are not tied to any corresponding increase in broadcast programming output—for example, a December 2018 FX Networks Research Annual Report showed that the number of original scripted series airing on broadcast networks declined 1% from 2014 to 2018 and, over a longer time horizon, from 2002 to 2018, was up from only 135 to 146 shows.

14. The broadcasters have no legitimate business justification for their conduct. Each broadcaster should be acting unilaterally in its economic interest and in the public interest to expand output for its content, as SFCNY is doing by transmitting to consumers lacking quality signal access. To the contrary, as set out in their Complaint, the broadcasters' intent is to restrain

¹ Adam Jacobson, *Retransmission Consent Revenue: An 11% Growth Engine*, Radio and Television Business Report, July 30, 2019 (referencing Kagan analysis) [hereinafter "RBR Article"].

² See *MEDIA: Back To The Basics With NET RETRANS*, Wells Fargo Securities Equity Research, Dec. 12, 2016 [hereinafter "Wells Fargo Research"].

³ See RBR Article.

competition in providing over-the-air signals to the public to protect their broadcast franchise and the billions of dollars it allows them to reap from licensing retransmission rights—costs that are then passed on to the consumer. Each broadcaster has a conscious commitment to this common scheme to achieve its unlawful objective, as evidenced by the Complaint and other joint conduct alleged herein. If not stopped by this Court, the broadcasters’ conduct threatens further harm to competition, programming output, and to the pocketbooks of all Americans who are entitled to receive the subject content over-the-air for free.

15. The broadcasters’ unlawful conduct has harmed and will continue to harm competition in each of the relevant markets alleged herein. The broadcasters’ conduct has limited innovation and output in over-the-air broadcasting, inflated the cost of retransmission consent rights in each relevant geographic market, and harmed consumers by increasing their costs and, if allowed to continue, by limiting consumers’ choice of options, reducing output, and further increasing the cost of programming intended to be free. Their conduct has caused direct and proximate injury to the business and property of Counterclaim-Plaintiffs, including a loss of goodwill to SFCNY and reputational harm to Mr. Goodfriend, and will continue to cause harm and injury until stopped by this Court.

16. As shown below, the broadcasters’ conduct, which constitutes both per se and unreasonable restraints of trade, violates Section 1 of the Sherman Act, 15 U.S.C. § 1, related New York State unfair competition and deceptive trade laws, related California unfair competition laws, and tortious interference laws. Counterclaim-Plaintiffs seek to enjoin the anticompetitive conduct of the broadcasters to restrain trade in the relevant markets and submarkets defined herein and to remedy the broadcasters’ harm to competition and to Counterclaim-Plaintiffs through their unlawful conduct.

THE PARTIES

17. Counterclaim-Plaintiff Mr. Goodfriend is an individual who resides in Bethesda, Maryland. Mr. Goodfriend is the unpaid President and Treasurer of SFCNY and is an unpaid member of the Board of Directors of SFCNY.

18. Counterclaim-Plaintiff SFCNY is a tax-exempt non-profit charitable organization under Internal Revenue Code Section 501(c)(3), incorporated under the Not-For-Profit Corporation Law of the State of New York, with its principal place of business at 3075 Veterans Highway, Suite 131, Ronkonkoma, New York 11779. SFCNY offers the Locast service to customers in the New York City broadcast area (along with twelve other DMAs).

19. Counterclaim-Defendant American Broadcasting Companies, Inc. (“ABC”) is a Delaware corporation with its principal place of business at 77 West 66th Street, New York, New York, and does business as the ABC Television Network and as WABC-TV. The FCC has licensed ABC to operate the television station identified by the call letters WABC-TV (“WABC”), among other television stations. WABC’s signal is broadcast to viewers over-the-air in the New York City market. ABC is a wholly owned indirect subsidiary of Plaintiff Disney Enterprises, Inc.

20. Counterclaim-Defendant Disney Enterprises, Inc. (“DEI”) is a Delaware corporation with its principal place of business at 500 S. Buena Vista Street, Burbank, California.

21. Counterclaim-Defendant Twentieth Century Fox Film Corporation (“Twentieth Century Fox”) is a Delaware corporation with its principal place of business at 10201 West Pico Blvd., Los Angeles, California. Twentieth Century Fox is a wholly owned indirect subsidiary of Plaintiff DEI.

22. Counterclaim-Defendant CBS Broadcasting Inc. (“CBS”) is a New York corporation with its principal place of business at 51 West 52nd Street, New York, New York.

The FCC has licensed CBS to operate the television station identified by the call letters WCBS-TV (“WCBS”), among other television stations. WCBS’ signal is broadcast to viewers over-the-air in the New York City market.

23. Counterclaim-Defendant CBS Studios Inc. (“CBS Studios”) is a Delaware corporation with its principal place of business at 51 West 52nd Street, New York, New York.

24. Counterclaim-Defendant Fox Television Stations, LLC (“Fox TV”) is a Delaware corporation with its principal place of business at 1211 Avenue of the Americas, New York, New York. The FCC has licensed Fox TV to operate the television stations identified by the call letters WNYW and WWOR-TV (“WWOR”), among other television stations. WYNW’s and WWOR’s signals are broadcast to viewers over-the-air in the New York City market.

25. Counterclaim-Defendant Fox Broadcasting Company, LLC (“FBC”) is a Delaware corporation with its principal place of business at 10201 West Pico Blvd., Los Angeles, California. FBC operates the Fox Network, a national broadcast television network with affiliates reaching households across the United States.

26. Counterclaim-Defendant NBCUniversal Media, LLC (“NBCUniversal”) is a Delaware limited liability company with its principal place of business at 30 Rockefeller Plaza, New York, New York. NBCUniversal operates the television station identified by the call letters WNBC and owns the subsidiary entity that holds the FCC license for that station, among other television stations. WNBC’s signal is broadcast to viewers over-the-air in the New York City market.

27. Counterclaim-Defendant Universal Television LLC (“Universal Television”) is a New York limited liability company, with its principal place of business at 30 Rockefeller Plaza, New York, New York, and is a wholly owned subsidiary of NBCUniversal.

28. Counterclaim-Defendant Open 4 Business Productions, LLC (“Open 4 Business”) is a Delaware limited liability company, with its principal place of business at 100 Universal City Plaza, Universal City, California, and is a wholly owned subsidiary of NBCUniversal.

JURISDICTION AND VENUE

29. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331 (federal question) and 1337 (commerce and antitrust regulation) as Count I of this Counterclaim arises under Section 1 of the Sherman Act (15 U.S.C. § 1), Section 4 of the Clayton Act (15 U.S.C. § 15), and Section 16 of the Clayton Act (15 U.S.C. § 26).

30. This Court has supplemental subject matter jurisdiction for Counts II, III, IV, V, and VI under 28 U.S.C. § 1367 because these claims are so related to Counterclaim-Plaintiffs’ overall claims and federal antitrust claims that they form part of the same case or controversy. Counts II, III, IV, V, and VI of the Counterclaim allege unfair competition under the Donnelly Act, N.Y. Gen. Bus. Law § 340, unfair and/or deceptive acts and practices in violation of N.Y. Gen. Bus. Law § 349, unfair and unlawful competition in violation of the California Unfair Competition Law, Cal. Bus. & Prof. Code § 17200, and tortious interference with prospective economic advantage.

31. This Court has personal jurisdiction over Counterclaim-Defendants, all of which do and solicit business in the State of New York and in this District and have continuous and systematic contacts with New York. In addition, Counterclaim-Defendants’ conduct occurred in part in the State of New York and this District. Each Counterclaim-Defendant engages in “commerce” as that term is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12.

32. Venue is proper in this District pursuant to 28 U.S.C. § 1391 because a substantial part of the conduct giving rise to this Counterclaim occurred in this judicial district; Counterclaim-

Defendants are subject to the Court's personal jurisdiction; and Counterclaim-Defendants may be found or transact business in this judicial district, as provided in Sections 4, 12, and 16 of the Clayton Act (15 U.S.C. §§ 15, 22, and 26).

TRADE AND COMMERCE

33. The activities of the broadcasters, as alleged herein, were and are within the flow of, and were and are intended to, did, and do have a direct, substantial, and reasonably foreseeable effect on, interstate and foreign commerce in the United States, the several States, the State of New York, and in this judicial District, including with respect to the markets and sub-markets alleged herein.

34. The broadcasters produce, broadcast, transmit, license, and sell for retransmission television programming, including over public airwaves within states and across state borders. The broadcasters are horizontal competitors in each relevant market and submarket alleged herein (as well as suppliers of critical inputs into those markets). The broadcasters, and in particular station licensees, are trustees of the public's airwaves and must use the broadcast medium to serve the public interest.

35. In addition, as detailed herein, the broadcasters' anticompetitive conduct has unlawfully, unreasonably, directly, substantially, and foreseeably restrained not only U.S. trade and commerce, but also trade and commerce within virtually every State and, in particular, those states in which Locast operates today.

FACTUAL BACKGROUND

History of Broadcasting and Retransmission

36. Counterclaim-Defendants in this action are broadcasters and their affiliates.

37. The American public, through Congress, has granted to the broadcasters free licenses to portions of the limited, publicly-owned broadcast spectrum to transmit television programming.

38. These licenses are extremely valuable, and the broadcasters have built powerful, multi-billion-dollar businesses based on the oligopoly that they have been granted over the airwaves.

39. In exchange for the licenses that have allowed these corporations to flourish, the broadcasters are obligated by law to operate in the public interest and to make the programming that they broadcast available to consumers for free. Indeed, that is an express condition for the grant of the licenses that they have exploited for huge profits.

40. The broadcasters are well aware of their obligations to make the programming that they broadcast over the air available to the public, and of their obligations to operate in the public interest. These obligations are explicit in 47 U.S.C. § 309(a), which requires broadcast licensees to serve the “public interest, convenience, and necessity.”

41. Beginning as early as the 1950s, some members of the public, for various reasons, accessed the programming that broadcasters transmitted over the air through secondary transmissions made by third parties. In some instances, this was because the broadcast signals were not strong enough to reach certain geographic areas. In other instances, this was because physical impediments, such as buildings or mountains, blocked the over-the-air signal transmissions. And in still other instances, this was because the secondary transmitters offered additional content beyond that carried on the over-the-air signals and bundled that additional programming with the content that was available over-the-air.

42. Prior to 1976, the secondary transmissions could be made through various technologies. The signals could be made through a simple relay station that boosted the signals and transmitted them to a broader area over the air. They could be translated into microwaves and sent on in that manner. And the signals were carried over wire cables. Each technology accomplished the same end—to allow the public to access the over-the-air signals that licensed broadcasters had committed to make freely available to all members of the public.

43. In 1976, Congress passed the Copyright Act, 17 U.S.C. §§ 101 *et seq.* At the time, Congress recognized the existence of secondary transmitters. Indeed, in the late 1960s and early 1970s, the Supreme Court had ruled on the copyright implications of retransmissions, finding that retransmissions did not violate the copyrights in the programming in question under the 1909 Copyright Act.

44. In the 1976 Copyright Act, Congress legislatively overruled the Supreme Court and decreed that, under certain circumstances, the secondary retransmission of audio-visual signals could constitute copyright infringement.

45. In enacting Section 111 of the Copyright Act (and in subsequently amending it), Congress struck a careful and deliberate balance—declaring that secondary transmissions of over-the-air broadcast signals made for the purpose of profit (i.e., pay-TV distribution) would infringe copyright if the re-transmitter did not seek and obtain permission and a license from the owners of the copyrights in programming that was carried on the original over-the-air broadcast. Under Section 111(a)(5), however, secondary transmissions made by non-profit entities that do not seek any direct or indirect commercial advantage from the retransmission, do not constitute copyright infringement.

46. This balance is logical and in the public interest. The broadcasters have been given invaluable licenses that they are statutorily obligated to use for the benefit of the public. Their charge is to make their signals fully accessible to the public for free within their broadcast area to serve the public good. They have made billions of dollars in profit from the statutory licenses that they have been granted—and the broadcast executives have made a fortune as a result of the free licenses that they have been granted.

47. But those licenses, and that financial gain, comes with responsibility. Where third parties retransmit over-the-air broadcasts for a profit (pay-TV distributors), Congress deemed it appropriate to require those third parties to share that profit with the broadcasters. However, where a third party (such as a government agency or “other non-profit”) retransmits over-the-air signals without any profit motive, Congress deemed that to be in the public good—to increase public accessibility to the over-the-air signals so that the public could remain informed and have access to the programming broadcast in accordance with the free licenses that have been given to the broadcasters.

48. The broadcasters are aware of Section 111(a)(5) and the balance that Congress struck, as well as their own obligations to make the programming broadcast over the air accessible to the public.

49. The broadcasters have taken actions to limit the public’s access to the free, over-the-air broadcast signals in an effort to force consumers to obtain broadcast programming from pay-TV services, including cable, satellite, over-the-top virtual pay-TV providers, and their own pay-to-stream services. As noted in a recent L.A. Times Article, “[s]tation ownership groups and the media conglomerates get a cut of pay TV subscriber fees, giving them little incentive to

promote over-the-air antenna use.”⁴ These actions include failing to cover local markets with adequate over-the-air signals, as well as prohibiting independent local broadcast affiliates from providing online streaming of over-the-air live television broadcasts. In an industry study advocating against FCC rules limiting ownership of local TV stations, study authors note that stations were “hard pressed” to make “necessary investments” to upgrade equipment.⁵ Having deprived consumers of the reasonable opportunity and ability to access over-the-air signals in violation of their statutory obligations and against public policy, the broadcasters then use their market power to force consumers to pay for over-the-air programming that was intended to be free. They accomplish this by raising retransmission rates for third-party pay-TV providers, including cable, satellite, and online providers (the costs of which are then passed on to consumers), and by providing the programming in question on their own pay-streaming services, which charge for the same programming that the broadcasters are required to make accessible for free.

50. The broadcasters are also aware of New York Not-For-Profit Corporation Law Section 720-a, which specifically exempts unpaid officers and directors of not-for-profit corporations under Internal Revenue Code Section 501(c)(3) from individual liability for actions taken in their corporate capacities on behalf of the corporations.

SFCNY and the Locast Service

51. In 2018, recognizing that the television broadcasters were not living up to their end of the broadcasting bargain with the American public—i.e., that they were failing to cover particular DMAs with sufficient over-the-air coverage—SFCNY set out to correct this issue.

⁴ See Stephen Battaglio, *TV antennas are making a comeback in the age of digital streaming*, L.A. Times, Dec. 28, 2018.

⁵ Mark R. Fratrack, Ph.D, SVP/Chief Economist, *The Economic Irrationality of the Top-4 Restriction* (Mar. 15, 2019) (BIA Advisory Services).

52. SFCNY provides a public service just like the traditional non-profit “translator” services that have existed since the dawn of television broadcasting to amplify over-the-air signals with transmitters, except that instead of using over-the-air signals to boost the broadcasters’ reach, SFCNY streams the signals over the internet (i.e., SFCNY is a “digital translator”). In effect, the Locast service allows consumers who otherwise could not get the over-the-air signals to receive important programming, including local news, weather, and sports.

53. The system architecture used by SFCNY for the Locast service is local by design. In every DMA, there is an over-the-air antenna that receives the signals. Proprietary servers owned by SFCNY transcode those signals into internet-protocol bitstreams, and an upstream broadband connection brings those bitstreams from the servers to the Content Delivery Network (“CDN”), all within the local DMA of origin.

54. The Locast service is available through applications for Android and Apple smartphones and devices, and applications for Roku, Chromecast, Amazon Fire TV, Apple TV, TiVo over-the-air set-top boxes, and Android TV television-viewing devices. The Locast service is also available as an app (along with hundreds of other apps) on AT&T’s DirecTV and Uverse platforms, and DISH’s Hopper and Wally receivers.

55. To register to watch television through Locast in one of the thirteen cities where the service is available, a consumer signs up online and provides her name and email address (or logs in through Facebook), and certifies that she lives in and is logging in from her own DMA.

56. Then upon visiting locast.org, a consumer is greeted with a message identifying the consumer’s geographic location. For example, Locast displays the following message to consumers in New York:

Watch Your Local Broadcast TV For Free!

13 cities 31% of the US market 34,896,530 TV homes

your location
New York
WATCH NOW

Locast is a **not-for-profit** service offering users access to broadcast television stations over the internet.

We stream the signal over the Internet to select US cities.
We are trying to help broadcasters reach people just like you over the internet.

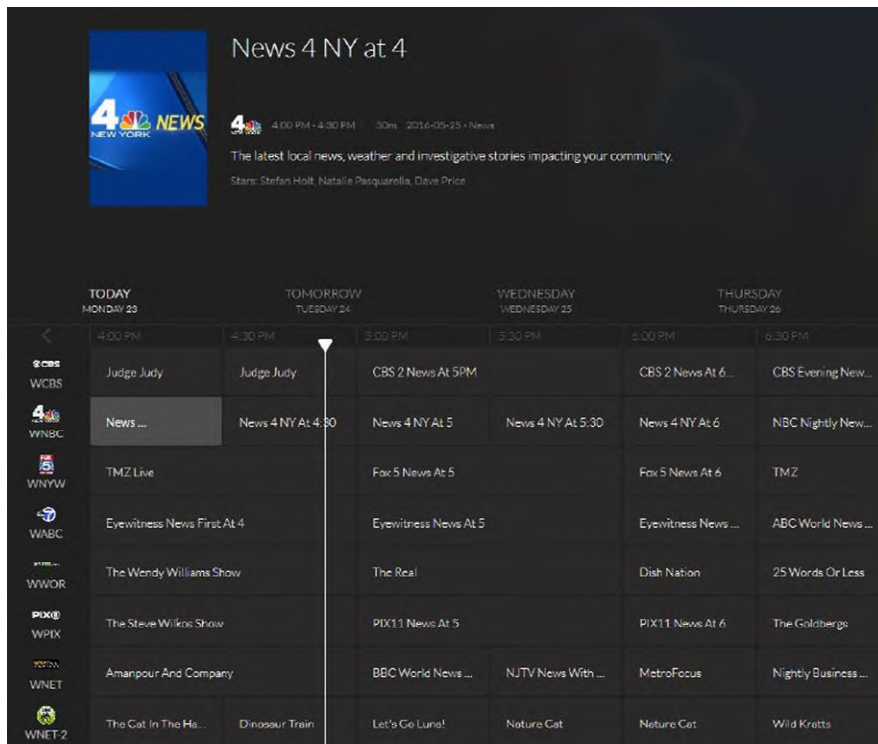
See Exhibit 1.

57. SFCNY uses multiple technological methods to restrict the viewing of local broadcast stations to only consumers physically located within a certain DMA (in the thirteen DMAs where Locast operates). Specifically, SFCNY uses ISP geo-location and GPS geo-location. If a consumer tries to watch broadcast stations while located outside her DMA, she sees the following message:



See Exhibit 2.

58. When logged on in her own DMA, a consumer may review the program guide (depicted below) from her internet-enabled device, select a program, and begin watching.



See Exhibit 3.

The Expansion of the Locast Service

59. The consumer response to SFCNY's goal of improving access to over-the-air broadcast signals through the Locast service has been overwhelming.

60. Many consumers around the country have publicly commented that, because of Locast, they are finally able to see their local broadcast television stations. For example:



See Exhibit 4.

61. The broadcasters are aware that the signals that they broadcast over the air are too weak to be readily available for the public to access throughout the various local areas. The transition to digital television signals roughly ten years ago highlighted this problem. For example, one news article at the time covered how Bay Area residents would be impacted, noting that “some 337,000 Bay Area residents—many of them in the South Bay—who formerly were able to get an analog signal from KTVU will not be able to receive the digital one.”⁶ In fact, SFCNY itself has experienced difficulties in acquiring signals for retransmission by over-the-air antennas in certain circumstances while setting up its antennas, even though the antennas were within the local broadcast signals. Each of the broadcasters should have a unilateral interest to expand the reach of its content to expand viewership, Nielsen ratings, and advertising revenue. To the contrary, the broadcasters have worked to ensure that the signal strength is too low to access in certain areas so that the pay-TV model that they have created can be sustained and strengthened.

62. Also as part of SFCNY’s dedication to public service, SFCNY has undertaken initiatives to broaden access to local television to all income brackets, particularly to lower-income populations that are underserved, and often cannot afford the fees charged by pay-TV distributors like cable, broadband, and satellite providers. For example, SFCNY has worked with the New York City Public Housing Authority to conduct an outreach program designed to educate local residents about the Locast service. SFCNY included residents of the New York City Public Housing Authority system (e.g., at Edenwald Community Center and in Red Hook) within its sphere of outreach and engagement.

63. By extending the reach of local broadcasting, Locast performs a critical public safety mission. Local broadcasters often provide emergency weather and safety information, a

⁶ Troy Wolverton, *Digital TV conversion troubles not over yet*, Mercury News, Mar. 12, 2009.

core element of serving the “public interest, convenience, and necessity.” Anyone unable to receive an over-the-air signal or afford a pay-TV service might miss such life-saving information. Locast serves that population by ensuring access to local broadcast weather and emergency information, and consumers have commented on this particular benefit. For example:

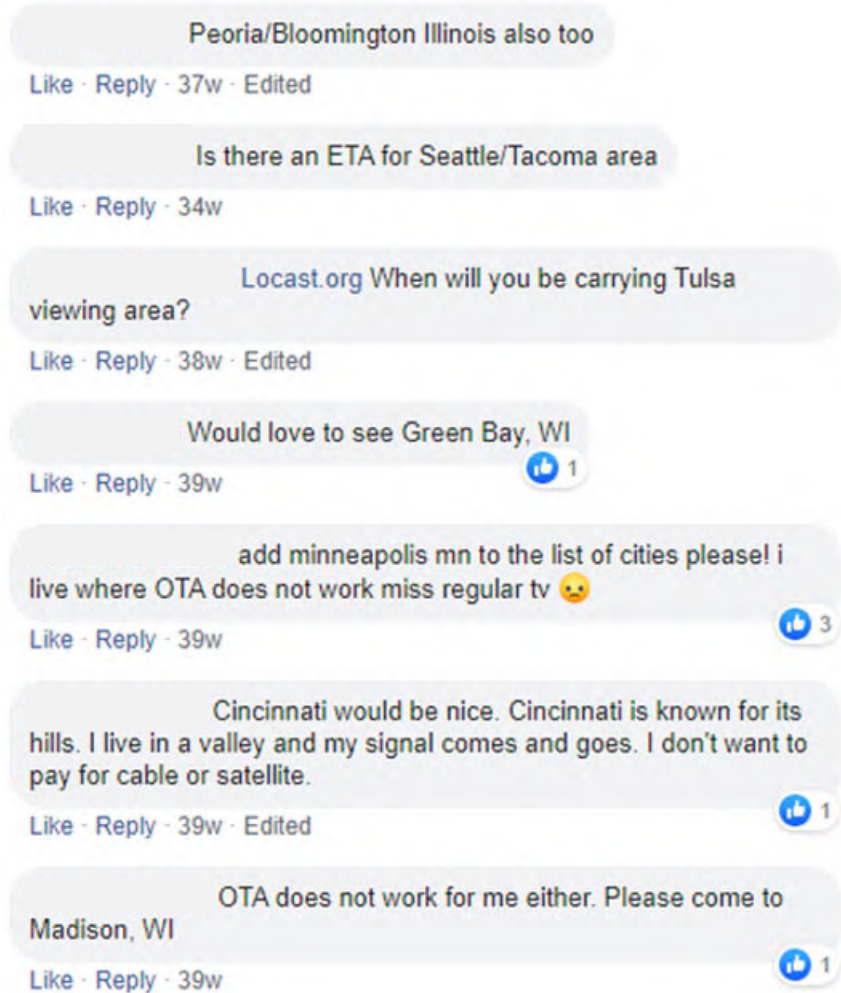
Guess what! When 3 EF2 tornadoes tore through our town a week ago, it was Locast that allowed me to continue watching local live storm coverage while in the basement. There's a need for this service it can aid in saving lives! The big 3 corporations can go straight to hell as far as I'm concerned!

Like · Reply · 4d

See Exhibit 4.

64. Locast is now available in a total of thirteen DMAs: New York, Philadelphia, Boston, Washington D.C., Baltimore, Chicago, Houston, Dallas, Sioux Falls, Denver, Rapid City, Los Angeles, and San Francisco.

65. Recognizing the value of the Locast service, consumers throughout the country—particularly those without access to the traditional over-the-air signals—have clamored for SFCNY to bring the Locast service to their cities. For example:



See Exhibit 5.

66. Local broadcasters have also recognized that the Locast service enhances the public's access to local broadcast television. In particular, two independent broadcast television owners approached Mr. Goodfriend, unsolicited, and asked to work with SFCNY because they viewed the Locast service as an important way to reach their local audiences and adapt to the rapidly-evolving internet-video marketplace.

67. Despite the public and high-profile launch and expansion of the Locast service, the broadcasters waited until July 31, 2019—i.e., after eighteen months had passed since the launch of the Locast service—to file suit against SFCNY and Mr. Goodfriend. Up until the filing of the lawsuit, the broadcasters never sent a cease-and-desist letter, threatened any legal action, or

otherwise contacted SFCNY or Mr. Goodfriend with any concerns. The broadcasters are now leveraging their own delay to assert a right to claim excessive statutory damages for the past year and a half from both SFCNY and Mr. Goodfriend.

SFCNY's Status as a 501(c)(3) Non-Profit Corporation

68. SFCNY was incorporated in New York in 2017 as a “charitable corporation” under New York Not-for-Profit Corporation Law. *See* Exhibit 6.

69. On April 5, 2018, SFCNY, through its counsel, submitted application materials to the IRS to be recognized as a “501(c)(3)” corporation (i.e., exempt from federal income tax under Internal Revenue Code 501(c)(3)). *See* Exhibit 7.

70. As part of the application, among other things, SFCNY indicated that it would undertake fundraising activities through email, personal, and foundation grant solicitations, as well as that it would accept donations from its own and another organization’s websites. *Id.*

71. On December 13, 2018, SFCNY, through its counsel, received official notice (shown below) that the IRS determined that SFCNY is: (i) exempt from federal income tax under Internal Revenue Code Section 501(c)(3); and (ii) classified as a “public charity.”

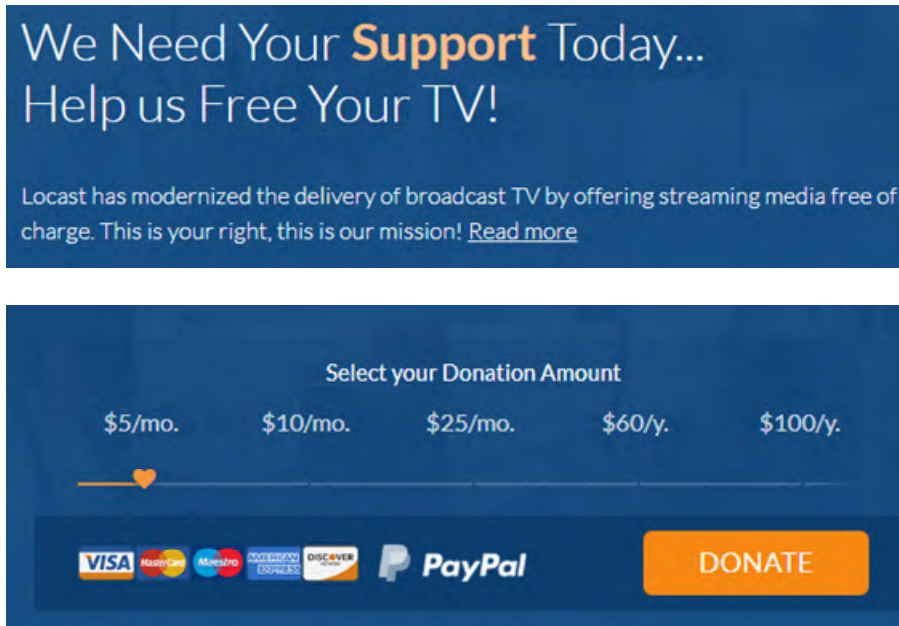
INTERNAL REVENUE SERVICE P. O. BOX 2508 CINCINNATI, OH 45201	DEPARTMENT OF THE TREASURY
Date: DEC 03 2018	Employer Identification Number: 82-3111352
SPORTS FANS COALITION NY INC 3075 VETERANS HWY STE 131 RONKONKOMA, NY 11779	DLN: 17053101304008
	Contact Person: FAITH E CUMMINS ID# 31534
	Contact Telephone Number: (877) 829-5500
	Accounting Period Ending: December 31
	Public Charity Status: 170(b)(1)(A)(vi)
	Form 990/990-EZ/990-N Required: Yes
	Effective Date of Exemption: September 8, 2017
	Contribution Deductibility: Yes
	Addendum Applies: No
Dear Applicant:	
We're pleased to tell you we determined you're exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). Donors can deduct contributions they make to you under IRC Section 170. You're also qualified to receive tax deductible bequests, devises, transfers or gifts under Section 2055, 2106, or 2522. This letter could help resolve questions on your exempt status. Please keep it for your records.	
Organizations exempt under IRC Section 501(c)(3) are further classified as either public charities or private foundations. We determined you're a public charity under the IRC Section listed at the top of this letter.	

See Exhibit 8.

Donations to SFCNY

72. SFCNY does not currently require consumers to make donations in order to watch programming through the Locast service.

73. SFCNY seeks donations from consumers solely to use for paying Locast's expenses for equipment, bandwidth, and operations to help run the service. For example, the following messages are currently displayed on the locast.org website:



See Exhibit 9.

74. To further aid in covering the operating expenses of the non-profit, Locast received a loan from IoT Broadband, LLC (“IoT”) and a donation from AT&T. The terms of the loan from IoT are stringent, with above-market interest. The donation from AT&T was received in July 2019, after SFCNY had been operating the Locast service for more than a year and a half.

75. SFCNY has received no financial support whatsoever from DISH.

76. To date, SFCNY carries debt and has yet to achieve operational cash flow break-even.

SFCNY is Engaged in Trade or Commerce

77. As noted above, SFCNY receives donations and loans from individuals and corporations to support its services. It uses these donations and loans to fund the operations for the Locast service which include, for example:

i. *Local Facilities in Each Market:* SFCNY makes monthly lease payments to building owners for the rights to place over-the-air antennas and rack space in server rooms to hold

SFCNY's proprietary servers, as well as payments for business-grade high-speed broadband internet connections;

ii. *Technology Vendor & Consumer Donation Management Firm:* SFCNY makes monthly payments to Jaybird Marketing Group, which: (a) developed and continues to upgrade the Locast software; (b) handles the technical issues related to the operation of the Locast service, including managing local facilities and installations; (c) develops all technical integrations with third-party platforms (e.g., Apple, Android, Roku, Amazon); and (d) manages the consumer donations;

iii. *Customer Service Firm:* SFCNY makes payments to eCreek, which is a vendor that handles customer service issues;

iv. *Content Delivery Network:* SFCNY pays three vendors—AT&T, Verizon, and Amazon Web Services—for content delivery network capacity, based on a per-Gigabyte data usage rate; and

v. *Equipment Acquisition:* SFCNY, through its vendor Jaybird, acquires all necessary hardware (including antennae, cables, and servers) from third-party vendors.

78. Locast is a market participant in each alleged relevant market and is engaged in interstate commerce with the retransmission of over-the-air television broadcast signals and the payment of vendors in multiple states.

Mr. David Goodfriend

79. Mr. Goodfriend has a decades-long history of commitment to consumer advocacy and public service.

80. Mr. Goodfriend began his career in public service. He served as Deputy Staff Secretary to President William Jefferson Clinton; professional staff member to congressional

committees chaired by Senator Herb Kohl (D-WI) and Charles B. Rangel (D-NY); and Media Legal Advisor to FCC Commissioner Susan Ness.

81. Mr. Goodfriend has served as co-chairman of the Federal Communications Bar Association Legislation Committee.

82. In the private sector, Mr. Goodfriend served as co-founder, Executive Vice President, and General Counsel of Air America Radio, the first-ever commercial progressive talk radio program in the country. Mr. Goodfriend also served as Vice President of Law and Public Policy at DISH, a position he left over a decade ago.

83. Mr. Goodfriend also founded “Sports Fans Coalition,” a non-profit that, among other initiatives, took on the NFL, MLB, NHL, NBA, and the broadcast industry to petition the FCC to end the “Sports Blackout Rule” that had been in effect since 1975. In 2014, on a unanimous, bipartisan, 5-0 vote, as a direct result of Mr. Goodfriend’s and Sports Fans Coalition’s advocacy, the FCC eliminated the Sports Blackout Rule.

84. Today, Mr. Goodfriend is an Adjunct Professor at the Georgetown University Law Center and a Professorial Lecturer at the George Washington University Law School.

85. Mr. Goodfriend also has served, and currently serves, as a consultant, lobbyist, regulatory advocate, and lawyer on behalf of dozens of clients. Through a small firm founded by his wife and business partner, and which he co-owns, Mr. Goodfriend routinely handles matters before the United States Senate and House, FCC, Department of Justice Antitrust Division, National Telecommunications and Information Administration, and the White House. Mr. Goodfriend’s clients have included labor unions, independent television programmers, technology startups, satellite television and broadband providers, and Fortune 50 technology companies. Some of the pro-consumer advocacy that Mr. Goodfriend has conducted through his firm included

opposition to major telecommunications and media mergers, including the proposed Comcast/Time Warner Cable, AT&T/T-Mobile, and Sinclair/Tribune mergers, all of which were blocked. Some of Mr. Goodfriend’s legislative victories include reauthorizations of the Satellite Home Viewer Act (“STELA” and “STELAR”); spectrum provisions of the Middle Class Tax Relief and Job Creation Act of 2012; and the introduction of the Energy Efficiency in Housing Act and the State Video Tax Fairness Act.

86. With respect to SFCNY, Mr. Goodfriend is the President and Treasurer, and is a member of the Board of Directors.

87. As reflected in SFCNY’s Form 1023 (i.e., its 501(c)(3) application materials) and its publicly-available 2018 tax return form 990-EZ filed on April 25, 2019 (excerpted below), Mr. Goodfriend is unpaid, and takes no salary from SFCNY.

Form 1023

Form 1023 (Rev. 12-2017)	Name: Sports Fans Coalition NY, Inc.	EN: 82-3111352	Page 3
Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)			
b List the names, titles, and mailing addresses of each of your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation. Do not include officers, directors, or trustees listed in line 1a.			
Name	Title	Mailing address	Compensation amount (annual actual or estimated)
None.			

Expenses	17 Compensation of officers, directors, and trustees	0	0	0
	18 Other salaries and wages	0	0	0
	19 Interest expense	0	0	0

Form 990-EZ

Expenses	10 Grants and similar amounts paid (list in Schedule D)	10	
	11 Benefits paid to or for members	11	
	12 Salaries, other compensation, and employee benefits	12	537,118.
	14 Occupancy, rent, utilities, and maintenance	14	88,732.
	15 Printing, publications, postage, and shipping	15	

Part IV List of Officers, Directors, Trustees, and Key Employees (list each one even if not compensated - see the instructions for Part IV)				
Check if the organization used Schedule O to respond to any question in this Part IV				<input type="checkbox"/>
(a) Name and title	(b) Average hours per week devoted to position	(c) Reportable compensation (Forms W-2/1099-MISC) (if not paid, enter -0-)	(d) Health benefits, contributions to employee benefit plans, and deferred compensation	(e) Estimated amount of other compensation
DAVID GOODFRIEND CHAIRMAN, PRESIDENT AND TREASURER	10.00	0.	0.	0.
PHILLIP BERENBROICK SECRETARY	0.03	0.	0.	0.
HABIBA ALCINDOR DIRECTOR	0.03	0.	0.	0.

See Exhibits 7, 10.

88. As made explicit in SFCNY's publicly-available Bylaws, Mr. Goodfriend's duty as a member of the SFCNY Board of Directors is to supervise and manage SFCNY's affairs. As President, Mr. Goodfriend's obligation is to perform all duties customary to that office and serve as the CEO of SFCNY. As Treasurer, Mr. Goodfriend is responsible for the funds and securities of SFCNY and for maintaining complete and accurate accounts of all receipts and disbursements of SFCNY. See Exhibit 11.

89. All of Mr. Goodfriend's actions with respect to SFCNY and the Locast service have been within the boundaries of his duties as President, Treasurer, and as a Director of SFCNY.

90. Mr. Goodfriend has taken no compensation whatsoever from SFCNY, yet has spent hundreds of hours on the project—arguably a monetary loss to his business.

91. Nor has Mr. Goodfriend been compensated in any way by any third party for his activities associated with SFCNY. No third party has paid Mr. Goodfriend or his consulting firm any compensation for any activities related to SFCNY or Locast, and even when third parties have offered Mr. Goodfriend a speaking fee to talk about the public benefits of Locast, Mr. Goodfriend has declined any such compensation.

92. No lobbying outcome sought by Mr. Goodfriend on behalf of any client has resulted from SFCNY or the Locast service.

THE RELEVANT MARKETS

Relevant Product Markets

93. Television stations transmit programming content over the air to antenna receivers using video and sound signals. The “Big 4” networks (which comprise Counterclaim-Defendants ABC, CBS, FOX, and NBC) supply and distribute network television programming through their owned and operated stations as well as affiliate stations in the relevant geographic markets alleged herein. Each of the broadcasters is also a provider of retransmission services for its own content through over-the-top internet streaming services that distribute content to subscribers.

94. Providers of cable, satellite, fiber optic television, and over-the-top video and sound distribution services (referred to collectively herein as multichannel video programming distributors or “MVPDs”) obtain content from television broadcasters, including the Big 4, for retransmission to the MVPDs’ respective subscribers. MVPDs operating for profit must obtain a license or retransmission consent right to retransmit over-the-air broadcast content to subscribers. Retransmission fees are negotiated between MVPDs and the broadcast content owners, including the broadcasters and their owned-and-operated and affiliate stations. The costs of those fees are then passed on to consumers.

95. By law, non-profit organizations meeting the criteria of the Copyright Act, 17 U.S.C. § 111(a)(5), may access over-the-air broadcasts and retransmit them to subscribers within the relevant DMA without further permission of the broadcasters.

i. Retransmission Services of Network Television Broadcasts

96. The retransmission of over-the-air broadcast content constitutes a relevant product market and line of commerce within the meaning of Section 1 of the Sherman Act, the Donnelly Act, and the California Unfair Competition Law.

97. Over-the-air broadcast content includes unique offerings such as local news, sports, and national primetime programs that viewers do not consider to be substitutable with other media, or content found on cable, or niche programming. As the US Department of Justice (“DOJ”) recently concluded after its investigation of Nexstar Media Group, broadcast content is distinguishable from cable content.⁷ The DOJ noted, for instance, that cable channels do not offer local news “which provides a valuable connection to the local community.”⁸

98. MVPDs retransmit television broadcast content over their own infrastructure to their subscribers. MVPDs and other for-profit retransmission service providers require television retransmission consent rights from the broadcasters for the broadcasters’ programming content. The licensing of retransmission consent rights is a separate relevant market (described below) and critical input into the retransmission services market. By law, non-profit organizations meeting the criteria of the Copyright Act, 17 U.S.C. § 111(a)(5), are market participants in the retransmission services market that may access over-the-air broadcasts and distribute them to subscribers. Each of the broadcasters is also a provider of retransmission services for its own content through over-the-top internet streaming services that distribute content to subscribers.

99. A small but significant and non-transitory increase in fees for retransmission of over-the-air broadcast content above the competitive level for those services would not cause

⁷ Complaint, *United States v. Nexstar Media Grp.*, Case No. 1:19-cv-002295 (D.C. July 31, 2019).

⁸ *Id.*

subscribers to shift enough business to other programming or services so as to make such a price increase unprofitable for a firm with monopoly power.

100. A small but significant and non-transitory increase in fees for retransmission of over-the-air broadcast content above the competitive level for those services would not cause subscribers to shift enough business to other programming or services so as to make such a price increase unprofitable for a firm with monopoly power.

ii. Retransmission Services of Big 4 Network Television Broadcasts

101. The retransmission of Big 4 television broadcast content constitutes a relevant product market (or submarket) and line of commerce within the meaning of Section 1 of the Sherman Act, the Donnelly Act, and the California Unfair Competition Law.

102. MVPDs retransmit Big 4 television broadcast content over their own infrastructure to subscribers paying a fee to MVPDs for this retransmission service. MVPDs and other for-profit retransmission service providers require consent rights from the Big 4 broadcasters for the broadcasters' content, which is a critical input into the Big 4 retransmission services market. By law, non-profit distributors meeting the criteria of Copyright Act, 17 U.S.C. § 111(a)(5), are market participants in the Big 4 retransmission services market that may access over-the-air Big 4 broadcast content and distribute it to subscribers. Each of the Big 4 broadcasters is also a provider of retransmission services for its own content through over-the-top internet streaming services that distribute content to subscribers.

103. Big 4 broadcast content includes unique offerings such as local news, sports, and primetime programs that viewers do not consider to be substitutable with other media or content found on cable, other broadcast, or unaffiliated stations. Big 4 stations typically have the highest audience share and ratings in each DMA and each of the relevant geographic markets alleged

herein. Viewers typically consider Big 4 stations to be substitutes for one another. As the DOJ noted, “Big 4 broadcast content has special appeal to television viewers in comparison to the content that is available through other broadcast stations and cable channels.”⁹

104. A small but significant and non-transitory increase in fees for retransmission of Big 4 content above the competitive level for those services would not cause subscribers to shift enough business to other programming or services so as to make such a price increase unprofitable for a firm with monopoly power.

iii. Licensing of Television Retransmission Consent

105. The licensing of television retransmission consent constitutes a separate relevant product market and line of commerce within the meaning of Section 1 of the Sherman Act, the Donnelly Act, and the California Unfair Competition Law.

106. Over-the-air broadcast content includes unique offerings such as local news, sports, and primetime programs that viewers do not consider to be substitutable with other media, or content found on cable or other programming. As the DOJ recently concluded after its investigation of Nexstar Media Group, broadcast content is distinguishable from cable content.¹⁰

107. MVPDs view over-the-air broadcast programming as desirable for inclusion in the packages they offer to subscribers. MVPDs and other for-profit retransmission service providers require consent rights from the broadcasters to retransmit the broadcasters’ content.

108. By law, non-profit distributors meeting the criteria of Copyright Act, 17 U.S.C. § 111(a)(5), are zero-price market participants in the retransmission consent market.

⁹ *Id.*

¹⁰ *Id.*

109. The broadcasters are able to exercise market power in the market for licensing of television retransmission consent in each of the relevant geographic markets alleged herein. The broadcasters combined account for more than roughly 60% of the retransmission consent market.¹¹ These consent rights were estimated to generate nearly \$11 billion in revenue in the U.S. last year.¹²

110. The broadcasters' market power is further demonstrated by their ability to leverage the threat of foreclosure to raise the price of retransmission consent rights to MVPDs. A Wells Fargo industry report estimated that average retransmission fees per subscriber per month would increase for: (i) CBS from \$1.89 in 2017 to \$2.59 in 2019; (ii) NBC from \$1.81 in 2017 to \$2.45 in 2019; (iii) ABC from \$1.58 in 2017 to \$2.07 in 2019; and (iv) FOX from \$1.64 in 2017 to \$2.13 in 2019.¹³ If MVPDs do not agree to pay higher amounts for retransmission consent rights, the broadcasters then allow the license agreements to expire, forcing a blackout of the broadcast programming for the MVPD's subscribers until a deal is reached and new, higher, fees are set.

111. As broadcasters have consolidated through vertical integration with distributors, they have gained bargaining power and cable blackouts have become increasingly common. There have been over 200 blackouts in 2019; in contrast, there were only 8 blackouts in 2010.¹⁴

112. A small but significant and non-transitory increase in the fees for retransmission consent rights above the competitive level for those rights would not cause MVPDs or other licensees to shift enough business to other programming or services to make such a price increase unprofitable for a firm with monopoly power.

¹¹ See Wells Fargo Research.

¹² RBR Article (referencing Kagan analysis).

¹³ Wells Fargo Research.

¹⁴ See Brian Steinberg, *Cable Blackouts Growing More Common, Even If Subscribers Get Angry*, Variety, July 22, 2019 [hereinafter "Variety Article"].

iv. Licensing of Big 4 Television Retransmission Consent

113. The licensing of Big 4 television retransmission consent constitutes a separate relevant market (or submarket) and line of commerce within the meaning of Section 1 of the Sherman Act, the Donnelly Act, and the California Unfair Competition Law.

114. Big 4 broadcast content includes unique offerings such as local news, sports, and primetime programs that viewers do not consider to be substitutable for other media or content found on cable, other broadcast, or unaffiliated stations. As the DOJ noted, “Big 4 broadcast content has special appeal to television viewers in comparison to the content that is available through other broadcast stations and cable channels.”¹⁵ Big 4 stations typically have the highest audience share and ratings in each DMA and each of the relevant geographic markets alleged herein. Nor are cable channels, which offer different content and that is generally not tailored to the local community, close substitutes for Big 4 broadcast content. Viewers typically consider Big 4 stations to be substitutes for one another.

115. MVPDs and other retransmission providers consider Big 4 programming to be highly desirable for inclusion in packages offered to subscribers because of the popular national content and valuable local news and sports coverage offered by these stations. By law, non-profit distributors meeting the criteria of Copyright Act, 17 U.S.C. § 111(a)(5), are zero-price market participants in the Big 4 retransmission consent market.

116. The broadcasters are able to exercise market power in the market for Big 4 licensing of television retransmission consent in each of the relevant geographic markets alleged herein. The broadcasters combined have or nearly have 100% of the Big 4 retransmission consent market.

¹⁵ Complaint, *United States v. Nexstar Media Grp.*, Case No. 1:19-cv-002295 (D.C. July 31, 2019).

Retransmission consent rights were estimated to generate nearly \$11 billion in revenue in the U.S. last year.¹⁶

117. The Big 4 broadcasters' market power is further demonstrated by their aggressive retransmission consent negotiation tactics and their ability to extract increasing fees or limit output. For example, a Wells Fargo industry report estimated that average retransmission fees per subscriber per month would increase for: (i) CBS from \$1.89 in 2017 to \$2.59 in 2019; (ii) NBC from \$1.81 in 2017 to \$2.45 in 2019; (iii) ABC from \$1.58 in 2017 to \$2.07 in 2019; and (iv) FOX from \$1.64 in 2017 to \$2.13 in 2019.¹⁷ The broadcasters aggressively leverage retransmission consent negotiations to extract exorbitant fees from cable companies.

118. If MVPDs do not agree to pay, the broadcasters drop their channels, thereby instituting a blackout of programming to gain leverage in negotiations. Once an agreement is reached, these fees are passed to consumers.

119. As broadcasters have consolidated through vertical integration with distributors, they have gained bargaining power and cable blackouts have become increasingly common. There have been over 200 blackouts in 2019; in contrast, there were only 8 blackouts in 2010.¹⁸

120. A small but significant and non-transitory increase in the fees for Big 4 retransmission consent rights above the competitive level for those rights would not cause MVPDs or other licensees to shift enough business to non-Big 4 programming or cable networks so as to make such a price increase unprofitable for a firm with monopoly power.

¹⁶ RBR Article (referencing Kagan analysis).

¹⁷ Wells Fargo Research.

¹⁸ See Variety Article.

Relevant Geographic Markets

121. A DMA represents a geographic unit, as measured by Nielsen for its television survey business. Nielsen refers to DMAs when providing data to industry participants for use in analyzing audience size and demographic composition in a particular area. DMAs are widely accepted by industry participants as the standard geographic areas for assessing television audience size and demographic composition. The Federal Communications Commission (“FCC”) also uses DMAs as geographic units for its MVPD regulations. For example, advertisers use DMAs when negotiating with local television stations for specific time periods and durations of broadcast. DMAs are also used when retransmission consent rights are negotiated between MVPDs and programmers or content owners.

122. Locast currently operates in thirteen DMAs, each of which is a relevant geographic market for each of the above relevant product markets (or submarkets): (i) New York, NY; (ii) Philadelphia, PA; (iii) Boston, MA (Manchester, NH); (iv) Washington, DC; (v) Baltimore, MD; (vi) Chicago, IL; (vii) Houston, TX; (viii) Dallas-Ft. Worth, TX; (ix) Sioux Falls, SD (Mitchell, SD); (x) Denver, CO; (xi) Rapid City, IA; (xii) Los Angeles, CA; and (xiii) San Francisco-Oakland-San Jose, CA.

123. The signals of broadcast television stations located outside of a DMA generally do not reach a significant percentage of another DMA through either over-the-air or MVPD distribution. Each DMA therefore represents a relevant geographic market for both retransmission services and for the licensing of broadcast retransmission consent rights within the meaning of Section 1 of the Sherman Act, the Donnelly Act, and the California Unfair Competition Law.

124. In addition to the foregoing, in the event of a blackout of a Big 4 station’s content, FCC rules generally prohibit an MVPD from importing the network’s programming from another

DMA. As a result, Big 4 viewers in one DMA cannot switch to Big 4 programming in another DMA in the face of a blackout. Thus, substitution to stations outside the DMA cannot discipline an increase in the fees charged for retransmission consent for broadcast stations in the DMA. Each DMA therefore represents a relevant geographic market for Big 4 retransmission and for the licensing of Big 4 television retransmission consent within the meaning of Section 1 of the Sherman Act, the Donnelly Act, and the California Unfair Competition Law. For the same reasons, each DMA represents a relevant geographic market for the licensing of retransmission consents.

125. The United States also constitutes a relevant geographic market for each of the above relevant product markets. The broadcasters generate revenue from retransmission consent fees by negotiating for a certain dollar amount per subscriber per month for their owned and operated stations throughout the United States.

Barriers to Entry and Expansion

126. Barriers to entry and expansion in each of the relevant retransmission services markets are high. Providers, including MVPDs, typically must invest heavily in, among other things, infrastructure such as physical distribution facilities, transmission technology, and unique programming before effective entry. And even with access to physical infrastructure, an MVPD must obtain content and market recognition with consumers before offering a meaningful competitive alternative in a market.

127. Barriers to entry and expansion in the retransmission consent markets are similarly high. The FCC regulates the broadcast television industry and has strict broadcast ownership rules setting a limit on the number of broadcast stations—radio and TV—that a single entity can own. It also imposes limits on the common ownership of broadcast stations and newspapers. Broadcast television licenses therefore are difficult to obtain because of the lengthy FCC regulatory process,

as well as the limited availability of spectrum. Even if a new signal were to become available, commercial success typically takes a significant investment of capital and many years to attain, if at all.

THE BROADCASTERS' UNLAWFUL ANTICOMPETITIVE CONDUCT

Conspiracy in Restraint of Trade

128. The broadcasters have conspired to restrain trade in the relevant markets alleged herein by bringing a sham copyright infringement claim against SFCNY (a recognized 501(c)(3) non-profit) and Mr. Goodfriend (in his personal capacity) and by threatening business retaliation and baseless legal claims against any current or prospective donors, supporters, or business partners of Counterclaim-Plaintiffs.

129. The broadcasters' efforts are part of a larger conspiracy to limit consumers' practical access to over-the-air broadcasts so that consumers are forced to use pay-TV services that charge increasingly greater fees for access to the over-the-air television programming that the public should more readily be able to utilize.¹⁹ A significant portion of those fees are then paid to the broadcasters in the form of retransmission consent fees. The broadcasters have also launched or announced the launch of their own competing paid streaming services that transmit over-the-air broadcasts, or content therein, live over the internet.

130. The broadcasters have colluded to limit practical access to the over-the-air signals by broadcasting signals that they know are of insufficient strength to be accessed by all members of the public within the relevant local geographic areas.

¹⁹ See Stephen Battaglio, *TV antennas are making a comeback in the age of digital streaming*, L.A. Times, Dec. 28, 2018.

131. Mr. Goodfriend has spoken with a representative from a major market participant who indicated that he had been told by vendors of transmitter equipment that the broadcasters intentionally purchase low-end equipment even though other equipment is available for sale that could provide better over-the-air coverage. The broadcasters are also capable of using additional translator stations of their own to better cover markets with adequate signals, but in many cases choose not to do so.

132. The broadcasters have also colluded to ensure that local independent affiliates cannot retransmit the local over-the-air signals by other means to the public, ensuring that the signals are not fully accessible.

133. It should be in the interests of each broadcaster, acting unilaterally in its own economic interest and independently in its role as a trustee of the licenses granted to it by Congress, to increase distribution and viewership for its programming to maximize advertising revenue. Each broadcaster, acting independently, should welcome retransmission of its programming through organizations such as SFCNY.

134. Although, acting independently, the broadcasters would have an incentive to maximize distribution of their own programming to improve their respective ability to attract advertising revenue, the broadcasters as a group have an incentive to conspire to maximize their non-advertising revenue and: (i) degrade over-the-air signals; and (ii) limit retransmission services offered by non-profit distributors that access over-the-air broadcasts and distribute them for free.

Sham Litigation

135. The broadcasters' copyright infringement suit is objectively baseless and was brought with an intent to restrain trade and interfere with Counterclaim-Plaintiffs' business.

136. Although the Locast service launched in New York City in January 2018, the broadcasters waited until July 2019 to file suit against Locast (or otherwise reach out to SFCNY with any concerns, legal or otherwise), apparently then recognizing Locast was gaining momentum as an increasing number of consumers registered for and used the service—and becoming increasingly upset by their belief that the billions of dollars of retransmission consent fees that they have collected by denying the public reasonable access to over-the-air signals could actually be in jeopardy if consumers could easily access the local over-the-air broadcast signals as the statutory broadcast regime originally intended. The broadcasters’ lawsuit also was filed in the midst of a highly publicized licensing negotiation and dispute with MVPDs, including AT&T.²⁰

137. As a threshold matter, the broadcasters do not challenge SFCNY’s status as a non-profit under the plain language of the Copyright Act, 17 U.S.C. § 111(a)(5), which provides:

The secondary transmission of a performance or display of a work embodied in a primary transmission is not an infringement of copyright if- ... the secondary transmission ... is made by a governmental body or other non-profit organization without any purpose of direct or indirect commercial advantage, and without charge to the recipients of the secondary transmission other than assessments necessary to defray the actual and reasonable costs of maintaining and operating the secondary transmission service.

The broadcasters do not challenge SFCNY’s legal status as a non-profit in the Complaint; nor do they claim that SFCNY is a sham or otherwise run day-to-day in any way as to put its legal non-profit status at risk. The broadcasters also do not allege that SFCNY is charging more than necessary to defray its costs (it currently charges nothing). Rather, the broadcasters make the baseless claim that SFCNY is operating for “its own commercial benefit and for the commercial benefit of companies that are among the largest commercial pay-TV distributors in the country.”

²⁰ See Mike Rosenstein, *CBS, AT&T, DirecTV strike a deal to end blackout just as NFL preseason schedule kicks off* / *What it means*, NJ.com, Aug. 08, 2019; Variety Article.

Compl. ¶ 8. But the broadcasters offer no basis or even any allegations to support a claim that AT&T, DISH, or any other entity was or is directly involved in creating, operating, setting strategic direction, or improperly influencing Locast, SFCNY, or Mr. Goodfriend in his role as an officer and director with SFCNY. DISH is not even a donor to SFCNY, and AT&T did not donate to SFCNY until SFCNY had been operating the Locast service for more than a year and a half. The broadcasters were aware that SFCNY was a non-profit when they filed their Complaint.

138. The broadcasters were also aware of and chose to ignore SFCNY's 501(c)(3) status, which required review by the IRS and approval that SFCNY has an exempt purpose (e.g., literary or educational), proper legal formation, no accumulation or distribution of profit to a private party, and no substantial political activity or campaigning. *See* Exhibits 7, 8. No litigant could reasonably expect to succeed on the merits of this claim.

139. The broadcasters' claims against Mr. Goodfriend and SFCNY have been asserted in bad faith and in breach of the broadcasters' statutory obligations to operate in the public good. Incredibly, without any firm basis in law, fact or logic, the broadcasters argue that the identities of SFCNY's *arms-length* donors somehow could determine SFCNY's status as a non-profit. This ignores and contradicts the criteria used by the IRS in determining SFCNY's 501(c)(3) status—proper legal formation, an exempt purpose (e.g., literary or educational), no unjust enrichment to private parties, including accumulation or distribution of net earnings or assets to private persons, no participation in or intervention in any political campaign, and no substantial lobbying activities.

140. The broadcasters' meritless claims against Mr. Goodfriend in his *personal* capacity are even more egregious and inexcusable in light of the protections under New York Not-For-Profit Corporation Law Section 720-a. Any pre-suit investigation would have revealed the gross deficiency of the infringement claim against Mr. Goodfriend. No reasonable litigant in the

broadcasters' position could realistically expect to succeed on the merits of a copyright infringement claim against Mr. Goodfriend in his individual capacity.

141. The broadcasters are aware that their claims are frivolous and wholly without merit but asserted them anyway to intimidate SFCNY (as well as any entity that might assist SFCNY) and Mr. Goodfriend personally, and to unfairly and illegally restrain SFCNY from engaging in legitimate commerce in the public's best interest.

142. The broadcasters have undertaken their sham litigation with subjective intent to overwhelm Mr. Goodfriend and make it more expensive for SFCNY to provide free retransmission services to consumers, interfere with the current and prospective business relationships of SFCNY and Mr. Goodfriend, to intimidate and harass them, and to restrain trade in the relevant markets. The broadcasters' intent was and continues to be to use the litigation process to harm SFCNY and Mr. Goodfriend and competition. The broadcasters' conspiracy has harmed and will continue to harm competition in these markets.

143. The broadcasters reveal their anticompetitive intent in the Complaint: "As Locast extends its reach...certain pay-TV companies are using and will likely continue to use Locast's presence in the market in an effort to gain leverage in retransmission consent negotiations for broadcast programming, because of Locast's efforts to devalue transmission rights." Compl. ¶ 58.

Exclusionary Threats

144. Despite the fact that Locast has been operating for at least the past eighteen months, none of the broadcasters had contacted SFCNY or Mr. Goodfriend concerning any alleged copyright infringement prior to sending an "Advance Notice of Potential Infringement" and filing a complaint on the same day.

145. During a meeting between a senior executive at T-Mobile and Mr. Goodfriend on December 4, 2018, in Denver, Colorado, the executive recounted that he was at a group gathering where a broadcast industry representative said that they would crush Locast. The executive also implied that the broadcast industry representative would “take on” any supporters of Locast.

146. When Mr. Goodfriend met with a senior executive at cable company Mediacom on October 29, 2018, in New York, New York, the executive said that two entities—one broadcast owner and another broadcast network—said that they were waiting on Locast to get bigger and then would sue Locast and any supporters.

147. In a meeting between Mr. Goodfriend and senior executives at a major pay-TV distributor, the executives said that when they met with negotiators for the broadcasters, the negotiators stated that, “We don’t want any more Locast situations.”

148. In a meeting between representatives of SFCNY and senior executives at YouTubeTV in April 2019, the executives indicated that they had been told that if YouTubeTV provides access to Locast, then YouTubeTV will be punished by the Big 4 broadcasters in negotiating carriage agreements for other non-broadcast programming channels.

149. Before the broadcasters filed their complaint against SFCNY and Mr. Goodfriend, SFCNY was in active discussions with a senior executive at Nielsen to ensure that Nielsen could measure Locast viewership (including discussions concerning a technical engineering issue regarding which audio channel contained the Nielsen watermark so that SFCNY could ensure that the watermark was there). After the broadcasters filed the complaint around the same time that Nielsen was about to begin renewal negotiations with the broadcasters—the executive stopped returning Mr. Goodfriend’s calls on behalf of SFCNY. Nielsen changed its plans about working with SFCNY as a result of intimidation from the broadcasters.

150. Also before the broadcasters filed their Complaint, Mr. Goodfriend met on behalf of SFCNY with the senior executive team of cable and internet provider RCN Corporation (“RCN”) on January 15, 2019 at RCN’s offices in New Jersey. An executive explained to Mr. Goodfriend that RCN wanted to start focusing its strategy on providing broadband internet, so making Locast available as an app made a lot of sense for RCN users. During that meeting, RCN committed to donating \$750,000 to SFCNY, assuming SFCNY could find other donors to pledge first. After SFCNY identified another donor and returned to RCN, the executive indicated that circumstances had changed, and RCN would no longer be willing to donate. RCN changed its plans as a result of intimidation from the broadcasters.

ANTITRUST INJURY AND DAMAGES

151. Locast, as operated by SFCNY, is an actual or potential competitor in the relevant markets impacted by the broadcasters’ unlawful anticompetitive conduct.

152. SFCNY and Mr. Goodfriend each has suffered, or is likely to suffer, injury as a direct result of the broadcasters’ unlawful conspiracies, including lost donations and goodwill for SFCNY, substantial and unnecessary litigation expenses, and reputational harm to Mr. Goodfriend.

153. The injury to SFCNY and Mr. Goodfriend has directly and indirectly excluded, threatened, or harmed competition and, ultimately, consumers in each of the relevant markets.

154. By reducing the incentive and ability of Locast (and SFCNY and Mr. Goodfriend) to invest and innovate in the secondary transmission markets, consumers are losing and will continue to lose the procompetitive benefits of having the ability to receive retransmission services through Locast’s presence in these markets (and in those geographic markets into which SFCNY had planned to expand the Locast service).

155. In addition, by their threats, baseless litigation, and other conduct, the broadcasters are entrenching their position in each relevant market herein and sending a message to any other non-profits or supporters of non-profits that they intend to impose a hefty (and unlawful) tax on innovation and expanded free access to over-the-air broadcasting—despite Congressional intent to the contrary. Prices for retransmission consent rights—which are passed directly to pay TV consumers—will continue to skyrocket in secondary transmission markets.

156. In addition, this conduct has and will continue to undermine the public interest—the broadcasters will be able to force consumers (including those without any option to receive over-the-air broadcasts) to pay exorbitant and supra-competitive fees for over-the air television programming services that were intended to be free—unless this Court stops this harmful and blatantly anticompetitive conduct.

157. The broadcasters' unlawful conduct has injured and will continue to injure competition and consumers, unless and until it is enjoined by this Court. The same conduct has proximately caused injury to Mr. Goodfriend, individually, and to SFCNY in its ability to raise funds, attract business partners, and to operate Locast.

CLAIMS FOR RELIEF

COUNT I: CONSPIRACY IN RESTRAINT OF TRADE IN VIOLATION OF § 1 OF THE SHERMAN ACT

158. SFCNY and Mr. Goodfriend reallege and incorporate in this Count the allegations set forth in Paragraphs 1 to 157 herein.

159. As alleged above, the broadcasters have market power in the relevant markets for retransmission consent (and the relevant markets or submarkets of Big 4 retransmission consent) within the thirteen DMAs where Locast operates and the United States. The broadcasters together control the critical input of broadcast content for competition in each of the relevant markets

alleged herein for retransmission services (and the relevant markets or submarkets for Big 4 retransmission services).

160. The broadcasters have contracted, combined, and conspired in an unreasonable and illegal restraint of trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1, in one or more relevant product and geographic markets or submarkets to: (i) file and maintain sham copyright infringement litigation for which no reasonable litigant could realistically expect success on the merits and that was motivated by their desire to use the judicial process to impose a collateral, anticompetitive injury rather than obtain a justifiable legal remedy; and (ii) threaten business retaliation and baseless litigation against current and potential Locast donors, supporters, and third-party vendors to undermine Locast's ability to raise revenue, to maintain access to broadcast content, and to operate. The contract, combination, and conspiracy are continuing and will continue unless the relief prayed for herein is granted.

161. The broadcasters' combination and conspiracy consists of a continuing agreement, understanding, and concert of action between and among Counterclaim-Defendants, the substantial terms of which include an agreement to: (i) prevent or limit retransmission services offered by non-profit distributors that access over-the-air broadcasts and distribute them for free; (ii) eliminate Locast as a competitor in the retransmission services market through objectively baseless, bad faith sham litigation, threats, and other conduct; and (iii) facilitate, effectuate, and implement the contract, combination, and conspiracy and restrain trade in the relevant markets alleged herein, including the retransmission consent markets. At all times, the broadcasters had a conscious commitment to a common scheme to achieve these unlawful objectives.

162. By restraining trade in the retransmission services market, the broadcasters have undermined Congressional intent as expressed in the copyright laws, limited innovation in over-

the-air broadcasting, inflated the cost of retransmission consent rights in each relevant geographic market, and harmed consumers by increasing their costs and, if allowed to continue, by limiting their choice of options and further increasing prices for programming intended to be free. Their conduct has caused direct and proximate injury to the business and property of Counterclaim-Plaintiffs, including lost donations, loss of goodwill to SFCNY, and reputational harm to Mr. Goodfriend, and will continue to cause harm and injury until stopped by this Court.

163. By reason of the foregoing, Counterclaim-Defendants have committed both per se and rule of reason violations of the antitrust laws. As a direct and proximate result of the threats, baseless litigation, and other anticompetitive activities of the broadcasters, SFCNY and Mr. Goodfriend have been and will continue to be injured in their business and property, including in the ability to raise funds, attract business partners, and are entitled to compensatory and treble damages in an amount to be ascertained at trial.

COUNT II: VIOLATION OF THE DONNELLY ACT (N.Y. GEN. BUS. LAW § 340)

164. SFCNY and Mr. Goodfriend reallege and incorporate in this Count the allegations set forth in Paragraphs 1 to 163 herein.

165. The agreements alleged above unreasonably restrain trade in violation of the Donnelly Act, N.Y. Gen. Bus. Law § 340.

166. SFCNY's and Mr. Goodfriend's damages are directly attributable to the broadcasters' threats, baseless litigation, and other anticompetitive activities. SFCNY's and Mr. Goodfriend's injuries are of the type the antitrust laws were designed to prevent, and flow from that which makes the broadcasters' conduct unlawful.

COUNT III: VIOLATION OF N.Y. GEN. BUS. LAW § 349

167. SFCNY and Mr. Goodfriend reallege and incorporate in this Count the allegations set forth in Paragraphs 1 to 166 herein.

168. Through their threats, baseless litigation, and other conduct, the broadcasters employed unlawful, unfair, and/or deceptive business practices, as described above, that are consumer-oriented and have broad impact on consumers at large in that they enable the broadcasters to force consumers to pay exorbitant and supra-competitive fees for over-the air television programming services that were intended to be free or forego those services.

169. The broadcasters' unlawful, unfair, and/or deceptive business practices are not aimed at enforcing their rights under the copyright laws but instead to deter the consumer from engaging in legitimate business with SFCNY and Mr. Goodfriend.

170. As a direct and proximate result of these deceptive trade practices, SFCNY and Mr. Goodfriend have been and will continue to be injured in business and property.

171. As a direct and proximate result of these deceptive trade practices, consumers have been and will continue to be injured.

**COUNT IV: UNFAIR COMPETITION
IN VIOLATION OF CAL. BUS. & PROF. CODE § 17200, ET SEQ.**

172. SFCNY and Mr. Goodfriend reallege and incorporate in this Count the allegations set forth in Paragraphs 1 to 171 herein.

173. Absent injunctive relief, SFCNY and Mr. Goodfriend will suffer loss of money or property and an economic injury in fact, specifically lost donations and goodwill for SFCNY, substantial and unnecessary litigation expenses, and reputational harm to Mr. Goodfriend, and thus have standing to seek relief under section 17200.

174. The broadcasters committed business acts or practices as alleged above that violated the unfairness prong of section 17200 and in so doing directly and proximately caused SFCNY and Mr. Goodfriend to suffer injury in fact and loss of money or property. The broadcasters' conduct violates the policy or spirit of antitrust law or threatens and incipient violation of the antitrust laws. By their threats, baseless litigation, and other conduct, the broadcasters limit innovation and output in over-the-air broadcasting (including retransmission), inflate the cost of retransmission consent rights in each relevant geographic market, and harm consumers by increasing their costs and, if allowed to continue, by limiting their choice of options and reducing access to or further increasing the cost of programming intended to be free. The broadcasters thus suppress competition and violate the core principles and spirit of the antitrust laws.

175. Likewise, the filing of a sham, bad faith litigation for which no reasonable litigant could realistically expect success on the merits and that is motivated by their desire to use the judicial process to impose a collateral, anticompetitive injury rather than obtain a justifiable legal remedy is recognized as unlawful under antitrust law. Such anticompetitive conduct enables conspirators to protect their market dominance through intimidation as well as costly and objectively meritless litigation.

176. The copyright infringement claim against Locast results from the unlawful agreement among the broadcasters to protect their market dominance in the retransmission consent market and is meant to intimidate Locast and its supporters and to drive Locast out of business.

177. The impact of the broadcasters' conduct has harmed SFCNY's and Mr. Goodfriend's donation and business prospects, has substantially injured and continues to substantially injure consumers by limiting their choice of programming options, slowing

innovation, reducing output in over-the-air broadcasting, and increasing consumers' costs. Consumers are not reasonably able to avoid these injuries.

178. Thus, under any standard, the broadcasters' conduct constitutes actionable violations of the UCL's "unfair" business practices prong.

179. As a direct and proximate result of the broadcasters' conduct, SFCNY and Mr. Goodfriend have suffered and will continue to suffer loss of money and property including but not limited to lost donations, loss of goodwill to SFCNY, and reputational harm to Mr. Goodfriend. Unless the broadcasters are restrained by a preliminary and permanent injunction, SFCNY and Mr. Goodfriend will suffer severe, irreparable harm in that it may be forced out of business entirely.

**COUNT V: UNLAWFUL COMPETITION
IN VIOLATION OF CAL. BUS. & PROF. CODE § 17200, ET SEQ.**

180. SFCNY and Mr. Goodfriend reallege and incorporate in this Count the allegations set forth in Paragraphs 1 to 179 herein.

181. Absent injunctive relief, SFCNY and Mr. Goodfriend will suffer loss of money or property and an economic injury in fact, specifically lost donations and goodwill for SFCNY, substantial and unnecessary litigation expenses, and reputational harm to Mr. Goodfriend, and thus have standing to seek relief under section 17200.

182. The broadcasters' tortious interference with prospective economic advantage and copyright misuse establish a claim of unlawful competition.

183. As a direct and proximate result of the broadcasters' conduct, SFCNY and Mr. Goodfriend have suffered and will continue to suffer loss of money and property including but not limited to lost donations, loss of goodwill to SFCNY, and reputational harm to Mr. Goodfriend. Unless the broadcasters are restrained by a preliminary and permanent injunction, SFCNY and Mr. Goodfriend will suffer severe, irreparable harm in that it may be forced out of business entirely.

**COUNT VI: TORTIOUS INTERFERENCE WITH
PROSPECTIVE ECONOMIC ADVANTAGE**

184. SFCNY and Mr. Goodfriend reallege and incorporate in this Count the allegations set forth in Paragraphs 1 to 183 herein.

185. As described above, SFCNY has lost actual and/or potential partners, donors and supporters because of the broadcasters' improper actions, including threats to supporters.

186. The broadcasters were aware of these relationships. By participating in the conspiracy to drive SFCNY out of business through the filing of sham litigation and by threatening supporters in furtherance of that conspiracy, the broadcasters have harmed SFCNY's reputation and intentionally interfered with the foregoing potential business relationships. There was a reasonable probability that the aforementioned donors and supporters would have contributed to SFCNY but for the broadcasters' tortious and unlawful activities and wrongful means.

187. The broadcasters acted with the sole purpose of harming SFCNY, and have used dishonest, unfair, or wrongful means to do so.

188. As a proximate result of the broadcasters' conduct, SFCNY has been damaged.

DEMAND FOR JURY TRIAL

SFCNY and Mr. Goodfriend hereby demand a jury trial on all issues so triable.

PRAYER FOR RELIEF

WHEREFORE, SFCNY and Mr. Goodfriend respectfully pray that this Court:

1. Enter judgment in SFCNY's and Mr. Goodfriend's favor and against Counterclaim-Defendants on their Complaint and on this Counterclaim;

2. Enjoin Counterclaim-Defendants and all in privity with them from:

(a) Continuing with their copyright infringement litigation against Counterclaim-Plaintiffs;

(b) Entering into or maintaining any agreement to prevent entry of competitors, including non-profit organizations, in retransmission services;

(c) Entering into or maintaining any agreement requiring a non-profit organization to pay for retransmission consent; and

(d) Entering into, maintaining, influencing, or directing others concerning any agreement regarding retransmission services by a non-profit organization;

3. Order that Counterclaim-Defendants pay SFCNY and Mr. Goodfriend actual damages in the amount proved at trial;

4. Treble the damages awarded, pursuant to Section 4 of the Clayton Act, 15 U.S.C. § 15(a);

5. Award SFCNY and Mr. Goodfriend reasonable attorneys' fees, costs, and expenses of suit of this action under Section 4 of the Clayton Act, 15 U.S.C. § 15, and/or Section 16 of the Clayton Act, 15 U.S.C. § 26;

6. Order restitution according to proof; and

7. Order such other and further relief as the Court may deem just and proper.

Dated: September 27, 2019

Respectfully submitted,

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Human Gene-Editing Research: Is the Future Here Yet?

Nancy M. P. King

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HUMAN GENE-EDITING RESEARCH: IS THE FUTURE HERE YET?*

NANCY M. P. KING**

Since the discovery of DNA, researchers have pursued the prospect of correcting genetic disorders using genetic interventions. The most recent development, gene editing, poses many scientific, medical, ethical, and policy challenges, especially when the goal is editing the genomes of embryos, creating changes that can be inherited by future generations. Genetic treatments for already-born persons are not controversial, but inheritable genetic changes raise concerns about dangerous outcomes, questions about how to prioritize among scientific and societal needs, and worries about pursuing genetic changes that are enhancements rather than treatments for disease. The history of genetic-intervention research and the development of gene-editing tools like CRISPR were complicated enough, even before the “CRISPR babies” controversy arose in late 2018. CRISPR and related editing technologies should be used for basic research in order to learn more about human development and disease, but there is considerable disagreement and reason to be cautious about clinical applications. Moreover, no global enforcement mechanism exists to detect and prevent deviations from policy. Improved transparency, robust ongoing discussion, and increased education in ethics and genetics for scientists, students, and the public may therefore be both achievable goals and best practices for this rapidly developing science.

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INTRODUCTION

Gene editing is the technical process of deleting segments of DNA from an organism’s genes, and sometimes substituting new DNA sequences, in order to eliminate deleterious mutations.¹ Advances in gene-editing technology have renewed hopes of correcting genetic defects in humans and rekindled debates about the many ethical, social, and policy consequences of genetic manipulation, especially when changes will be passed on through the germline, that is, to future generations. Gene-editing tools like CRISPR-associated protein 9 (“CRISPR-Cas9”) are potentially precise, accurate, easy, quick, and cheap. As a result, gene editing has also renewed long-standing debates about efforts to pursue human

1. Nonscientists will welcome the accessibility, comprehensive history, and sweeping survey of ethical and policy issues raised by gene editing in a highly readable book by one of the discoverers of CRISPR. See generally JENNIFER A. DOUDNA & SAMUEL H. STERNBERG, *A CRACK IN CREATION: GENE EDITING AND THE UNTHINKABLE POWER TO CONTROL EVOLUTION* (2017). For a shorter and equally accessible overview, see Jennifer Kahn, *The CRISPR Quandary*, N.Y. TIMES MAG. (Nov. 9, 2015), <https://www.nytimes.com/2015/11/15/magazine/the-crispr-quandary.html> [<https://perma.cc/9YW3-BCVQ> (dark archive)]. In addition, students of popular culture may appreciate two YouTube videos about CRISPR. See acapellascience, *CRISPR-Cas9 (“Mr. Sandman” Parody)* | *A Capella Science*, YOUTUBE (Oct. 8, 2016), <https://www.youtube.com/watch?v=k99bMtg4zRk> [<https://perma.cc/W9PK-PG39>]; LastWeekTonight, *Gene Editing: Last Week Tonight with John Oliver (HBO)*, YOUTUBE (July 1, 2018), <https://www.youtube.com/watch?v=AJm8PeWkiEU> [<https://perma.cc/4C2M-DE6V>].

germline alteration and enhancement. These debates reached fever pitch in late November 2018, when Chinese scientist Dr. He Jiankui claimed to the world that he had accomplished genome editing of two zygotes successfully brought to term as twin girls.² At first it was unclear whether the twins actually existed, but it became increasingly clear that Dr. He had lied, ignored ethics guidelines, and cut regulatory corners at best, and that the purported edits were probably ineffective and possibly dangerous.³

This Article examines the new gene-editing boom, considering briefly a range of issues—namely, the safety, efficacy, affordability, ethical and social acceptability, oversight, and control of this novel biotechnology. Part I, a very basic introduction to the science of gene editing, notes the similarities and differences between gene editing and its predecessor, gene transfer or gene addition, and a potential successor, base editing. This part continues by examining the policy furor that followed the first publications reporting about gene-editing research efforts in human embryos. It concludes that keeping up with the science and managing its oversight have become significant challenges for policymakers and bioethics scholars. Part II considers the prospect of human gene editing in its social and historical context, examining the most recent scientific developments and the policy debates engendered thereby, including the recent, unexpected, and highly controversial reported birth of gene-edited twins in China. Part III then discusses ethical and policy debates and future prospects for ethical consensus on whether, where, when, and how to move forward with human gene-editing research and clinical translation applied to embryos intended for birth. This part addresses somatic versus germline editing and gene editing's connection to and dependence on basic assisted reproduction technologies like in vitro fertilization

2. See *infra* notes 83–98 and accompanying text.

3. Dr. He's claims were first brought to public attention in late November 2018. See Antonio Regalado, *Exclusive: Chinese Scientists Are Creating CRISPR Babies*, MIT TECH. REV. (Nov. 25, 2018), <https://www.technologyreview.com/s/612458/exclusive-chinese-scientists-are-creating-crispr-babies/> [<https://perma.cc/9FLZ-3UJ4>] [hereinafter Regalado, *Chinese Scientists*]. Also on November 25, Dr. He released a YouTube video about his claims. The He Lab, *About Lulu and Nana: Twin Girls Born Healthy After Gene Surgery as Single-Cell Embryos*, YOUTUBE (Nov. 25, 2018), <https://www.youtube.com/watch?v=th0vnOmFltc> [<https://perma.cc/H3XM-EE97>]. For a summary of Dr. He's claims and responses to those claims, see Sharon Begley & Andrew Joseph, *The CRISPR Shocker: How Genome Editing Scientist He Jiankui Rose from Obscurity to Stun the World*, STAT (Dec. 17, 2018), <https://www.statnews.com/2018/12/17/crispr-shocker-genome-editing-scientist-he-jiankui/> [<https://perma.cc/ARU5-US4N>]; see also *infra* notes 86–98 and accompanying text.

(“IVF”) and preimplantation genetic diagnosis (“PGD”), including controversial arguments about the necessity of germline alteration. This part also addresses treatment versus enhancement and questions of governance and access. Part IV suggests the need to refocus emphasis on modeling and adhering to careful, meticulous, and responsible science, as taught and practiced in laboratories around the world, in both preclinical and translational research settings. Responsible science, fostered by good education in sound and ethical scientific practice, has the best chance—if there is any chance—of promoting the conduct of reason-grounded and thoughtful research, and of helping to ensure robust public discussion of and policy deliberation about ethically sound scientific progress.

I. THE SCIENCE AND EARLY HISTORY OF GENE EDITING

Gene editing has captured the public imagination since CRISPR first hit the news just a few years ago.⁴ It is noteworthy, however, that most of the scientific, medical, ethical, and policy issues raised by gene editing echo questions and problems that have been discussed since Watson, Crick, and Franklin first identified the double helix.⁵ This Article addresses some of the most significant implications of future human clinical applications of gene editing.⁶

4. See *supra* note 1.

5. Tracy Hampton, *Ethical and Societal Questions Loom Large as Gene Editing Moves Closer to the Clinic*, 315 JAMA 546, 546–48 (2016). The deoxyribonucleic acid (“DNA”) helix was identified in 1953. By the 1970s, the search for effective gene-based treatments for human genetic diseases had begun in earnest. Mary Carrington Coutts, *Human Gene Therapy*, 4 KENNEDY INST. ETHICS J. 63, 65 (1994) The first human patient-subject, Ashanti de Silva, received a gene-transfer (now often referred to as gene augmentation) intervention in 1990. *Id.* at 63. In 1999, Jesse Gelsinger became the first patient-subject to die as a result of a gene-transfer research intervention. Rick Weiss & Deborah Nelson, *Methods Faulted in Gene Test Death: Teen Too Ill for Therapy, Probe Finds*, WASH. POST, Dec. 8, 1999, at A1; Paul Gelsinger, *Jesse’s Intent*, GUINEA PIG ZERO (2000), <http://www.guineapigzero.com/jesses-intent.html> [<https://perma.cc/R5PG-8S3X>]. The first gene-transfer intervention was approved as a therapy in 2004 in China. Sue Pearson, Hepeng Jia & Keiko Kandachi, *China Approves First Gene Therapy*, 22 NATURE BIOTECHNOLOGY 3, 3–4 (2004). A few more gene-transfer interventions have been approved to date as therapies by the European Medicines Agency (“EMA”), see Nuala Moran, *First Gene Therapy Glybera (Finally) Gets EMA Approval*, BIOWORLD (Nov. 2, 2012), <http://www.bioworld.com/content/first-gene-therapy-glybera-finally-gets-ema-approval-1> [<https://perma.cc/5BQN-U4FT>], and the FDA, News Release, FDA, FDA Approves Novel Gene Therapy to Treat Patients with a Rare Form of Inherited Vision Loss (Dec. 19, 2017), <https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm589467.htm> [<https://perma.cc/LSH7-YNEN>].

6. This Article draws on some of my previous work on gene editing and related novel biotechnologies, most notably Nancy M. P. King, Pat C. Lord & Douglas E. Lemley,

A. *Science and Ethics in a Fast-Moving Field*

Researchers have been attempting to “edit” genes, by deleting harmful genes and replacing them in the genome with nonmutated versions, since the 1990s.⁷ The tools and techniques first used in gene editing, zinc finger nucleases (“ZFNs”) and transcription activator-like effector nucleases (“TALENs”), are complex and difficult to master; their slow progress thus attracted little notice.⁸ But then came CRISPR (clustered regularly interspersed palindromic repeats), which was first discovered as an adaptive immune system in bacteria but was quickly modified to specifically target any DNA sequence.⁹ Since mid-2014, the explosion of scientific, medical, and public

Editing the Genome: Prospects, Progress, Implications, and Cautions, 5 CURRENT GENETIC MED. REP. 35, 35–43 (2017). It is unfortunately not possible, however, to address all or even most of the relevant issues without taking up excessive space and trying readers’ patience. Many significant ethical and policy issues arise from applications of gene editing (and gene drives) to plants and animals. These issues include not only agricultural and animal husbandry applications but also basement biohacking and the potential weaponization of genetically altered organisms. All this and more is well beyond the scope of this Article, yet others have given these topics expert treatment. See generally NAT’L ACADS. OF SCIS., ENG’G, & MED., GENE DRIVES ON THE HORIZON (2016) (summarizing the scientific discoveries related to gene drives and considerations for their responsible use); Sharon Begley, *Monsanto Licenses CRISPR Technology to Modify Crops—with Key Restrictions*, STAT (Sept. 22, 2016), <https://www.statnews.com/2016/09/22/monsanto-licenses-crispr/> [<https://perma.cc/G3MS-FKG3>]. Nor do I address the prospect of using gene editing and related technologies to create human-animal chimeras, such as “humanized” pigs capable of growing human organs suitable for transplantation, which raises issues that are related to but distinguishable from those addressed in this Article and that deserve thorough examination. See, e.g., David Shaw et al., *Creating Human Organs in Chimaera Pigs: An Ethical Source of Immunocompatible Organs?*, 41 J. MED. ETHICS 970, 970–74 (2015); Fergus Walsh, *US Bid to Grow Human Organs for Transplant Inside Pigs*, BBC NEWS (June 6, 2016), www.bbc.com/news/health-36437428 [<https://perma.cc/PD7N-TT6L>].

7. See Jens Boch, *TALEs of Genome Targeting*, NATURE BIOTECHNOLOGY 135, 135–36 (2011); Sundar Durai et al., *Zinc Finger Nucleases: Custom-Designed Molecular Scissors for Genome Engineering of Plant and Mammalian Cells*, 33 NUCLEIC ACIDS RES. 5978, 5978 (2005).

8. Even so, close to a dozen protocols involving ZFNs have been submitted to the Recombinant DNA Advisory Committee (“RAC”) for review to date. See, e.g., *Gene Transfer Protocol Report: A Phase I, Open-Label, Ascending Dose Study to Assess the Safety and Tolerability of AAV2/6 Factor IX Gene Therapy via Zinc Finger Nuclease (ZFN) Mediated Targeted Integration of SB-FIX in Adult Subjects with Severe Hemophilia B*, GEMCRIS (Jan. 23, 2018), https://www.gemcris.od.nih.gov/Contents/GC_CLIN_TRIAL_RPT_VIEW.asp?WIN_TYPE=R&CTID=1446 [<https://perma.cc/7ER8-X557>]. Moreover, TALEN, although nowhere near approval as a therapy, has been used to treat an infant outside the United States, apparently successfully. See Andrew Pollack, *A Cell Therapy Untested in Humans Saves a Baby with Cancer*, N.Y. TIMES, Nov. 6, 2015, at B3.

9. Kahn, *supra* note 1.

interest has resulted in thousands of scholarly publications,¹⁰ floods of articles in the popular press,¹¹ and extensive debate about a broad range of bioethics and public policy issues, including but not limited to questions about safety and efficacy, about whether it is appropriate to edit the human germline,¹² and about whether it is possible to establish global governance over what appears to be a potentially species-altering technology.¹³ Federal and international panels and commissions have addressed the science and ethics of CRISPR.¹⁴ And public discussion of the possibility and desirability of making inheritable genetic alterations to eliminate genetic disease, and of genetically enhancing humans, which has been simmering for nearly fifty years, has now reached boiling point.

10. See, e.g., Barry L. Stoddard & Keith Fox, Editorial, *CRISPR in Nucleic Acids Research*, 44 NUCLEIC ACIDS RES. 4989, 4989–90 (2016), corrected at 44 NUCLEIC ACIDS RES. 8512, 8512 (2016) (correcting an omission of a reference from a previous issue to properly explain that “the number of studies citing ‘CRISPR + Cas9,’ as indexed in PubMed, has exploded from four papers in 2012 to a projection of over 2000 publications in 2016”); Amanda B. Keener, *Gene Editing: From Roots to Riches*, SCIENTIST (Oct. 1, 2016), <http://www.the-scientist.com/?articles.view/articleNo/47156/title/Gene-Editing--From-Roots-to-Riches/> [<https://perma.cc/5ZZ9-NNHZ>].

11. See, e.g., Kendal K. Morgan, *CRISPR Comes to the Clinic*, GENOME MAG., Summer 2017, at 40, 43, 45; Alice Park, *Life, the Remix*, TIME, July 4, 2016, at 42, 44–48; Michael Specter, *The Gene Hackers*, NEW YORKER, Nov. 16, 2015, at 52, 54; Nathaniel Comfort, *Can We Cure Genetic Diseases Without Slipping into Eugenics?*, NATION (July 16, 2015), <http://www.thenation.com/article/can-we-cure-genetic-diseases-without-slipping-into-eugenics/?print=1> [<https://perma.cc/C9FL-2QT5>]; Mike Feibus, *CRISPR Gene Editing Tool: Are We Ready to Play God?*, USA TODAY (July 24, 2017, 9:00 AM), <https://www.usatoday.com/story/tech/columnist/2017/07/24/crispr-gene-editing-tool-we-ready-play-god/490144001/> [<https://perma.cc/5WHE-X3W7>].

12. See *About Human Germline Gene Editing*, CTR. FOR GENETICS & SOC’Y, <http://www.geneticsandsociety.org/article.php?id=8711> [<https://perma.cc/6VC6-4N6N>].

13. See Gary E. Marchant & Wendell Wallach, *Coordinating Technology Governance*, ISSUES SCI. & TECH., Summer 2015, at 43, 43–45.

14. There have been two international summits on human genome editing to date. See Press Release, Nat’l Acads. of Scis. Eng’g & Med., Second International Summit on Human Genome Editing to Be Held in Hong Kong (May 8, 2018), <http://www8.nationalacademies.org/onpinews/newsitem.aspx?RecordID=05082018> [<https://perma.cc/Z9V4-K7SY>]. In addition, the National Academies of Science, Engineering, and Medicine convened international scholarly meetings over several years and issued an influential report in 2017. See generally NAT’L ACADS. OF SCIS., ENG’G, & MED., HUMAN GENOME EDITING: SCIENCE, ETHICS, AND GOVERNANCE (2017) [hereinafter NASEM, HUMAN GENOME EDITING] (“Recognizing both the promise and concerns related to human genome editing, the National Academy of Sciences and the National Academy of Medicine convened the Committee on Human Gene Editing: Scientific, Medical, and Ethical Considerations to carry out the study that is documented in this report.”). And the second issue of the CRISPR Journal featured a compendium of position statements from around the world. See *infra* text accompanying note 82.

The prospect of genetic modification, and the fears and hopes it engendered, were first addressed in the 1970s in connection with the Asilomar moratorium on recombinant DNA research.¹⁵ Discussion of the ethical, legal, and social implications (“ELSI”) of genetic research expanded in the 1990s when recombinant DNA research in humans began to attempt correction of genetic defects and the Human Genome Project began its work of finding and mapping all human genes.¹⁶ Attention to the implications of gene-based treatment and enhancement largely faded from view, however, after the mapping project was completed and progress in clinical research slowed.

Despite the growth of multidisciplinary in the biosciences, collaboration between scientists and bioethics scholars has remained challenging because of the rapid development of specialized knowledge and the resultant information gaps and language barriers. This means that ethical and policy thinking can at times lag behind biotechnological developments or misunderstand or mischaracterize them.¹⁷ However, waiting to address the implications of a novel biotechnology until it is more fully developed often means chasing after what has rapidly become regarded as inevitable.¹⁸ Indeed, the global response to Dr. He’s work may exemplify both the inherent

15. At the Asilomar Conference, the American scientific community voluntarily and temporarily halted all recombinant DNA research until risks of harm were further assessed and oversight mechanisms were created. *See generally* Paul Berg, *Asilomar 1975: DNA Modification Secured*, 455 NATURE 290 (2008) (noting the successes of the conference and considering whether an Asilomar-type conference could “help resolve some of the controversies now confronting scientists and the public”); Michael Rogers, *The Pandora’s Box Congress*, ROLLING STONE, June 19, 1975, at 36 (narrating the historic conference through vignettes).

16. Eric D. Green, James D. Watson & Francis S. Collins, *Twenty-Five Years of Big Biology*, 526 NATURE 29, 29–31 (2015).

17. When five percent of the federal funding for the Human Genome Project was set aside for study of its ethical, legal, and social implications, bioethics scholarship went mainstream. *See* Jean E. McEwen et al., *The Ethical, Legal, and Social Implications Program of the National Human Genome Research Institute: Reflections on an Ongoing Experiment*, 15 ANN. REV. GENOMICS & HUM. GENETICS 481, 481–82 (2014). Yet it also became known for examining the potential of biotechnologies that had not yet come to fruition and thus was sometimes regarded as standing in the way of science. Steven Pinker, *The Moral Imperative for Bioethics*, BOS. GLOBE (Aug. 1, 2015), <https://www.bostonglobe.com/opinion/2015/07/31/the-moral-imperative-for-bioethics/JmEkoyzITAu9oQV76JrK9N/story.html> [<https://perma.cc/5AHD-HQNM> (dark archive)].

18. Germline gene editing has been so characterized. *See, e.g.*, Stephen S. Hall, *Red Line: Will We Control Our Genetic Destinies?*, SCI. AM., Sept. 2016, at 54, 56–58; Antonio Regalado, *Engineering the Perfect Baby*, MIT TECH. REV., May–June 2015, at 26, 32 [hereinafter Regalado, *Engineering the Perfect Baby*].

limitations of guidance development and the failures of education and enforcement.¹⁹

B. *Benefits, Harms, and Policy Tradeoffs*

Two overarching policy questions that scientists, scholars, and society began to address during the Asilomar moratorium have reemerged as a result of CRISPR-Cas9: First, should our concerns be focused only on safety and efficacy, or also on metaphysical matters like the integrity of human genetic inheritance?²⁰ And second, should the debates and decisions be led by scientists who are experts in the technology; by policymakers, bioethics scholars, and the general public; or by the individuals and families affected by genetic disorders, and their advocates?²¹ In the current debate about inheritable genetic modifications, more than a few prominent scientists have agreed that science alone cannot answer ethics questions; instead, they acknowledge the need for broad and robust

19. See discussion *infra* Part II; see also Antonio Regalado, *Rogue Chinese CRISPR Scientist Cited US Report as His Green Light*, MIT TECH. REV. (Nov. 27, 2018), <https://www.technologyreview.com/s/612472/rogue-chinese-crispr-scientist-cited-us-report-as-his-green-light/> [<https://perma.cc/EG4N-VPU3>].

20. George J. Annas, Lori B. Andrews & Rosario Isasi, *Protecting the Endangered Human: Toward an International Treaty Prohibiting Cloning and Inheritable Alterations*, 28 AM. J.L. & MED. 151, 151–53 (2002) [hereinafter Annas et al., *Protecting the Endangered Human*]; George Annas, *Scientists Should Not Edit Genomes of Human Embryos*, B.U. SCH. PUB. HEALTH (Apr. 30, 2015), <https://www.bu.edu/sph/2015/04/30/scientists-should-not-edit-genomes-of-human-embryos/> [<https://perma.cc/U4NW-UXQM>] [hereinafter Annas, *Human Embryos*].

21. See, e.g., Ruha Benjamin, *Interrogating Equity: A Disability Justice Approach to Genetic Engineering*, in INTERNATIONAL SUMMIT ON HUMAN GENE EDITING: COMMISSIONED PAPERS 48, 48–51 (2015), www.nationalacademies.org/cs/groups/pgasite/documents/webpage/pga_170455.pdf [<https://perma.cc/MU37-9JRV>]; Alta Charo, *The Legal/Regulatory Context*, in INTERNATIONAL SUMMIT ON HUMAN GENE EDITING: COMMISSIONED PAPERS, *supra*, at 13, 13–19; Erika Check Hayden, *Tomorrow's Children*, 530 NATURE 402, 403–05 (2016); J. Benjamin Hurlbut, *Limits of Responsibility: Genome Editing, Asilomar, and the Politics of Deliberation*, HASTINGS CTR. REP., Sept.–Oct. 2015, at 11, 11–14; Eric T. Juengst, *Crowdsourcing the Moral Limits of Human Gene Editing?*, HASTINGS CTR. REP., May–June 2017, at 15, 15–23; Daniel Sarewitz, *Science Can't Solve It*, 522 NATURE 413, 413–14 (2015); Sharon F. Terry, *Societal Implications: The Role of Advocacy Organizations*, in INTERNATIONAL SUMMIT ON HUMAN GENE EDITING: COMMISSIONED PAPERS, *supra*, at 36, 36–38; Charis Thompson, *Governance, Regulation, and Control: Public Participation*, in INTERNATIONAL SUMMIT ON HUMAN GENE EDITING: COMMISSIONED PAPERS, *supra*, at 44, 44–47; Antonio Regalado, *Patients Favor Changing the Genes of the Next Generation with CRISPR*, MIT TECH. REV. (Dec. 2, 2015), <https://www.technologyreview.com/s/544141/patients-favor-changing-the-genes-of-the-next-generation-with-crispr/> [<https://perma.cc/M6GD-6U2X>].

public debate.²² But whether that ethics debate should be framed as a balance of the risks of harm against potential benefits only for individuals and their progeny, or whether it should expand to address the implications of multiple individual, inheritable changes for the human species as a whole,²³ is still at issue. At the same time, the research is advancing rapidly and has already taken some unprecedented directions.²⁴

Scientists and the public alike recognize that potentially astounding health benefits could follow from editing the human germline. But there are real concerns as well. Introducing permanent inheritable changes might introduce unintended errors that could damage not only individual patient-subjects but also their future offspring for generations. This concern arose when gene-transfer research²⁵ began in 1990.²⁶ Gene transfer seeks to correct deleterious genetic mutations by introducing multiple copies of nonmutated versions of the responsible gene into the body.²⁷ The principal risk of harm comes from the possibility of “off-target effects”—that is, that copies could insert into the wrong place in the genome, causing a different and potentially deleterious mutation.²⁸ That potential harm is only to the individual so treated; however, it is common to monitor

22. See, e.g., Eric S. Lander, *Brave New Genome*, 373 NEW ENG. J. MED. 5, 5–8 (2015).

23. See Annas et al., *Protecting the Endangered Human*, *supra* note 20, at 153; Annas, *Human Embryos*, *supra* note 20.

24. Chinese researchers in particular have surged ahead in both embryo research and clinical applications, and He Jiankui was not the first to surprise the scientific community. See discussion *infra* Part II.

25. Gene-transfer research was first misleadingly labeled “gene therapy.” See Nancy M. P. King, *Rewriting the “Points to Consider”: The Ethical Impact of Guidance Document Language*, 10 HUM. GENE THERAPY 133, 133 (1999). It has now been renamed “gene augmentation” or “gene-addition” research to distinguish it from gene editing. See Thierry VandenDriessche & Marinee K. Chuah, *CRISPR-Cas9 Flexes Its Muscles: In Vivo Somatic Gene Editing for Muscular Dystrophy*, 24 MOLECULAR THERAPY 414, 414–16 (2016).

26. Coutts, *supra* note 5, at 63. The first human clinical gene-transfer experiment that intended to develop a genetic treatment enrolled children with adenosine deaminase deficiency, a severe combined immunodeficiency disorder. Francesca Ferrua & Alessandro Aiuti, *Twenty-Five Years of Gene Therapy for ADA-SCID: From Bubble Babies to an Approved Drug*, 28 HUM. GENE THERAPY 972, 972–74 (2017). The first patient-subject in that experiment, Ashanti DeSilva, is still alive and well. See *id.* at 978.

27. See LEROY WALTERS & JULIE GAGE PALMER, *THE ETHICS OF HUMAN GENE THERAPY* 18, 23, 26, 166–69 (1997); Nancy M. P. King, *Accident & Desire: Inadvertent Germline Effects in Clinical Research*, HASTINGS CTR. REP., Mar.–Apr. 2003, at 23, 24 [hereinafter King, *Accident & Desire*]; VandenDriessch & Chuah, *supra* note 25.

28. The principal concern is that an off-target insertion will cause cancer. See, e.g., Salima Hacin-Bey-Abina et al., *Efficacy of Gene Therapy for X-Linked Severe Combined Immunodeficiency*, 363 NEW ENG. J. MED. 355, 363 (2010).

adult male patient-subjects in many gene-transfer clinical trials by testing their semen to determine whether there are any potential germline effects and to advise them against unprotected sex until monitoring is completed.²⁹

Gene editing, in contrast, does not flood the organism with new copies of genes.³⁰ Instead, it either removes mutated or damaged sequences from genes, or removes them and replaces them with undamaged versions.³¹ One of the reasons that gene editing has generated such scientific excitement is that it seems to be significantly more precise, and potentially more accurate, as well as more effective and more reliably permanent, than gene addition at its best.³²

The key to gene editing is the creation of double-strand breaks in the DNA double helix. Gene editing before CRISPR used ZFNs and TALENs; these methods, which are still in use, required very precise and painstaking construction of the proteins that break DNA, called nucleases, to hit the right places where the DNA should be broken (called cleavage sites).³³ The discovery of CRISPR has rapidly led to technologies that are much simpler and easier to use.³⁴

29. The risk of germline effects from somatic cell gene-transfer interventions historically arose only by accident. *See, e.g.*, Katherine A. High, *Gene Therapy for Hemophilia: The Clot Thickens*, 25 HUM. GENE THERAPY 915, 918 (2014). The semen of some male gene-transfer research subjects was found to contain copies of the viral vector used to insert the transgene into their somatic cells. *Id.* at 918 fig.3 (collecting well-publicized incidents of such occurrence). This discovery led to monitoring of male patient-subjects; in gene-transfer trials using systemic administration of the vector-transgene combination, semen is collected and tested to look for copies of the (deactivated) viral vector used to carry the transgene into the body's cells. *Id.* at 918. Persistence of vector has always been temporary and has never appeared to include transgene or to affect sperm. *Id.* This low risk of germline effects nonetheless raised concerns and has influenced study design, altering the choice of vector in some gene-transfer protocols and the route of administration of the vector-transgene combination in others, in order to reduce the likelihood of germline transmission. *See id.* at 917–19; King, *supra*, at 23–26. In this author's opinion, concern about germline effects may have contributed to Jesse Gelsinger's death in a phase one gene-transfer protocol, because the FDA changed the route of administration of the gene-transfer intervention from injection into the peripheral circulation to injection into a vein leading directly to the liver, reasoning that the former route was systemic and thus more likely to risk germline effects. Targeting the liver proved more dangerous, however, as it provoked an overwhelming immune response that led to Gelsinger's death.

30. *See* Rodolphe Barrangou & Jennifer A. Doudna, *Applications of CRISPR Technologies in Research and Beyond*, 34 NATURE BIOTECHNOLOGY 933, 933–36 (2016).

31. *See id.* at 934 (offering a short primer on CRISPR).

32. *See generally id.* (overviewing the wide variety of advantages CRISPR brings, both generally and as applied to specific industries and research fields).

33. *See id.* at 933. For excellent discussions of all three biotechnologies, see generally Thomas Gaj, Charles A. Gersbach & Carlos F. Barbas III, *ZFN, TALEN, and*

CRISPR-Cas9 is the first and most popular of the new gene-editing tools to be discovered and developed to date.³⁵ It is stable, simple, facile, affordable, specific, and highly versatile, able to target any DNA sequence, to remove mutated sequences, and even to replace them with nonmutated sequences.³⁶ In comparison with the imprecision of gene addition or augmentation, gene-editing techniques appear to more precisely control the integration of new genetic information, thereby decreasing (though not completely eliminating) the possibility of harmful insertional mutagenesis and other off-target effects.³⁷ And CRISPR-Cas9 is so easy to use that kits can be purchased online, enabling many scientists and students to

CRISPR/Cas9-Based Methods for Genome Engineering, 31 TRENDS BIOTECHNOLOGY 397 (2013); Rajat M. Gupta & Kiran Musunuru, *Expanding the Genetic Editing Tool Kit: ZFNs, TALENs, and CRISPR-Cas9*, 124 J. CLINICAL INVESTIGATION 4154 (2014); and Keener, *supra* note 10.

34. In 1993, Francisco Mojica identified multiple copies of palindromic repetitive bases, interspaced with unique DNA spacers, in the DNA of a microbe. Eric S. Lander, *The Heroes of CRISPR*, 164 CELL 18, 18 (2016). Its structural similarity to another clustered repeat sequence with spacers that had previously been identified in a common bacterium suggested biological significance across species. Yoshizumi Ishino et al., *Nucleotide Sequence of the IAP Gene, Responsible for Alkaline Phosphatase Isozyme Conversion in Escherichia Coli, and Identification of the Gene Product*, 169 J. BACTERIOLOGY 5429, 5432 (1987). These repetitive genetic sequences came to be known as CRISPR. Mojica's work outlining CRISPR's likely function as an adaptive defense mechanism, able to cut foreign DNA in order to cripple the ability of an invading virus to replicate and damage the host, was published in early 2005. See Francisco J.M. Mojica et al., *Intervening Sequences of Regularly Spaced Prokaryotic Repeats Derive from Foreign Genetic Elements*, 60 J. MOLECULAR EVOLUTION 174, 180–81 (2005). Over the next decade, CRISPR's mechanism of action was examined and elucidated further. See Samuel H. Sternberg & Jennifer A. Doudna, *Expanding the Biologist's Toolkit with CRISPR-Cas9*, 58 MOLECULAR CELL 568, 568 (2015). It has now been developed into a highly specific gene-editing tool.

35. See Le Cong et al., *Multiplex Genome Engineering Using CRISPR/Cas Systems*, 339 SCIENCE 819, 819–20, 822 (2013); Giedrius Gasiunas et al., *Cas9-crRNA Ribonucleoprotein Complex Mediates Specific DNA Cleavage for Adaptive Immunity in Bacteria*, 109 PROC. NAT'L ACAD. SCI. 2579, 2579, 2585 (2012); Martin Jinek et al., *A Programmable Dual-RNA-Guided Endonuclease in Adaptive Bacterial Immunity*, 337 SCIENCE 816, 816, 820 (2012); Morgan L. Maeder & Charles A. Gersbach, *Genome-Editing Technologies for Gene and Cell Therapy*, 24 MOLECULAR BIOLOGY 430, 434–35 (2016).

36. See Jennifer A. Doudna & Emmanuelle Charpentier, *The New Frontier of Genome Engineering with CRISPR-Cas9*, 346 SCIENCE 1077 *passim* (2014); Young-II Jo et al., *CRISPR-Cas9 System as an Innovative Genetic Engineering Tool: Enhancements in Sequence Specificity and Delivery Methods*, 1856 BIOCHIMICA ET BIOPHYSICA ACTA 234, 234–36 (2015); Yue Mei et al., *Recent Progress in CRISPR-Cas9 Technology*, 43 J. GENETICS & GENOMICS 63, 63–64, 71, 73 (2016).

37. Maeder & Gersbach, *supra* note 35, at 433–34.

explore gene editing in almost any laboratory setting, or even at home.³⁸

Newer CRISPR models and related technologies are rapidly being developed and tested. Such refinements are continually underway to make gene-editing systems simpler, smaller, and more precise.³⁹ In particular, editing RNA (using Cas13 instead of Cas9) has some advantages over editing DNA.⁴⁰ Unlike DNA editing, RNA editing is temporary.⁴¹ An RNA edit is therefore reversible if it goes wrong in any way, and it can be applied to correct transient conditions, such as damage caused by inflammation resulting from an infection.⁴² RNA edits are also effective when cells are not actively dividing, whereas DNA edits are linked to cell division.⁴³ This difference means that RNA editing, unlike DNA editing, can be applied to brain and muscle cells, as well as to cell types found in other tissues.⁴⁴ Finally, RNA edits affect individual bases in the sequences of base pairs that make up genes—and because single-base mutations cause a number of human genetic diseases, RNA editing could have the potential to treat those diseases precisely and effectively (though not permanently).⁴⁵

Another widely heralded improvement is base editing. Instead of engineering double-strand breaks of DNA, that is, removing an entire

38. Park, *supra* note 11, at 45; *see also infra* text accompanying note 128. For more information on biohacking in general, see Joe Brophy, *God's Name in Vein: Biohacker Injects Himself with DNA Sequence Made from Bible and Koran Verses*, THE SUN (Dec. 21, 2018, 12:58 AM), <https://www.thesun.co.uk/news/8014880/biohacker-injects-dna-sequence-bible-koran-verses/> [<https://perma.cc/LD67-XQ3W>].

39. *See, e.g.*, Janice S. Chen et al., *Enhanced Proofreading Governs CRISPR-Cas9 Targeting Accuracy*, 550 NATURE 407, 407–10 (2017).

40. *See, e.g.*, Jon Cohen, *'Base Editors' Open New Way to Fix Mutation: Novel CRISPR-Derived Technologies Surgically Alter a Single DNA or RNA Base*, 358 SCIENCE 432, 432–33 (2017); David B.T. Cox et al., *RNA Editing with CRISPR-Cas13*, 358 SCIENCE 1019, 1019–27 (2017).

41. Julia Belluz & Umair Irfan, *2 New CRISPR Tools Overcome the Scariest Parts of Gene Editing*, VOX (Oct. 25, 2017, 1:00 PM), <https://www.vox.com/2017/10/25/16527370/crispr-gene-editing-harvard-mit-broad> [<http://perma.cc/M3YD-U5ZH>].

42. *Id.*

43. *Id.*

44. *Id.*

45. *Id. But see* Jon Cohen, *Powerful CRISPR Cousin Accidentally Mutates RNA While Editing DNA Target*, SCIENCE (Apr. 17, 2019, 4:10 PM), <https://www.sciencemag.org/news/2019/04/powerful-crispr-cousin-accidentally-mutates-rna-while-editing-dna-target> [<https://perma.cc/56QW-CCRR>] (“[T]he weaknesses of base editors have become increasingly apparent, and a new study shows they can also accidentally mutate the strands of RNA that help build proteins or perform other key cellular tasks.”).

step in the ladder of the double helix and then either allowing the ends to reconnect without the missing step or inserting a repaired replacement, base editing targets individual base pairs without breaking the strand.⁴⁶ Paired combinations of just four proteins make up all human DNA, and thousands of human diseases are known to be caused by mutations in just one base pair of matched proteins in one gene.⁴⁷ For example, a mistake that puts one adenosine-thymidine (“A-T”) pair where a guanine-cytosine (“G-C”) pair should be causes half of known human genetic diseases.⁴⁸ Therefore, using base editing to change A-T pairs to G-C pairs could permanently and precisely correct a great many deleterious mutations.⁴⁹ Base editing with an enzyme specially synthesized for this purpose is being studied in cell cultures and in small animal models,⁵⁰ and has been pronounced successful in human embryos with Marfan syndrome in a paper by Chinese researchers.⁵¹

Is it possible for ethics and policy to keep up with the breakneck pace of this science? Maybe; but it sure ain’t easy.

II. A BRIEF HISTORY OF CRISPR NEWS AND POLICY

Gene editing made headlines in March 2015 when a group of senior scientists and scholars led by Jennifer Doudna published recommendations arising from a California conference that invited comparison with the 1970s Asilomar moratorium on recombinant DNA research.⁵² They recommended a moratorium on “germline genome modification for clinical application in humans, while societal, environmental, and ethical implications of such activity are

46. Belluz & Irfan, *supra* note 41; see also Nicole M. Gaudelli et al., *Programmable Base Editing of A-T to G-C in Genomic DNA Without DNA Cleavage*, 551 NATURE 464, 464–65 (2017); Alexis C. Komor et al., *Programmable Editing of a Target Base in Genomic DNA Without Double-Stranded DNA Cleavage*, 533 NATURE 420, 420–24 (2016); Brian S. Plosky, *CRISPR-Mediated Base Editing Without DNA Double-Strand Breaks*, 62 MOLECULAR CELL 477, 477–78 (2016).

47. Belluz & Irfan, *supra* note 41.

48. Gaudelli et al., *supra* note 46, at 464.

49. *Id.*

50. See, e.g., Yuanwu Ma et al., Letter to the Editor, *Highly Efficient and Precise Base Editing by Engineered dCas9-Guide tRNA Adenosine Deaminase in Rats*, 4 CELL DISCOVERY 1, 1–3 (2018).

51. Yanting Zeng et al., *Correction of the Marfan Syndrome Pathogenic FBNI Mutation by Base Editing in Human Cells and Heterozygous Embryos*, 26 MOLECULAR THERAPY 2631, 2631–32 (2018).

52. David Baltimore, *A Prudent Path Forward for Genomic Engineering and Germline Gene Modification*, 348 SCIENCE 36, 36–38 (2015).

discussed among scientific and governmental organizations.”⁵³ They called for discussion of information and education about the science and its implications, asked that a “globally representative group” be convened to make policy recommendations, and sought support for “transparent research to evaluate . . . genome engineering technology” to examine “its potential applications for germline gene therapy.”⁵⁴ At around the same time, the International Society for Stem Cell Research (“ISSCR”) issued a similar position statement.⁵⁵ And a week later, another group of scientists published a sterner call for a moratorium accompanied by international dialogue “to assess whether, and under what circumstances—if any—future research involving genetic modification of human germ cells should take place.”⁵⁶

Almost immediately thereafter, *Protein & Cell* published the results of a Chinese experiment attempting CRISPR-Cas9 modification of nonviable human embryos with the apparent aim of determining the feasibility of moving to therapeutic genome editing in viable human embryos.⁵⁷ The Chinese researchers’ findings of both off-target insertions and mosaicism—that is, successful editing of some but not all of the embryos’ cells, resulting in a “mosaic” pattern of edited and unedited cells—were troubling; so was their failure to conduct more basic research first.⁵⁸

At the end of April 2015, the National Institutes of Health (“NIH”) announced that it would not fund any use of gene-editing technology in human embryos.⁵⁹ And in the summer and fall of 2015, several additional position statements appeared.⁶⁰ A joint statement by the American Society of Gene and Cell Therapy (“ASGCT”) and

53. *Id.* at 37.

54. *Id.*

55. Statement, Int’l Soc’y for Stem Cell Research, The ISSCR Statement on Human Germline Genome Modification (Mar. 19, 2015), <http://www.isscr.org/docs/default-source/guidelines/isscr-statement-on-human-germline-genome-modification.pdf?sfvrsn=2> [<https://perma.cc/TPC9-5XV6>].

56. Edward Lanphier et al., *Don’t Edit the Human Germ Line*, 519 NATURE 410, 411 (2015).

57. Puping Liang et al., *CRISPR/Cas9-Mediated Gene Editing in Human Trippronuclear Zygotes*, 6 PROTEIN & CELL 363, 363 (2015).

58. *Id.* at 366.

59. Statement, Nat’l Insts. of Health, Statement on NIH Funding of Research Using Gene-Editing Technologies in Human Embryos (Apr. 29, 2015) (on file with the North Carolina Law Review).

60. See *infra* text accompanying notes 61–63.

the Japan Society of Gene Therapy (“JSGT”)⁶¹ joined the more cautious side of the discussion. Echoing the initial statement from Doudna’s group, statements by the Hinxton Group⁶² and the International Bioethics Committee of the United Nations⁶³ raised cautions but did not call for a halt on gene-editing research that could affect the human germline.

The Doudna group’s call for global attention came to fruition in early December 2015, with the First International Summit on Human Genome Editing.⁶⁴ On December 3, the summit issued a statement that closely tracked the Doudna group’s recommendations: basic and preclinical research should go forward, somatic cell gene editing should go forward in clinical application, germline gene editing should not head toward the clinic, and an ongoing international forum should be created to continue discussion of the ELSI of gene editing.⁶⁵

That forum, the Committee on Human Gene Editing of the National Academies, was created immediately after the summit. The committee held international meetings examining the state of the science, the potential for clinical benefit, the risks of harm, and the ELSI of human gene-editing technologies.⁶⁶ It also considered and assessed existing standards, oversight mechanisms, and safeguards

61. Theodore Friedmann et al., *ASGCT and JSGT Joint Position Statement on Human Genomic Editing*, 23 *MOLECULAR THERAPY* 1282, 1282 (2015).

62. Statement, Hinxton Grp., Statement on Genome Editing Technologies and Human Germline Genetic Modification (Sept. 10, 2015) (on file with the North Carolina Law Review).

63. See generally Int’l Bioethics Comm., UNESCO, Rep. of the Int’l Bioethics Comm. on Updating its Reflection on the Human Genome and Human Rights, U.N. Doc. SHS/YES/IBC-22/15/2 REV.2 (Oct. 2, 2015) (discussing various ethical challenges posed by gene editing of the human genome without calling for an outright ban on the practice in the future).

64. See STEVEN OLSON, NAT’L ACADS. OF SCIS., ENG’G, & MED., INTERNATIONAL SUMMIT ON HUMAN GENE EDITING: A GLOBAL DISCUSSION 6–7 (2015). For a sampling of the broad range of views included in the summit, see generally INTERNATIONAL SUMMIT ON HUMAN GENE EDITING: COMMISSIONED PAPERS, *supra* note 21.

65. Statement, Nat’l Acads. of Scis. Eng’g & Med., On Human Gene Editing: International Summit Statement (Dec. 3, 2015), <http://www.nap.edu/21913> [<https://perma.cc/PFE6-Y9X2>]; see also Sara Reardon, *Global Summit Reveals Divergent Views on Human Gene Editing*, 528 *NATURE* 173, 173 (2015). See generally INTERNATIONAL SUMMIT ON HUMAN GENE EDITING: COMMISSIONED PAPERS, *supra* note 21 (presenting various issues on which the summit took a position).

66. *Consensus Study*, NAT’L ACADEMIES SCI., ENGINEERING & MED., <http://www.nationalacademies.org/gene-editing/consensus-study/index.htm> [<http://perma.cc/5HFT-AEYC>].

worldwide.⁶⁷ Its final report, *Human Genome Editing: Science, Ethics, and Governance*, appeared in February 2017.⁶⁸ The report's widely anticipated recommendations have generally been interpreted as opening the doors to the future a little wider, in two respects. First, the report recommends limiting human clinical trials of somatic gene editing to prevention and treatment applications "at this time" and calls for public discussion and policy debate on enhancement applications, thus setting the stage for enhancement research in the future.⁶⁹ Second, it recommends permitting human germline gene editing, but only for compelling purposes—that is, when there are no reasonable alternatives and the intervention is intended to prevent or treat serious disease or disability.⁷⁰ The report thus even more clearly sets the stage for germline interventions in the not-too-distant future, depending on what counts as a reasonable alternative.⁷¹ It also requires rigorous and comprehensive oversight and long-term multigenerational follow-up and recommends transnational cooperation and ongoing public reassessment.⁷²

The summer of 2017 saw a number of additional developments. The American College of Medical Genetics and Genomics published a points-to-consider document on genome editing in clinical genetics;⁷³ it concluded that "genome editing in the human embryo is premature" and strongly encouraged "broad public debate," continued research to resolve technological problems, and resisting pressure for premature clinical application.⁷⁴ Shortly thereafter, the American Society of Human Genetics led a large group of genetics and medical organizations that published a comprehensive joint position statement on human-germline genome editing, which divided the ethical issues into those arising from its failure and those arising from its success,⁷⁵ and concluded that "at this time," germline gene editing intended for human pregnancy is "inappropriate," but in vitro

67. *Id.*

68. NASEM, HUMAN GENOME EDITING, *supra* note 14.

69. *Id.* at 133–39.

70. *Id.* at 134.

71. *Id.* at 134–35.

72. *Id.*

73. ACMG Bd. of Dirs., Am. Coll. of Med. Genetics & Genomics, *Genome Editing in Clinical Genetics: Points to Consider—A Statement of the American College of Medical Genetics and Genomics*, 19 GENETICS MED. 723, 723–24 (2017).

74. *Id.* at 724.

75. Kelly E. Ormond et al., *Human Germline Genome Editing*, 101 AM. J. HUM. GENETICS 167, 167–76 (2017).

human germline-editing research should go forward and should be publicly funded.⁷⁶ Echoing the *Human Gene Editing* report, the position statement further argued that human clinical applications of germline editing should not proceed unless there is a compelling medical and ethical rationale, good preclinical evidence, and a transparent public process.⁷⁷

Finally, the first human-embryo editing in the United States came to light in the summer of 2017. Oregon Health Sciences University's ("OHSU") Shoukrat Mitalipov and his team edited viable human zygotes, which they created using healthy oocytes and sperm containing a genetic mutation that causes hypertrophic cardiomyopathy, and which thus had a 50/50 chance of carrying the mutation.⁷⁸ They edited these zygotes with a CRISPR-Cas9 package that included a normal synthetic copy of the mutated gene so that the mutation could be replaced with the synthetic copy.⁷⁹ Their published results claimed a high degree of success with few off-target effects and almost no mosaicism, but did contain a surprising wrinkle: the normal gene was not the synthetic version but a copy of the normal version found in the oocyte genome.⁸⁰ These results have been questioned as improbable.⁸¹ It seems likely that a definitive answer will emerge only

76. *Id.* at 172–73.

77. *Id.* at 173–74.

78. Hong Ma et al., *Correction of a Pathogenic Gene Mutation in Human Embryos*, 548 NATURE 413, 413–16 (2017).

79. *Id.*

80. *Id.* at 416–18. Not surprisingly, there was considerable discussion triggered by this revelation in the science-oriented popular press about the ethics of gene editing human embryos, with some particularly skeptical. See, e.g., Eliza Barclay, *Scientists Successfully Used CRISPR to Fix a Mutation that Causes Disease. This Is Huge.*, VOX (Aug. 2, 2017, 3:50 PM), <https://www.vox.com/science-and-health/2017/8/2/16083300/crispr-heart-disease> [<http://perma.cc/R24J-EHT9>]; Sharon Begley, *U.S. Scientists Edit Genome of Human Embryo, but Cast Doubt on Possibility of 'Designer Babies.'* STAT (Aug. 2, 2017), www.statnews.com/2017/08/02/crispr-designer-babies/?utm [<http://perma.cc/L8M3-ZKSP>]; Jessica Berg, *Editing Human Embryos with CRISPR Is Moving Ahead—Now's the Time to Work Out the Ethics*, CONVERSATION (July 28, 2017, 11:40 AM), <https://theconversation.com/editing-human-embryos-with-crispr-is-moving-ahead-nows-the-time-to-work-out-the-ethics-81732> [<http://perma.cc/PC4W-99G3>]; Emily Mullin, *Gene Editing Study in Human Embryos Points Toward Clinical Trials*, MIT TECH. REV. (Aug. 2, 2017), <https://www.technologyreview.com/s/608482/gene-editing-study-in-human-embryos-points-toward-clinical-trials/> [<http://perma.cc/R24J-EHT9>]; Kelly Servick, *First US-Based Group to Edit Human Embryos Brings Practice Closer to Clinic*, SCIENCE (Aug. 2, 2017, 1:00 PM), <https://www.sciencemag.org/news/2017/08/first-us-based-group-edit-human-embryos-brings-practice-closer-clinic> [<http://perma.cc/7PEP-3CQ5>].

81. Skeptical researchers argue that the editing process may simply have deleted a portion of DNA that included the mutation, and that Mitalipov's team detected the one remaining normal maternal gene, not two copies of it, but the team has responded that

if there is continued research by other teams attempting to duplicate OHSU's results.

All things considered, it should be clear by now that human genome editing is of enormous social and policy interest, but keeping track of the position papers, reports, guidances, and commentaries is as much of a challenge as keeping up with the science. There is even a journal devoted entirely to CRISPR, and its second issue contains a useful compilation and review of the many statements relating to the ethical and policy implications of the science—but that list appeared in print in early 2018⁸² and already needs updating. Most notably, the Second International Summit on Human Genome Editing took place in Hong Kong on November 27–29, 2018.⁸³ It included a hastily rearranged session featuring He Jiankui, whose claim of having brought gene-edited twins to live birth had shocked the world just days before.⁸⁴ The repercussions of Dr. He's work are still being felt, and new and amended policy and guidance documents are being published and prepared.⁸⁵

In brief, Dr. He, a Chinese national who studied in the United States while developing his embryo-editing plans, claims to have edited the genomes of twin girls at fertilization in order to increase their resistance to HIV infection.⁸⁶ Dr. He has also claimed that another pregnancy resulting from his research was underway as of

two copies of the maternal gene have been detected and that as-yet-unpublished work confirms that gene repair preferentially seeks the healthy maternal gene. Ewen Callaway, *Did CRISPR Really Fix a Genetic Mutation in These Human Embryos?*, NATURE (Aug. 8, 2018), <https://www.nature.com/articles/d41586-018-05915-2> [<http://perma.cc/Q9BU-4KPX>].

82. Carolyn Brokowski, *Do CRISPR Germline Ethics Statements Cut It?*, 1 CRISPR J. 115, 115–23 (2018).

83. The summit website includes agenda information, slide presentations, videos, and a concluding statement. *Second International Summit on Human Genome Editing*, NAT'L ACADEMIES SCI., ENGINEERING & MED., http://www.nationalacademies.org/genome-editing/2nd_summit/ [<http://perma.cc/RYX5-GJAS>].

84. Regalado, *Chinese Scientists*, *supra* note 3.

85. For example, eight European specialty societies have published a statement in response to Dr. He's work. Hildegard Büning et al., *Consensus Statement of European Societies of Gene and Cell Therapy on the Reported Birth of Genome-Edited Babies in China*, 29 HUM. GENE THERAPY 1337, 1337–38 (2018). Other work is still underway. *See, e.g.*, Sharon Begley, *After 'CRISPR Babies,' International Medical Leaders Aim to Tighten Gnome Editing Guidelines*, STAT (Jan. 24, 2019), https://www.statnews.com/2019/01/24/crispr-babies-show-need-for-more-specific-rules/?utm_content=buffer3335a&utm_medium=social&utm_source=twitter&utm_campaign=twitter_organic [<https://perma.cc/BMV7-HFVT>].

86. Marilyn Marchione, *Chinese Researcher Claims First Gene-Edited Babies*, ASSOCIATED PRESS (Nov. 26, 2018), <https://www.apnews.com/4997bb7aa36c45449b488e19ac83e86d> [<http://perma.cc/6NXX-GE76>].

late November 2018.⁸⁷ These claims were recently substantiated by Chinese authorities,⁸⁸ but there is still no peer-reviewed publication of Dr. He's research at the time of this writing, and scientists who reviewed the slides he presented at the summit in Hong Kong are skeptical about his data.⁸⁹ Dr. He presented his claims to the world in a YouTube video,⁹⁰ and reporter Antonio Regalado broke the story of his work in the *MIT Technology Review* shortly before the summit began.⁹¹

Apparently, Dr. He recruited couples in which the man has HIV infection and the woman does not and told them that he was conducting HIV vaccine research.⁹² Dr. He collected sperm and ova from the man and woman, washed the sperm before fertilizing the ovum with it—which is well known to render transmission of HIV to the embryo virtually impossible—and then sought to edit out a gene that plays a role in helping HIV enter cells, ostensibly to increase the resulting child's resistance to HIV infection.⁹³ Crucially, Dr. He admitted that the edit was not successful in one of the embryos, and it is unclear whether it was completely or even partially successful in the other.⁹⁴ In addition, it is probable that disabling or deleting the gene in question decreases resistance to other, more common infections.⁹⁵

87. Ashley P. Taylor, *Second CRISPR-Modified Pregnancy May Be Underway*, SCIENTIST (Nov. 28, 2018), <https://www.the-scientist.com/news-opinion/second-crispr-modified-pregnancy-may-be-underway-65151> [<http://perma.cc/V8BG-MQPV>].

88. Phoebe Zhang, *China Confirms Birth of Gene-Edited Babies, Blames Scientist He Jiankui for Breaking Rules*, S. CHINA MORNING POST (Feb. 4, 2019, 11:47 AM), <https://www.scmp.com/news/china/science/article/2182964/china-confirms-gene-edited-babies-blames-scientist-he-jiankui> [<https://perma.cc/TDE7-DA9K>].

89. See Katarina Zimmer, *CRISPR Scientists Slam Methods Used on Gene-Edited Babies*, SCIENTIST (Dec. 4, 2018), <https://www.the-scientist.com/news-opinion/crispr-scientists-slam-methods-used-on-gene-edited-babies--65167> [<http://perma.cc/Z3VY-MVQK>]; see also Amy Dockser Marcus, *Scientists Skeptical About Gene-Edited Baby Experiment*, WALL ST. J. (Dec. 12, 2018, 7:00 AM), <https://www.wsj.com/articles/gene-edited-babies-experiment-raises-concerns-11544616000> [<http://perma.cc/K6FR-WMBT>]. See generally Sean P. Ryder, #CRISPRbabies: Notes on a Scandal, 1 CRISPR J. 355, 355–57 (2018) (noting that there are enough uncertainties about Dr. He's work to "raise clear scientific objections"); Ed Yong, *The CRISPR Baby Scandal Gets Worse by the Day*, ATLANTIC (Dec. 3, 2018), <https://www.theatlantic.com/science/archive/2018/12/15-worrying-things-about-crispr-babies-scandal/577234/> [<http://perma.cc/F3XT-WH9P>] (detailing fifteen "worrying things" about Dr. He's research).

90. The He Lab, *supra* note 3.

91. See Regalado, *Chinese Scientists*, *supra* note 3.

92. See Marchione, *supra* note 86.

93. Regalado, *Chinese Scientists*, *supra* note 3; see also Marchione, *supra* note 86.

94. See Marchione, *supra* note 86; Zimmer, *supra* note 89; see also Ryder, *supra* note 89, at 355.

95. See Marchione, *supra* note 86; Zimmer, *supra* note 89.

Moreover, the embryos were not infected or diseased in any way; such an edit constitutes prevention, or enhancement, rather than treatment (and of course, there are many other, far less invasive ways to prevent HIV infection).⁹⁶ Thus, bringing these edited embryos to live birth violates every guidance document and every ethical and policy standard in place around the world. Questions also abound about the validity of regulatory approvals Dr. He claims to have obtained and the clarity, completeness, and accuracy of the consent form signed by the couple.⁹⁷ The Chinese government has condemned Dr. He's work and suspended all his activities.⁹⁸

And yet, Dr. He has managed to claim the spotlight and rekindle fierce debate about clinical applications of CRISPR.⁹⁹ Scientific and policy developments therefore seem to be leading inexorably—and pretty swiftly—toward an expansive research portfolio and clinical applications of gene editing. So now it is time to ask: Why not?

III. WHAT ARE THE ETHICAL AND POLICY ISSUES IN GENE EDITING?

Editing the human germline might be an accidental attribute of a genuinely successful gene-editing treatment, or it might be gene editing's true goal. Does the difference matter? Well, yes, if it points toward enhancement applications and thereby complicates consequent policy implications. Questions of oversight and governance, access and cost, and even more basically, whether and if so how tightly future clinical applications of the technology should be controlled, all need to address how far it is okay to go.

96. Yong, *supra* note 89; *see also* Catherine Offord, *Claim of First Gene-Edited Babies Triggers Investigation*, SCIENTIST (Nov. 26, 2018), <https://www.the-scientist.com/news-opinion/claim-of-first-gene-edited-babies-triggers-investigation-65139> [<http://perma.cc/5RTP-K6F4>].

97. *See* Yong, *supra* note 89; *see also* Xiaomei Zhai et al., *Chinese Bioethicists Respond to the Case of He Jiankui*, HASTINGS CTR. (Feb. 7, 2019), <https://www.thehastingscenter.org/chinese-bioethicists-respond-case-jiankui/> [<https://perma.cc/8VT3-3428>].

98. Offord, *supra* note 96; Antonio Regalado, *The Chinese Scientist Who Claims He Made CRISPR Babies Is Under Investigation*, MIT TECH. REV. (Nov. 26, 2018), <https://www.technologyreview.com/s/612466/the-chinese-scientist-who-claims-he-made-crispr-babies-has-been-suspended-without-pay/> [<http://perma.cc/X6CE-C2F3>].

99. *See supra* notes 84–85 and accompanying text.

A. *Is Germline Genome Editing Necessary, or Just Way Cool?*

Avoiding disease by means of genetic intervention requires knowing which genes are involved in disease causation. Once genes have been identified, treatments are generally sought for affected individuals and designed to be applied to somatic cells—that is, to edit the DNA in the affected cells of the individual’s body. Somatic cell genetic correction has been the goal of human genetic manipulation since its beginning.¹⁰⁰ Correction of the genetic defects in all or most of the affected somatic cells of an individual with a known genetic disorder would, by definition, be a treatment—even a cure—for that person.¹⁰¹ Gene-editing research designed to correct genetic defects in the somatic cells of adults or children is less likely to pose a risk of inadvertent germline effects than is gene-addition research.¹⁰² Thus, it is far less problematic, as long as standards of safety and efficacy are met.¹⁰³

A representative gene-editing example is Sangamo Therapeutics’ trial of an *in vivo* gene-editing intervention for Hunter syndrome, or mucopolysaccharidosis type II, using ZFNs.¹⁰⁴ The first patient-

100. See generally WALTERS & PALMER, *supra* note 27, at 17–59 (describing the science and ethics of somatic cell gene therapy, which affects the research subject or patient but not future generations, and which still represents the only type of genetic research intervention or genetic treatment permissible in humans).

101. See *id.*

102. Sharon Begley, *They’re Going to CRISPR People. What Could Possibly Go Wrong?*, STAT (June 23, 2016), <https://www.statnews.com/2016/06/23/crispr-humans-penn-clinical-trial/> [<http://perma.cc/DUD7-XBBT>].

103. See, e.g., Kaiwen Ivy Liu et al., *A Chemical-Inducible CRISPR-Cas9 System for Rapid Control of Gene Editing*, 12 NATURE CHEMICAL BIOLOGY 980, 980–82 (2016); see also Begley, *supra* note 102. Nonetheless, it matters whether the gene-editing tool used simply snips out the defective sequence and allows the DNA to rejoin without it—a process known as nonhomologous end joining—or whether the defective sequence is replaced with a nonmutated sequence, which is known as homologous recombination or homology directed repair. Nonhomologous end joining is now known to be less precise than homology-directed repair; it also raises the interesting possibility that merely deleting the mutated sequence could also delete potentially beneficial genetic information and thus be as harmful as it is helpful. See, e.g., Moises Velasquez-Manoff, Opinion, *The Upside of Bad Genes*, N.Y. TIMES (June 17, 2017), <https://www.nytimes.com/2017/06/17/opinion/sunday/crispr-upside-of-bad-genes.html> [<http://perma.cc/67WS-EVUW>].

104. Jocelyn Kaiser, *A Human Has Been Injected with Gene-Editing Tools to Cure His Disabling Disease. Here’s What You Need to Know*, SCIENCE (Nov. 15, 2017), <http://www.sciencemag.org/news/2017/11/human-has-been-injected-gene-editing-tools-cure-his-disabling-disease-here-s-what-you> [<http://perma.cc/PE4J-PLYX>]. More recently, University of Pennsylvania researchers began a trial using CRISPR-Cas9 to alter the T cells of adult patient-subjects with cancer. See Shawna Williams, *Two Patients Treated with CRISPRed Cells in Immunotherapy Trial*, SCIENTIST (Apr. 16, 2019), <https://www.the-scientist.com/news-opinion/two-patients-treated-with-crispr-ed-cells-in-immunotherapy-trial-65744>

subject, an adult man, was enrolled in November 2017, and no safety concerns appear to have emerged after enrollment of several more adult patient-subjects in this dose-escalation trial.¹⁰⁵ However, the results have been disappointing,¹⁰⁶ as is often the case the first time a new potential treatment is studied in human patient-subjects.

Importantly, the experimental gene-editing intervention in this trial cannot cross the blood-brain barrier,¹⁰⁷ so it cannot actually edit DNA in all the affected somatic cells. Because of the difficulty of reaching and effectively correcting all the affected cells in many genetic disorders, studying possible gene-editing treatments in affected patient-subjects is of great importance, but somatic cell gene editing in adults, and even in children, may not be as effective as interventions timed to prevent development of genetic disorders or to halt damage at an early stage. Treating an already-born person with somatic cell gene editing may not be perfectly effective if it is not possible to edit most or all of the affected DNA. If only some of the affected cells in the body are successfully edited, this results in mosaicism—a mosaic mixture of affected and corrected cells. Depending on the nature of the condition and the degree of correction, some mosaicism may be enough to effectively treat the condition, and in other cases, the effect may not be sufficient. In contrast, editing an early embryo can improve correction and avoid mosaicism, because the embryo has fewer cells needing correction, and all of the cells in an early embryo are rapidly dividing and can thus perpetuate the correction throughout development. Therefore, early intervention seems a logically superior route, as long as the risk of genetic disease is known.

Once a couple has given birth to a child diagnosed with a genetic disorder, the child's parents and their close relatives can learn more about their own relevant genetic makeup and can use various means

[<https://perma.cc/M53N-3NW2>]. Both the treatment-oriented headline and the very preliminary public announcement about this research demonstrate current overexcitement about CRISPR's potential.

105. Kaiser, *supra* note 104; Marilyn Marchione, *Early Results Boost Hopes for Historic Gene Editing Attempt*, ASSOCIATED PRESS (Sept. 5, 2018), <https://www.apnews.com/2543a04b925c443b9ad3987f4209e68e> [<http://perma.cc/6MQY-YXAW>]; Andrew McConaghie, *No Safety Concerns So Far in Sangamo's Groundbreaking Gene-Editing Trial*, PHARMAPHORUM (Feb. 7, 2018), <https://pharmaphorum.com/news/no-safety-concerns-far-sangamos-groundbreaking-gene-editing-trial/> [<http://perma.cc/SW4U-RRAH>].

106. Ron Leuty, *Why This East Bay Biotech Company Shed Half Its Value*, S.F. BUS. TIMES (Feb. 7, 2019), <https://www.bizjournals.com/sanfrancisco/news/2019/02/07/sangamo-genome-editing-mps-hurler-hunter.html> [<https://perma.cc/4C65-A3L7> (dark archive)].

107. Kaiser, *supra* note 104.

to prevent the birth of additional affected children. Interestingly, current debates about germline gene editing tend to skip over discussion of some of those means. For example, long before the beginnings of the Human Genome Project, Ashkenazi Jewish communities worldwide began collating family histories to try to identify individuals whose offspring might be at risk of being affected by Tay-Sachs disease, a devastating neurodegenerative genetic disorder more common in persons with Ashkenazi Jewish ancestry than in the general population.¹⁰⁸ Couples seeking to marry might be counseled to find another partner, to forgo procreation, or to adopt. As a result, the global incidence of Tay-Sachs disease has decreased substantially.¹⁰⁹ Scientific advances have made even more options available to carrier couples, most notably including IVF to create a small number of embryos, PGD to test them for Tay-Sachs mutations, and selecting unaffected embryos to implant and bring to term.¹¹⁰

Preventing germline transmission of genetic disease through the selection of healthy embryos is widely available in affluent countries. Assisted reproduction technology (“ART”) has expanded rapidly in recent decades, and IVF with PGD has become almost standard for those in need of reproductive health services, especially couples affected by genetic disorders who wish to give birth to a genetically related but unaffected child.¹¹¹ However, IVF and PGD are relatively costly services, with prices ranging from four to six figures, depending on location and insurance coverage.¹¹² In the United States, these procedures are largely the province of the private sector, are not comprehensively regulated, and are far from always paid for by

108. The Jewish Genetic Disease Consortium maintains a web resource on Tay-Sachs Disease that includes extensive information on the disorder, carrier screening for couples, and options for couples who screen positive. *Tay-Sachs Disease*, JEWISH GENETIC DISEASE CONSORTIUM, <https://www.jewishgeneticdiseases.org/diseases/tay-sachs-disease/> [http://perma.cc/H3CW-X6W9].

109. Marvin R. Natowicz & Elizabeth M. Prencz, *Heterozygote Screening for Tay-Sachs Disease: Past Successes and Future Challenges*, 8 CURRENT OPINION PEDIATRICS 625, 627 (1996); Roberto Rozenberg & Lygia da Veiga Pereira, *The Frequency of Tay-Sachs Disease-Causing Mutations in the Brazilian Jewish Population Justifies a Carrier Screening Program*, 119 SAO PAULO MED. J. 146, 146 (2001).

110. *Learning About Tay-Sachs Disease*, NAT'L HUM. GENOME RES. INST., <https://www.genome.gov/10001220/learning-about-taysachs-disease/> [http://perma.cc/43S2-H29Y]; see also Natowicz & Prencz, *supra* note 109, at 626.

111. Robert Klitzman, *How Much Is a Child Worth? Providers' and Patients' Views and Responses Concerning Ethical and Policy Challenges in Paying for ART*, 12 PLOS ONE, e0171939, Feb. 16, 2017, at 1, 2.

112. *Id.* at 1–2.

private health insurance or included in government-funded health care.

It is usually possible—not always, but almost always—to use IVF and PGD to select an unaffected embryo instead of editing an affected embryo. Regardless of whether the goal is to select an unaffected embryo or to edit one that is affected, it is necessary to use IVF to create one embryo or several, and then to use PGD to determine whether any are affected by the genetic disorder of concern (or are carriers). Selecting and implanting an unaffected embryo is thus a key alternative to editing an affected embryo. If editing an individual at a later stage—as an adult, a child, or even a fetus—is not enough, either because of mosaicism or because later editing cannot reverse early damage that occurs before the editing process is undertaken, then it might seem logical to regard embryo editing as nothing other than an alternative to embryo selection. The earlier the editing process begins in development, the more likely it is that all of the body’s cells will be corrected, including those of the (immature) gametes. This effectively makes germline editing a “side effect” of effective treatment.

The gene-editing debate has thus reintroduced an important question¹¹³. If IVF and PGD are commonly used to select disease-free offspring, are there any good reasons to pursue gene editing of embryos (or of gametes¹¹⁴) aside from the rare instances when no unaffected embryo can be selected because all of a couple’s embryos will be affected? Most commentators have answered no,¹¹⁵ some have

113. Terence R. Flotte, *Therapeutic Germ Line Alteration: Has CRISPR-Cas9 Technology Forced the Question?*, 26 HUMAN GENE THERAPY 245, 245 (2015).

114. Hall, *supra* note 18; Regalado, *Engineering the Perfect Baby*, *supra* note 18, at 27–30; *see also* George Church, *Compelling Reasons for Repairing Human Germlines*, 377 NEW ENG. J. MED. 1909, 1910 (2017); Antonio Regalado, *A New Way to Reproduce*, MIT TECH. REV., Sept.–Oct. 2017, at 33, 35–38 [hereinafter Regalado, *A New Way to Reproduce*].

115. *See, e.g.*, Hampton, *supra* note 5, at 547–48; *see also, e.g.*, Friedmann et al., *supra* note 61, at 1282; Elisabeth Hildt, *Human Germline Interventions—Think First*, FRONTIERS GENETICS, May 2016, at 1, 1–3; Lander, *supra* note 22, at 5–7; *supra* text accompanying notes 66–72 (addressing the National Academies of Science, Engineering, and Medicine’s cautious opposition to germline gene editing). In responding “no” to this question, numerous other scientists and bioethics scholars have condemned He Jiankui’s gene-editing experiments as both unnecessary and potentially dangerous. *See supra* notes 86–99 and accompanying text. Further, Francis Collins, Director of the National Institutes of Health, added his censure in a strongly worded statement. Statement, Francis S. Collins, Dir., Nat’l Insts. of Health, Statement on Claim of First Gene-Edited Babies by Chinese Researcher (Nov. 28, 2018), <https://www.nih.gov/about-nih/who-we-are/nih-director/statements/statement-claim-first-gene-edited-babies-chinese-researcher> [http://perma.cc/

emphasized caution, without ruling out the future possibility;¹¹⁶ and a few have responded, “Of course; why not?”¹¹⁷

Robust and reliable understanding of whether editing very early embryos or gametes can provide complete correction and target specificity is still in very short supply. Given our limited knowledge of the relationships among genes and between genes and the environment, genetic alteration of embryos or gametes might have completely unexpected consequences, which can be avoided simply by selecting an unaffected embryo. It thus seems only prudent to limit human clinical applications of gene editing to instances of true necessity, when an unaffected embryo cannot be selected. Recently, however, noted medical scientist George Daley has argued that many couples with low fertility may not be able to use IVF to create enough embryos to identify one that is unaffected to implant and bring to term.¹¹⁸ This could potentially expand the “necessary” application of embryo editing considerably.¹¹⁹

But these are all safety questions. Some additional questions that should be asked may also highlight assumptions on which the whole field of ART is based. These questions touch on some potentially broader issues of social policy and ethics: Should every couple be able to pursue giving birth to children who are genetically related to both

S28Y-QG4F]; see also Jon Cohen, *Francis Collins Ponders Fallout from CRISPR Baby Study*, SCIENCE (Nov. 30, 2018, 11:50 AM), <https://www.sciencemag.org/news/2018/11/epic-scientific-misadventure-nih-head-francis-collins-ponders-fallout-crispr-baby-study> [<http://perma.cc/Q3GG-UYW6>].

116. See, e.g., Dana Carroll, *A Perspective on the State of Genome Editing*, 24 MOLECULAR THERAPY 412, 412–13 (2016); Flotte, *supra* note 113, at 245; Raheleh Heidari, David M. Shaw & Bernice Elger, *CRISPR and the Rebirth of Synthetic Biology*, 23 SCI. ENGINEERING ETHICS 354, 355–57 (2016); Matthew H. Porteus & Christina T. Dann, *Commentary, Genome Editing of the Germline: Broadening the Discussion*, 23 MOLECULAR THERAPY 980, 981–82 (2015); Jeremy Sugarman, *Ethics and Germline Gene Editing*, 16 EMBO REPS. 1, 1 (2015); Xiamoei Zhai, Vincent Ng & Reidar Lie, *No Ethical Divide Between China and the West in Human Embryo Research*, 16 DEVELOPING WORLD BIOETHICS 116, 117, 119 (2016).

117. See, e.g., Church, *supra* note 114, at 1910–11; Hall, *supra* note 18, at 57–58; Julian Savulescu et al., *The Moral Imperative to Continue Gene Editing Research on Human Embryos*, 7 PROTEIN CELL 476, 477 (2015); James Gallagher, *Embryo Engineering a Moral Duty, Says Top Scientist*, BBC NEWS (May 13, 2015), www.bbc.com/news/uk-politics-32633510 [<https://perma.cc/K5F5-DUBZ>]; Pinker, *supra* note 17. Notably, George Church was the only scientist quoted as not condemning He Jiankui for his human genome-editing CRISPR experiment. See Marchione, *supra* note 86; Yong, *supra* note 89.

118. George Q. Daley, Robin Lovell-Badge & Julie Staffann, *Perspective, After the Storm—A Responsible Path for Genome Editing*, 380 NEW ENG. J. MED. 897, 898–99 (2019).

119. *Id.*

parents? Should that effort overshadow adoption or the use of donated gametes? Should couples who have religious or personal objections to discarding any embryo be able to create only a single embryo, and correct it if needed, rather than creating more than one in order to identify and select one that is unaffected?

And finally, and most central here, is it reasonable to regard the complexities and uncertainties of creating germline effects as acceptable side effects of embryo editing under the circumstances, in comparison to its potential benefits, even in instances of true need? How can germline effects be adequately studied in future generations from the perspectives of both science and ethics? How should genetically altered offspring be regarded? Are they lifelong research subjects? For how many generations?¹²⁰ Could editing the germline alter the human genetic inheritance? What does that mean? Should we do so? What sort of policy process should be in place to address these questions? Is it possible to reach international agreement on whether to permit, and if so, how to regulate human germline alteration?¹²¹

Although the germline effects of editing embryos, zygotes, or even gametes were initially posited as a side effect of effective treatment, it may ultimately be impossible to distinguish between germline alteration as a side effect and as a goal. If widespread use of IVF and PGD alone could remove most genetic diseases from the human genetic inheritance, then shouldn't embryo editing be reserved for disorders that can be removed from the human genetic inheritance only by choosing not to procreate or by editing embryos or gametes? Perhaps because the same considerations and concerns exist about germline gene editing regardless of its status as side effect or goal, few efforts are made to preserve a distinction. Instead, most popular arguments in favor of embryo editing start and end with the goal of eradicating devastating genetic diseases forever.¹²²

120. Friedmann et al., *supra* note 61, at 1282.

121. WALTERS & PALMER, *supra* note 27, at 90–91; Mark S. Frankel & Audrey R. Chapman, *Facing Inheritable Genetic Modifications*, 292 *SCIENCE* 1303, 1303 (2001); Juengst, *supra* note 21, at 15, 19; *see* discussion *infra* Section III.D.

122. Survey research very much depends on exactly how questions are asked, and to whom. *See, e.g.*, CARY FUNK & MEG HEFFERON, PEW RESEARCH CTR., PUBLIC VIEWS OF GENE EDITING FOR BABIES DEPEND ON HOW IT WOULD BE USED 2–3 (2018). It is quite understandable that when people are asked about using gene editing to eliminate their own diseases from the population, they will find it easier to imagine themselves as healthy than to imagine that their parents selected an unaffected embryo instead of using gene editing on theirs. *See* Mullin, *supra* note 80.

When analysis of the ethical appropriateness of embryo editing equates editing with selection or fails to compare, consider, or even mention embryo selection, this increases the perceived acceptability of gene editing.¹²³ It also helps to promote what some have argued is the real goal of embryo editing: genetic enhancement.¹²⁴ Arguments in favor of genetic enhancement are further assisted by the conceptual fuzziness of the line between treatment and enhancement.

B. Appropriate Research Targets: Treatment or Enhancement?

Whether germline genetic alteration should be limited to treatment for genetic disorders or should encompass enhancements as well is yet another debate that has been going on for many decades.¹²⁵ Discussion of the similarities and differences among prevention, treatment, and enhancement is a debate that is older and broader than genetics, even though it has considerable significance in genetic intervention. Consider just two examples: vaccines *enhance* immune system function in order to *prevent* infection; erythropoetin is a *treatment* used to restore red blood cell production after cancer chemotherapy causes anemia, but it is also used to increase the blood's oxygen-carrying capacity in order to *prevent* altitude sickness or *enhance* aerobic efficiency in healthy individuals. Many other such examples exist, including administering human growth hormone ("HGH") as a treatment for children who have lower than normal HGH levels, while also giving HGH to uncomplicatedly short children with normal HGH levels to enhance the height they inherited from their parents. Many such "off label" uses of interventions developed as treatments have been proposed and undertaken in the history of medicine and medical research.¹²⁶

123. See, e.g., Cohen, *supra* note 115.

124. See, e.g., Robert Sparrow, *A Not-So-New Eugenics: Harris and Savulescu on Human Enhancement*, HASTINGS CTR. REP., Jan.–Feb. 2011, at 32, 32–33; see also Eric T. Juengst et al., *Is Enhancement the Price of Prevention in Human Genome Editing?*, 1 CRISPR J. 1, 1–2 (2018).

125. See WALTERS & PALMER, *supra* note 27, at 110–11.

126. The history of human gene-transfer research reveals numerous hopes for genetic enhancement, including but not limited to discussions about the feasibility of extending treatment uses of gene-transfer interventions to enhancement purposes. For example, could a gene-transfer intervention for cancer-caused cachexia be used to increase muscle mass in athletes (which, if done, would constitute difficult-to-detect "gene doping")? Could delivering additional corrected copies of the mutated gene responsible for Prader-Willi syndrome, a genetic disorder that includes insatiable appetite, to healthy overweight people suppress their appetites and result in weight loss? Might industry be interested in helping to develop a gene-transfer intervention to spur rapid regrowth of hair after

Examples like these demonstrate the difficulty of cleanly distinguishing between enhancement and treatment. The terms themselves are ambiguous and context dependent; treatment in one setting is enhancement in another. Moreover, as treatment interventions become more common, what is regarded as a condition in need of treatment is highly likely to expand into territory previously regarded as reserved for enhancement only, in the same way that the indications for use of an approved treatment virtually always expand over time.¹²⁷

Discussion of the ethical and policy debates about human enhancement, from everyday examples to the extremes of the anti-aging movement and transhumanism, is far beyond the scope of this Article. Several aspects of genetic enhancement nonetheless deserve mention.

First, assessing and balancing the risks of harm and potential benefits in enhancement research poses a particular challenge. It is far easier, and much less morally problematic, to weigh potential benefits and risks of harm in human research when the potential benefits are understood as a return to normal functioning—a treatment—than when the research subject is a healthy patient for whom “better than normal” is the goal. Despite this difficulty, biohackers have sought to enhance themselves.¹²⁸ Enhancing human embryos should certainly be given far more serious consideration.

But what if genetic enhancement is just at the far end of a continuum that represents the generally praiseworthy, or at least not automatically contemptible, desire to better ourselves? Humans

chemotherapy so that it could also be used off-label for correction of male pattern baldness? All of these speculative possibilities have been discussed in meetings of the NIH Recombinant DNA Advisory Committee.

127. ERIC T. JUENGST & DANIEL MOSELEY, STANFORD ENCYCLOPEDIA OF PHILOSOPHY, HUMAN ENHANCEMENT 12 (Edward N. Zalta et al. eds., Spring 2016 ed. 2016), <https://plato.stanford.edu/entries/enhancement/> [<https://perma.cc/7T6J-5FEX>]; Juengst, *supra* note 21, at 21; Eric T. Juengst, *Can Enhancement Be Distinguished from Prevention in Genetic Medicine?*, 22 J. MED. & PHIL. 125, 126 (1997); Tristan Keys et al., *Faith in Science: Professional and Public Discourse on Regenerative Medicine*, in AFTER THE GENOME: A LANGUAGE FOR OUR BIOTECHNOLOGICAL FUTURE 11, 32–33 (Michael J. Hyde & James A. Herrick eds., 2013).

128. See, e.g., Josiah Zayner, *The First Attempt at Human CRISPR Gene Editing*, SCI., ART, BEAUTY (Oct. 13, 2017), <http://www.josiahzayner.com/2017/10/the-first-human-to-attempt-crispr-gene.html> [<https://perma.cc/8RM5-AXM6>]; Sarah Zhang, *A Biohacker Regrets Publicly Injecting Himself with CRISPR*, ATLANTIC (Feb. 20, 2018), <https://www.theatlantic.com/science/archive/2018/02/biohacking-stunts-crispr/553511/> [<https://perma.cc/W86Z-VM2Z>].

already enhance themselves and their children in a wide variety of relatively modest ways: eyeglasses and laser surgery for myopia, education and Ritalin for academic achievement, meditation and even controlled administration of hallucinogens for moral enhancement, and caloric restriction for life extension. Inheritable genetic enhancements may hold the potential to change the balance of characteristics in a society more pervasively and permanently than other enhancement technologies currently available to individuals and families. Individual choices to ensure that one's children and grandchildren are blond haired and blue-eyed, taller than average, more trusting and compassionate, possessing higher IQs, or needing less sleep potentially have a wide range of possible consequences across societies. Yet all parents seek to secure advantages for their children and pass them on across generations through the acquisition and inheritance of wealth, education, employment opportunities and experiences, contacts and connections, and other forms of social capital. Are genetic enhancements different in kind from other enhancements, or do they differ only in degree of precision, penetrance, and irreversibility?

Many of the enhancements just described would not be regarded as advantageous if everyone had them. Being tall, or blond haired and blue-eyed, matters little if everyone is tall, or blond haired and blue-eyed; these characteristics, and others that matter only if you have them and others do not, are, in economic or philosophical terms, *positional goods*.¹²⁹ Some enhancements, in contrast, may continue to be desirable nevertheless, at least within limits. For example, more education or greater intelligence, more stamina, less need for sleep, and staying healthier longer may all confer advantages over individuals who lack these characteristics, but each enhancement may still have value if everyone shares them; they are, philosophically speaking, *intrinsic goods*.¹³⁰ Even in circumstances where income-related disparities will surely limit access to any and all genetic enhancements, whether for individuals alone or also for their progeny, it is worth considering what kinds of enhancements are even worthy of consideration in a society that seeks to be both free and fair.

129. FRED HIRSCH, *THE SOCIAL LIMITS TO GROWTH* 27 (rev. ed. 2005).

130. MICHAEL J. ZIMMERMAN, *STANFORD ENCYCLOPEDIA OF PHILOSOPHY*, INTRINSIC VS. EXTRINSIC VALUE 5–8 (Edward N. Zalta et al. eds., Spring 2015 ed. 2015), <https://plato.stanford.edu/entries/value-intrinsic-extrinsic/> [<https://perma.cc/VBG5-3PLY>].

Finally, even the most highly valued of intrinsic goods has a place on a continuum from enhancements that manipulate normal species functioning in minor ways, such as bringing short people up to the species norm or improving eyesight beyond 20/20 vision, to those that change normal species functioning more profoundly, such as tripling the human lifespan or enabling humans to photosynthesize in order to counter a shrinking food supply on an overheating planet. Inheritable genetic modifications, now potentially made much easier by gene editing, may be difficult to undo. Thus, even if genetic enhancement is currently no more than a philosopher's dream, contemplating the inheritable changes that could in the future be wrought by human germline gene editing may add at least a modicum of urgency to ongoing ethical and policy deliberations about human enhancement. We need to worry about this because it simply may not be possible to avoid embryo enhancement if embryo editing goes forward.

C. Oversight and Governance, Domestic and Global

That gene editing provides an unparalleled opportunity to address significant questions about governance of new technologies, appropriate oversight, and issues of justice, both domestic and global, seems an understatement. That we are very far from being able to capitalize on that opportunity seems equally obvious. The reasons are legion: international scientific competition, a proliferation of regulatory and oversight mechanisms replete with gaps and overlaps, historical precedents like the “Wild West” of ART in the United States, and the accessibility and affordability of do-it-yourself CRISPR kits for at-home biohacking are just a few of the contributors to the patchwork picture.¹³¹

131. See generally Marianne J. Legato et al., *Editing the Human Genome: Progress and Controversies*, 1 GENDER & GENOME 4, 5–7 (2016) (recounting a roundtable discussion on the progress of human gene editing and the reasons it is controversial). In addition, the European Union's recent determination that gene-edited organisms should be regarded as genetically modified organisms from a regulatory standpoint has added confusion and consternation to the mix. See Press Release, Court of Justice of the European Union, *Organisms Obtained by Mutagenesis Are GMOs and Are, in Principle, Subject to the Obligations Laid Down by the GMO Directive* (July 25, 2018), <https://curia.europa.eu/jcms/upload/docs/application/pdf/2018-07/cp180111en.pdf> [<https://perma.cc/72JD-GHPN>]. Finally, organisms obtained by mutagenesis qualify as genetically modified and are therefore subject to the GMO Directive's obligations. *Id.*; see also Rodolphe Barrangou, *CRISPR Crazy: A Response to the EU Court Ruling*, 1 CRISPR J. 251, 251 (2018); Press Release, Court of Justice of the European Union, *supra*. One important, agreed-upon but largely nonregulatory limitation on human embryo research—the so-called fourteen-day rule—is applied widely but differently across national boundaries and plays a

To address this kind of complexity, which is not at all unprecedented, Marchant and Wallace have suggested applying a model called a “governance coordinating committee,” which can make use of a “soft law” approach to novel biotechnologies by serving a managerial “honest broker” function.¹³² Is there a path forward for establishing a governance coordination committee for gene editing? Well, the summary statement from the organizers of the Second International Summit on Human Genome Editing

calls for an ongoing international forum to foster broad public dialogue, develop strategies for increasing equitable access to meet the needs of underserved populations, speed the development of regulatory science, provide a clearinghouse for information about governance options, contribute to the development of common regulatory standards, and enhance coordination of research and clinical applications through an international registry of planned and ongoing experiments.¹³³

In addition, consider that the NIH has recently decided to yet again revise and reduce the role of the Recombinant DNA Advisory Committee (“RAC”) in the oversight of human gene-transfer research, having concluded that gene-transfer research no longer needs the scrutiny that should be afforded to novel biotechnologies. As part of this revision, “to use the RAC as a public forum to advise on issues associated with emerging biotechnologies, the RAC’s charter will be modified to change the committee’s focus from

fundamental role in gene editing and related research. Insoo Hyun, Amy Wilkerson & Josephine Johnston, *Human-Embryo Research: Revisit the 14-Day Rule*, 533 NATURE 169, 170 (2016).

132. Marchant & Wallach, *supra* note 13, at 46, 48 (“Emerging technologies require a coordinated, holistic, and nimble approach, while not sacrificing diligence in overseeing discernible dangers. . . . It would be an illusion to think that a GCC, or any other body, could resolve these problems altogether. However, through advice, influence, and building rapport among stakeholders, a GCC could play a key role in modulating the development and deployment of new technologies. Today, no single institution is positioned to play such a role.”).

133. Statement, Organizing Comm. of the Second Int’l Summit on Human Genome Editing, On Human Genome Editing II (Nov. 29, 2018) [hereinafter Organizing Committee Statement], <http://www8.nationalacademies.org/onpinews/newsitem.aspx?RecordID=11282018b> [https://perma.cc/7WU2-DB2R]; *see also* Statement, Marcia McNutt, President, Nat’l Acad. of Scis., and Victor J. Dzau, President, Nat’l Acad. of Med., Statement on the Second International Summit on Human Genome Editing (Nov. 29, 2018) [hereinafter Presidents’ Statement], <http://www8.nationalacademies.org/onpinews/newsitem.aspx?RecordID=11282018c> [https://perma.cc/DD25-95HH].

research solely involving recombinant or synthetic nucleic acids to emerging biotechnologies research.”¹³⁴

If the RAC is actually reformulated to provide a public forum that can advise broadly on scientific, safety, and ethical issues arising in research on emerging biotechnologies, perhaps there is some hope that it could continue to listen, deliberate, and influence the progress of gene-editing research and related biotechnologies. That would be desirable. It remains to be seen whether the NIH truly intends to make this change; however, its director, Francis Collins, has referenced it in his response to the He Jiankui scandal.¹³⁵ It is far from clear at the time of this writing what this model could really accomplish.¹³⁶ Even so, another proponent of responsible research progress instead of moratoria in this socially and politically sensitive area has also called for a comprehensive regulatory roadmap that would incorporate a wide variety of guidelines, controls, and checkpoints.¹³⁷

D. A Moratorium?

Notably, in mid-March an international group of genome scientists and bioethics scholars published an article in *Nature* calling for a moratorium on “heritable genome editing.”¹³⁸ An accompanying editorial echoed the need for better regulation and broader discussion,¹³⁹ and the same issue published letters from NIH and the National Academies supporting a moratorium.¹⁴⁰

The moratorium call is detailed, addressing the need to improve the efficiency of IVF and PGD as potentially preferable to clinical genome editing, endorsing the continuation of basic genome-editing

134. NIH Guidelines for Research Involving Recombinant or Synthetic Nucleic Acid Molecules, 83 Fed. Reg. 41,082, 41,083 (Aug. 17, 2018); *see also* Francis S. Collins & Scott Gottlieb, *The Next Phase of Human Gene-Therapy Oversight*, 379 NEW ENG. J. MED. 1393, 1395 (2018) (“The NIH envisions using the RAC as an advisory board on today’s emerging biotechnologies, such as gene editing, synthetic biology, and neurotechnology, while harnessing the attributes that have long ensured its transparency.”).

135. *See* Cohen, *supra* note 115; *see also* Organizing Committee Statement, *supra* note 133; Presidents’ Statement, *supra* note 133.

136. Nancy M. P. King, *RAC Oversight of Gene Transfer Research: A Model Worth Extending?*, 30 J.L. MED. & ETHICS 381, 386 (2002).

137. R. Alta Charo, *Rogues and Regulations of Germline Editing*, 380 NEW ENG. J. MED. 976, 976 (2019).

138. Eric Lander et al., *Adopt a Moratorium on Heritable Genome Editing*, 567 NATURE 165, 165–68 (2019).

139. Editorial, *Set Rules for Genome Editing*, 567 NATURE 145, 145 (2019).

140. Correspondence, 567 NATURE 175, 175 (2019).

research, and positing the global moratorium on clinical genome editing as voluntary and temporary. Not surprisingly, however, it was immediately controversial, with prominent scientists and scholars supporting both sides of the question for a wide range of reasons.¹⁴¹ As at least two international expert groups,¹⁴² with some members already clearly in both “slow down” and “move ahead” camps, have pledged to work together to define terms, discuss scientific and ethical issues, and set standards in germline genome-editing research, the controversy over global governance and research policy is sure to remain significant.

E. Access and Cost

Cost and access have been important concerns for all treatment technologies for as long as paying for health care has been an issue. Both domestically and on a global scale, new biotechnologies often come with immense price tags.¹⁴³ Gene-transfer, cell-based, and regenerative-medicine interventions are, generally speaking, very expensive; some efforts are being made to reduce costs through scale-up and standardization,¹⁴⁴ but the success of such efforts is uncertain.

141. Jon Cohen, *New Call to Ban Gene-Edited Babies Divides Biologists*, SCIENCE (Mar. 13, 2019, 2:00 PM), <https://www.sciencemag.org/news/2019/03/new-call-ban-gene-edited-babies-divides-biologists> [<https://perma.cc/9K5X-XJLA>]. And on April 24, in a letter sent to Alex Azar, United States Secretary of Health and Human Services, sixty-two scientists and bioethics scholars strongly supported a moratorium. See *Gene Therapy Leaders Urge Global Moratorium on Germline Editing*, GENETIC ENGINEERING & BIOTECHNOLOGY NEWS (Apr. 24, 2019), <https://www.genengnews.com/topics/genome-editing/gene-therapy-leaders-urge-global-moratorium-on-germline-editing/> [<https://perma.cc/E9VA-ZS96>].

142. There is a new WHO expert advisory committee to develop governance and oversight standards for human genome editing. *WHO Expert Advisory Committee on Developing Global Standards for Governance and Oversight of Human Genome Editing*, WORLD HEALTH ORG., <https://www.who.int/ethics/topics/human-genome-editing/committee-members/en/> [<https://perma.cc/J3FD-CUX8>]. There is also an international commission, formed by the National Academies of Science and Medicine and the United Kingdom Royal Society. See Correspondence, *supra* note 140, at 175.

143. E.g., Nancy M. P. King & Christine E. Bishop, *New Treatments for Serious Conditions: Ethical Implications*, 24 GENE THERAPY 534, 536 (2017); Damien Garde, *The Cure for ‘Bubble Boy’ Disease Will Cost \$665,000*, STAT (Aug. 3, 2016), <https://www.statnews.com/2016/08/03/gene-therapy-price-gsk/> [<https://perma.cc/L8EX-6PKS>]; Meghana Keshavan, *We May Soon Have Our First \$1 Million Drug. Who Will Pay for It? And How?*, STAT (Oct. 13, 2017), <https://www.statnews.com/2017/10/13/gene-therapy-pricing/?utm> [<https://perma.cc/T5JF-QFCH>].

144. Joshua G. Hunsberger, Thomas Shupe & Anthony Atala, *An Industry-Driven Roadmap for Manufacturing in Regenerative Medicine*, 7 STEM CELLS TRANSLATIONAL MED. 564, 564–68 (2018).

It is possible that the speed and simplicity of CRISPR-Cas9 and other gene-editing tools may help to reduce gene editing's ultimate cost. Even significant cost reductions will not necessarily improve the affordability of future treatments, however, particularly for patients in resource-poor countries, unless gene editing proves far more curative and considerably cheaper than currently available treatments, thus making it feasible to ensure global accessibility. Countries that cannot afford to provide basic health care for the people residing within their borders are unlikely to provide novel biotechnologies, even at low cost. Countries that—like the United States—choose to condition access to health care on the ability to pay for it, with exceptions for only some of those with the least resources and the greatest need, are unlikely to remove or lower that barrier for particular new technologies, no matter how promising.

This is only to say that the cost problem in health care is pervasive; gene editing will simply be another new and expensive biotechnology. But because gene editing of embryos must necessarily be integrated into existing ART systems, which are already financially out of reach for many, disparities of access will surely be exacerbated unless our thinking about payment for such services changes profoundly.

And yet, it must be acknowledged that the issue of fair access to costly biotechnologies is a question of distributive justice that is confined to the rather small and circumscribed realm of rescue medicine. There are other, much broader distributive justice questions that should also be considered. We should ask: How should we distribute not only fair access to novel biotechnological treatments but also to preventive services and also to the support services that are often so necessary when treatments are not cures? How should we fairly apportion funding for health-related research between the development of novel biotechnologies and the search for effective prevention? Should we focus instead on identifying, addressing, and ameliorating the many social factors that give rise to health disparities but that have proven more challenging—and much less exciting—than pursuing cutting-edge science?¹⁴⁵ Should we even consider thinking beyond health, to engage more seriously in collective discussion about all the things that make up a good life, and about

145. REBECCA DRESSER, *WHEN SCIENCE OFFERS SALVATION* 47 (2001).

what societies should do to make the lives of the people who live in them better?¹⁴⁶

IV. CAN POLICY SHAPE SCIENCE?

Somatic cell gene editing is not new, although CRISPR-Cas9, its relatives, and the recent development of even newer and potentially more precise techniques, like base editing, have made it far easier. However, the editing of early embryos and gametes is necessarily controversial. There is still agreement that clinical research involving human embryos intended for reproduction must wait until much more is known, but calls for complete avoidance of germline gene editing are increasingly in the minority.

A. *Is Germline Editing the Future?*

The question whether deliberate germline gene editing should ever be permitted is a question about the nature of the need. IVF combined with PGD is a safe and effective already-existing alternative to gene editing of embryos or gametes in all but the few circumstances where a genetic disorder will necessarily appear in all of the embryos a couple can produce. Yet there are would-be parents who might prefer editing a single embryo over creating and testing multiple embryos, selecting and implanting one or two unaffected embryos, and discarding the rest.¹⁴⁷ And there are other would-be parents with a range of different reasons for seeking gene editing.¹⁴⁸

146. Juengst, *supra* note 21, at 19. See generally MADISON POWERS & RUTH FADEN, SOCIAL JUSTICE: THE MORAL FOUNDATIONS OF PUBLIC HEALTH AND HEALTH POLICY (2008) (proposing that health is only one of six essential dimensions of well-being to which all people deserve access).

147. Nonetheless, what philosophers refer to as the “nonidentity problem”—that is, that selecting an unaffected embryo means choosing a different potential person, whereas editing an embryo means treating the same potential person—may be a distinction that is more illusory than meaningful. Interview with Janet Malek, Assoc. Professor, Baylor Coll. of Med. (Oct. 19, 2018).

148. See Daley et al., *supra* note 118, at 897–99 (addressing the needs of couples with low fertility). For instance, there are would-be fathers with genetic disorders who would choose to have their spermatogonial stem cells genetically altered and reimplanted into their testes so that they can reproduce “naturally.” See Church, *supra* note 114, at 1909–11. And there are same-sex couples who would choose to create bipaternal or bimaternal embryos, should that technology become available. See Zhi-Kun Li et al., *Generation of Bimaternal and Bipaternal Mice from Hypomethylated ESCs with Imprinting Region Deletions*, 23 CELL STEM CELL 665, 665 (2018). It is noteworthy that the He Jiankui scandal has not deterred some researchers from studying similar preventive interventions. See Antonio Regalado, *Despite CRISPR Baby Controversy, Harvard University Will Begin Gene-Editing Sperm*, MIT TECH. REV. (Nov. 29, 2018), <https://www.technologyreview.com/>

When editing, rather than selection, is chosen or necessary, germline alteration is then a side effect of editing embryos, zygotes, or gametes in order to ensure that the intervention is completely effective with little or no possibility of mosaicism. But affecting the germline is also a goal in itself, accomplished by either embryo selection or embryo editing. IVF, PGD, and embryo selection already work to eliminate deleterious conditions from the human germline, without gene editing's uncertain and unknown effects on future generations. Yet there is no groundswell of enthusiasm for making these standard technologies more widely available. The scientific excitement that accompanies genetic manipulation risks overwhelming the ability of professionals and the public to place these novel biotechnologies in perspective.¹⁴⁹

As a result, it is highly likely that over time, more and more embryo editing could come to be regarded as necessary, along with its germline effects, whether inadvertent or desired. And only editing can create (and perpetuate) enhancements.

B. *Is Enhancement Inevitable?*

The prospect of genetic enhancement is far more feasible with gene editing than it has ever been with gene addition. The simple existence of the technology has given rise to an imaginative fervor that so far has outpaced serious discussion about what enhancement means and what its consequences might be—despite the greatly expanded problems of assessing safety and even of predicting the meaning of efficacy when enhancement rather than correction is at issue.¹⁵⁰

s/612494/despite-crispr-baby-controversy-harvard-university-will-begin-gene-editing-sperm/ [https://perma.cc/2KEA-CXFW].

149. There are undoubtedly ambitious scientists and entrepreneurs who are inspired rather than deterred by Dr. He's experience. See Antonio Regalado, *The DIY Designer Baby Project Funded with Bitcoin*, MIT TECH. REV. (Feb. 1, 2019), <https://www.technologyreview.com/s/612838/the-transhumanist-diy-designer-baby-funded-with-bitcoin/> [https://perma.cc/S4FV-WUMQ]. And though beyond the scope of this Article, editing gametes is definitely regarded by the scientific community as a viable strategy to be studied, and one highly reputable scientist, George Daley, Dean of Harvard Medical School, supports continuing research looking toward clinical applications, even after Dr. He. See Regalado, *A New Way to Reproduce*, *supra* note 114, at 35.

150. The regulatory requirements for research with human subjects require a reasonable balance between risks of harm and potential benefits. But as discussion of Dr. He's research demonstrates, when seeking to enhance a healthy human, it is at best somewhat challenging to assess the potential benefits of making someone "better than normal" and compare those elusive benefits to the risks of harm. See Rebecca Dresser,

Addressing the problem of unequal access to costly biotechnologies barely dents the ethical issues raised by this challenging future possibility. Gene editing represents a major scientific leap forward, rekindling public excitement about the possibility of significant amelioration of genetic disorders in the foreseeable future. Yes, it will take quite some time before many human clinical gene-editing trials using CRISPR-Cas9 are underway, but clinical translation seems likely to move more quickly than it has for other novel biotechnologies. After all, research in healthy human embryos was approved in two countries just a year after the first publication of gene-editing research in tripronuclear human embryos in China.¹⁵¹ And the controversy over He Jiankui's work is likely to continue for some time.¹⁵²

C. *Sticking to the Basics: A Proposal*

Despite the push toward clinical applications of human embryo editing, it matters a great deal whether the translational pathway is expected to follow a straight line or not. It seems likely that genetic-modification research in human embryos will continue and expand, but basic and proof-of-principle research may be far more vital than speeding toward the clinic. Gene-editing research using human embryos to gain basic knowledge of embryonic development and infertility is currently underway. Researchers received approval early in 2016 to use CRISPR-Cas9 in healthy donated embryos in the United Kingdom and in Sweden; by September, National Public Radio announced that the Swedish team had started their work.¹⁵³

Genetic Modification of Preimplantation Embryos: Toward Adequate Human Research Policies, 82 MILBANK Q. 195, 207, 209 (2004); Yong, *supra* note 89.

151. See Michelle Taylor, *Japan Joins List of Countries that Allow Gene Editing in Human Embryos*, LABORATORY EQUIPMENT (Oct. 5, 2018, 2:06 PM), <https://www.laboratoryequipment.com/news/2018/10/japan-joins-list-countries-allow-gene-editing-human-embryos> [https://perma.cc/Z8HM-YURE].

152. In recent news identified for this Article, Dr. He continued to defend his research and stated that he was seeking publication of his data. Luke W. Vrotsos, *Chinese Researcher Who Said He Gene-Edited Babies Breaks Week of Silence, Vows to Defend Work*, HARV. CRIMSON (Dec. 7, 2018), <https://www.thecrimson.com/article/2018/12/7/harvard-profs-react-to-human-gene-edit/> [https://perma.cc/7XMC-XG9R]. *But cf.* Henry T. Greely, *He Jiankui, Embryo Editing, CCR5, the London Patient, and Jumping to Conclusions*, STAT (Apr. 15, 2019), <https://www.statnews.com/2019/04/15/jiankui-embryo-editing-ccr5/> [https://perma.cc/QE3G-KKQS] (“Not only was He ethically wrong in doing this work, but its scientific basis was even weaker than generally recognized.”).

153. Ewen Callaway, *Embryo Editing Gets Green Light*, 530 NATURE 18, 18 (2016); Ewen Callaway, *Embryo-Editing Research Gathers Momentum*, 532 NATURE 289, 289 (2016); Park, *supra* note 11, at 45; Rob Stein, *Breaking Taboo, Swedish Scientist Seeks to*

Since then, researchers in the United Kingdom and elsewhere have made significant contributions to basic knowledge of embryo development and disease modeling.¹⁵⁴ Recently, an expert panel convened by the Japanese Ministry of Education, Culture, Sports, Science, and Technology drafted guidelines recommending gene editing of human embryos for basic science research.¹⁵⁵ And a developmental biologist in the United States is using CRISPR to test the efficacy of editing deleterious mutations like retinitis pigmentosa out of human embryos in very early stages of development.¹⁵⁶

Although basic embryo research using CRISPR might seem like nothing other than the first step on the pathway of clinical translation, it should instead be considered a goal in itself. CRISPR was discovered and developed because scientific curiosity led to scientific excitement about the ability to understand, refine, and manipulate a newly identified biological ability. The basic embryo research that CRISPR makes possible seeks to improve scientific understanding of human growth and development in ways that may not lead directly to clinical applications but that may have far greater capacity to improve the health of many in the long run. Renewed attention to basic principles of careful and deliberate knowledge-generating research can do a lot to slow the race to the clinic and help to ensure that what ultimately succeeds in moving from “bench to bedside” is safe and effective, because more is known about how and why it works.¹⁵⁷

Edit DNA of Healthy Human Embryos, NPR (Sept. 22, 2016, 5:07 AM), <http://www.npr.org/sections/health-shots/2016/09/22/494591738/breaking-taboo-swedish-scientist-seeks-to-edit-dna-of-healthy-human-embryos> [<https://perma.cc/7T6J-5FEX>].

154. See, e.g., Norah M. E. Fogarty et al., *Genome Editing Reveals a Role for OCT4 in Human Embryogenesis*, 550 NATURE 67, 67 (2017); Heidi Ledford, *CRISPR Used to Peer into Human Embryos' First Days*, NATURE (Sept. 20, 2017), <https://www.nature.com/news/crispr-used-to-peer-into-human-embryos-first-days-1.22646> [<https://perma.cc/EU5K-J5GN>].

155. David Cyranoski, *Japan Set to Allow Gene Editing in Human Embryos*, NATURE (Oct. 3, 2018), <https://www.nature.com/articles/d41586-018-06847-7> [<https://perma.cc/FXG4-ZTST>].

156. Rob Stein, *New U.S. Experiments Aim to Create Gene-Edited Human Embryos*, NPR (Feb. 1, 2019, 5:42 PM), <https://www.npr.org/2019/02/01/690822745/u-s-scientists-researching-gene-editing-in-human-embryos> [<https://perma.cc/XJ75-3Z5F>].

157. JONATHAN KIMMELMAN, GENE TRANSFER AND THE ETHICS OF FIRST-IN-HUMAN RESEARCH: LOST IN TRANSLATION 111 (2009); Steven Joffe & Franklin G. Miller, *Bench to Bedside: Mapping the Moral Terrain of Clinical Research*, HASTINGS CTR. REP., Mar.–Apr. 2008, at 30, 32, 36. It is noteworthy that the authors of the call for a moratorium on clinical germline editing have taken this position. See Lander et al., *supra* note 138, at 166 (“To be clear, our proposed moratorium does not apply to germline editing for research uses, provided that these studies do not involve the transfer of an embryo to a person’s uterus.”).

It is also important to recognize that the tremendous—and justified—scientific excitement about CRISPR and related gene-editing tools may ultimately result in only modest clinical benefit, precisely because the knowledge gains from basic and preclinical research are themselves broadly generalizable rather than targeted to treatment breakthroughs. This is the way all science generally works, and despite the rapid translation of scientific excitement about gene editing into the popular press, the science of gene editing works this way too.

Great clinical breakthroughs could indeed come from CRISPR; only time will tell. But progress is truly more likely if its pace is slow and steady and if detours and switchbacks are encouraged as learning opportunities. It may be too late to temper public expectations or broaden public deliberation about gene editing, but reinforcing scientific responsibility is a duty borne by all those who think about the relationship of science to society. When shared governance is nearly impossible to achieve or even conceive of in a global explosion of scientific excitement and increasingly accessible technology, sharing conversation plays a vital role in supporting and perpetuating a global commitment to harm prevention, practical wisdom, and reasoned reflection about medical progress.

One of the most important outcomes of the “gene-edited babies” controversy should be renewed attention to the relationship between good science and the ethical and social value of responsible scientific progress. Whether or not He Jiankui is appropriately characterized as a rogue scientist, many researchers and scholars have noted that ethically sound research means more than simple adherence to laws and regulations. Some have gone on to point out that critical reflection about the ethical underpinnings of human research and the promotion of open and robust discussion regardless of self-interest are essential.¹⁵⁸ After all, Dr. He appears to believe that his work is

158. See, e.g., J. Benjamin Hurlbut & Jason Scott Robert, *CRISPR Babies Raise an Uncomfortable Reality—Abiding by Scientific Standards Doesn't Guarantee Ethical Research*, CONVERSATION (Dec. 3, 2018, 6:33 AM), <https://theconversation.com/crispr-babies-raise-an-uncomfortable-reality-abiding-by-scientific-standards-doesnt-guarantee-ethical-research-108008> [<https://perma.cc/9B3K-RWUR>]; Mark Yarborough, *Who Missed the Chance to Stop the CRISPR Babies Scientist? Look in the Mirror*, STAT (Nov. 30, 2018), <https://www.statnews.com/2018/11/30/missed-chance-stop-crispr-babies-scientist/> [<https://perma.cc/74M9-YR2E>]; see also Jon Cohen, *Stanford Says Its Researchers Did Not Help Chinese Biologist Who Gene Edited Babies*, SCIENCE (Apr. 16, 2019), <https://www.sciencemag.org/news/2019/04/stanford-says-its-researchers-did-not-help-chinese-biologist-who-gene-edited-babies> [<https://perma.cc/9A43-35B4>].

both ethical and necessary; the extent to which he may have misunderstood what seems clear to others is a cautionary commentary on ethics education in the sciences, at every level.¹⁵⁹ The integrity of scientific data and the ethics of translational research are interdependent.¹⁶⁰ Both depend upon public and policy conversations about what constitute common human values and why we hold them.¹⁶¹ This is why careful, transparent attention to all its implications is essential to the success of all new science. As difficult and all consuming as that attention is, both for scientists and for the rest of society, the promise of gene editing deserves no less.

CONCLUSION

This Article has attempted, in a drastically condensed discussion, to describe the rapid development of gene editing and to highlight the scientific, medical, ethical, and policy challenges posed by editing the genomes of embryos destined to be born. Such edits are expected to be inherited by future generations. Although developing effective genetic treatments for already-born persons is universally desirable, inheritable genetic changes have been prohibited or, at best, regarded with extreme caution, for a variety of ethical, policy, and scientific reasons, including concern about the high likelihood of dangerous outcomes, desire to make use of less drastic means of eliminating genetic disease, and the hope of preserving the human genetic inheritance without introducing uncontrolled enhancements.

Careful and thoughtful ongoing research can make use of CRISPR and related editing technologies in order to learn more about human development and disease, and thus has a promising

159. See, e.g., Sharon Begley, *He Took a Crash Course in Bioethics. Then He Created CRISPR Babies*, STAT (Nov. 27, 2018), <https://www.statnews.com/2018/11/27/crispr-babies-creator-soaked-up-bioethics/> [<https://perma.cc/TP6F-RBEP>]; Jon Cohen, *After Last Week's Shock, Scientists Scramble to Prevent More Gene-Edited Babies*, SCIENCE (Dec. 4, 2018, 5:25 AM), <https://www.sciencemag.org/news/2018/12/after-last-weeks-shock-scientists-scramble-prevent-more-gene-edited-babies> [<https://perma.cc/99SY-ZWE9>]; Vrotsos, *supra* note 152. Notably, Dr. He and several coauthors, including an American public relations specialist, authored an article in 2018 entitled "Draft Ethical Principles for Therapeutic Assisted Reproductive Technologies." See *Retraction of: Draft Ethical Principles for Therapeutic Assisted Reproductive Technologies by He J et al.*, CRISPR J 2018; *Fast Track*. DOI:10.1089/crispr/2018/0051, 2 CRISPR J. 65, 65 (2019). This document, the content of which is questionable in many ways, was published online by the CRISPR Journal before the news about the twins became public. *Id.* It never made it into the relevant issue of the journal, online or in print, and has since been taken down entirely. *Id.*

160. KIMMELMAN, *supra* note 157, at 94–95; Joffe & Miller, *supra* note 157, at 32.

161. See, e.g., DRESSER, *supra* note 145, at 116–17.

future. However, the desire to develop inheritable genetic modifications—including enhancements—is surprisingly strong, as He Jiankui’s work has demonstrated. Moreover, Dr. He’s work has shown that even if there were clear and universal agreement, there is no global enforcement mechanism able to detect deviations prospectively. Much depends upon continuing, clear, and complete discussion among scientists, bioethics scholars, and policymakers worldwide. Much also depends upon robust ethics education for scientists as well as for the public. But the real question is whether, after Dr. He, the genie can be put back in the bottle. Only time will tell.

Section 5. Trademark and Design Protection Systems

5.7 Protection of designs



5.7.1 Scope of protection



Under Japan's Design Law, protection is available for the form, pattern or color of an object or a combination of these, which appeals visually to the viewer's sense of aesthetics. Put simply, Japan's system protects the shape, form and external appearance of an object.

Furthermore, under the Law revised in FY2006, screen designs (for example, screen designs for recording schedule menu of DVD recorders, those for selecting contacts to make phone calls on mobile phones, and those for selecting prints of photo printers) are protected as the form of parts of goods, subject to certain requirements.

Also, from the recent viewpoint of emphasizing space design, the FY2019 revision of the Law protects the exterior and interior design of buildings. Along with the spread of new technologies such as IoT, the FY2019 revision also protects images not recorded or displayed on goods, such as images stored on clouds and provided over networks and images projected on roads.

(1) Criteria

a. Visual appeal to aesthetic sense

Objects whose form cannot be recognized by the human eye, such as a single grain of powder, do not meet this criterion.

b. Industrial usability

The design must be able to be recreated using an industrial (mechanical or hand-based) process and must be able to be mass-produced.

(2) Examination criteria

a. Novelty

No identical or similar design must have been in existence before the application was made; in other words, the design must be completely new.

b. Ease of creation

No design that is adjudged to be lacking creativity will be registered, regardless of whether or not it is new.

c. Uniqueness

Designs that are either identical or similar to other designs for which applications have been filed or which have been registered are not deemed to be newly-created designs, and will therefore not be registered (except for the application filed by the same person).

d. Eligibility

From a standpoint of public interest, the following designs will not be registered.

- Designs that may breach public order and morals.
- Designs of goods, structures or images that may cause confusion with any item pertaining to the business of any other person.
- Designs consisting of only the minimum form necessary to ensure the functions of the object, basic shape for particular building usage, or indispensable display for image applications.

e. One design per application

Discrete applications must be made for each design. In order to simplify application procedures, the FY2019 revision has abolished the "Classification of Articles" stipulated by the Ministry of Economy, Trade and Industry Decree, and allowed applications for design registrations for multiple designs in a single application form.

f. Priority

If more than one application is filed for the registration of two identical or similar designs, the application filed first will be eligible for registration. If the same person files two identical or similar design applications within a certain period, one of which is deemed as the original design and the other is deemed as a related design, both designs will be eligible for registration under the related design system.

5.7.2 Term of protection



Protection of design rights begins once a design is registered, and the effective period for protection is 25 years from the filing date under the FY2019 revision. However, it is important to note that, contrary to trademarks, it is necessary to pay an annuity each year in order to maintain protection. Furthermore, while design rights generally lapse upon the passing of 25 years from the filing date of the application, if the form of the registered object becomes famous, it is possible to receive protection under the Unfair Competition Prevention Law even after design rights lapse.

5.7.3 A protection system unique to Japan



Japan's Design Law provides a system of protection that is very unique to this country. Below are some major examples of this.

(1) Related design system

Under Japan's Design Law, not only are designs originally registered in relation to a certain object protected, but similar designs related to that object and filed within 10 years from the filing date of the application are also protected. However, if you feel that official advance confirmation is required regarding the extent to which your design is similar to the one registered, you may register your design as a "similar design." Furthermore, as a result of the FY2019 revision of the Law, it has become possible to register designs similar only to related designs, which was not possible in the past.

(2) Design of a set of objects

Under the provisions of Japan's Design Law, design applications and registration usually follow a one-design-per-object principle, however there is an exception to that rule. This exception allows for discrete objects that common sense dictates are usually sold as a set---a knife, fork, and spoon, for example---to be registered as a single design of a set of objects. Intelligent use of this system has the advantage of helping keep costs to a minimum. As a result of the FY2019 revision, partial design registrations for packages have become possible that were not available previously.

(3) Secret designs

When a design is registered, it is generally published in the Design Gazette, however Japan offers a system that allows a registered design to be kept a secret for a certain period upon application. This is known as the "Secret Design" system. Because designs are influenced so strongly by fads and fashions, and because some products' periods of popularity tend to end sooner than others', this system aims to protect the rights of the design-owners for a certain period of time. It should be noted, however, that this system tends to limit litigators' options when suing for infringement of rights, and so the system is used infrequently at best.

(4) Partial designs

Because traditionally design rights have protected an entire object, protection could not be guaranteed against infringement by people who copied only parts of a design. However, under a revision to the law in 1998, the partial design system was introduced allowing registration of parts of shapes or forms with distinct characteristics. Thus, while it used to be that if somebody copied only part of a design they would escape prosecution as long as the overall design was not similar, the new system allows registration of partial designs, meaning that infringements can be prosecuted. Indeed, this is one of the most important aspects of Japan's Design Protection system.

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**TWENTY YEARS OF *ROGERS v. GRIMALDI*:
BALANCING THE LANHAM ACT WITH THE
FIRST AMENDMENT RIGHTS OF
CREATORS OF ARTISTIC WORKS***

*By David M. Kelly and Lynn M. Jordan***

I. INTRODUCTION

Since the U.S. Trademark (Lanham) Act was enacted in 1946,¹ courts have grappled with the interplay between its restrictions against use of confusingly similar trademarks² and the constitutional guarantee of free speech under the First Amendment.³ Fundamentally, trademarks are commercial speech, intended to identify source and to promote or sell products or services. It follows that trademark laws are intended to regulate speech that proposes a commercial transaction.⁴ The First Amendment permits significant regulation of commercial speech, so constitutional issues are typically not implicated in trademark

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1. Trademark Act of 1946, 15 U.S.C. §§ 1051–1127 (“Lanham Act”).

2. The Lanham Act protects trademark owners against third-party uses of the same or similar marks that are likely to cause confusion in the mind of the public as to the source, sponsorship, or affiliation of the third-party goods or services with which the marks are used.

3. The First Amendment of the United States Constitution states: “Congress shall make no law . . . abridging the freedom of speech, or of the press; . . .” U.S. Const. amend. I. The Privileges and Immunities Clause of the Fourteenth Amendment subjects state laws to the First Amendment protections. For other commentator’s discussions of the conflict between the Lanham Act and the First Amendment, see 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 10:15 (4th ed. 2006); Lisa Tomiko Blackburn, *Title Blanding: How the Lanham Act Strips Artistic Expression from Song Titles*, 22 *Cardozo Arts & Ent. L.J.* 837 (2005); Stephanie Dotson Zimdahl, *A Celebrity Balancing Act: An Analysis of Trademark Protection Under the Lanham Act and the First Amendment Artistic Expression Defense*, 99 *Nw. U. L. Rev.* 1817 (2005); Tara J. Goldsmith, *What’s Wrong with this Picture? When the Lanham Act Clashes with Artistic Expression*, 7 *Fordham Intell. Prop. Media & Ent. L.J.* 821 (1997).

4. *Silverman v. CBS Inc.*, 870 F.2d 40, 48 (2d Cir. 1989) (quoting *Friedman v. Rogers*, 440 U.S. 1, 11 (1979) (“[T]he use of a trademark to identify a commodity or a business ‘is a form of commercial speech and nothing more.’”)).

matters.⁵ A court simply considers whether use of a mark is likely to cause confusion with an existing mark by applying a number of factors.⁶ The junior user's First Amendment right to express itself freely is not generally considered, because, "Requiring a commercial speaker to choose words and labels that do not confuse or deceive protects the public and does not impair expression."⁷

But not all trademarks are purely commercial. Movies, television shows, video games, plays, songs, and books, while all typically sold as commercial products, are also creative works of artistic expression.⁸ It is clear, however, that the commercial nature of artistic works does not diminish the First Amendment protections that are afforded them.⁹ In the context of titles of creative works, they are considered to be hybrid in nature, combining artistic expression and commercial promotion. Because the artistic and commercial elements of titles are "inextricably

5. *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 771-72 n.24 (1976) (holding that commercial speech is "more durable" than other types of speech and as a result, "there is little likelihood of its being chilled by proper regulation"). Moreover, trademark laws were not intended to override First Amendment protections. Congress was careful not to overstep this constitutional protection when it enacted the Lanham Act in 1946, and later amendments, including those in 1989, have made clear that the Lanham Act is not intended to interfere with First Amendment rights. *See* 135 Cong. Rec. H1216-17 (daily ed. Apr. 13, 1989) (statements of Rep. Kastenmeier) (noting that the proposed amendments to the Lanham Act "should not be read in any way to limit political speech, consumer or editorial comment, parodies, satires, or other constitutionally protected material").

6. In the Second Circuit, these factors are known as the *Polaroid* factors and include: (1) strength of the plaintiff's mark; (2) degree of similarity between the marks; (3) the proximity of the products; (4) the likelihood that the plaintiff will bridge the gap between the two markets; (5) the existence of actual confusion; (6) the defendant's intent in adopting the mark; (7) the quality of defendant's product; and (8) sophistication of the purchasers. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). These same factors are known as the *Sleekcraft* factors in the Ninth Circuit. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 347 (9th Cir. 1979). Other circuits use similar tests.

7. *Silverman*, 870 F.2d at 48 (citing *Vidal Sassoon, Inc. v. Bristol-Myers Co.*, 661 F.2d 272, 276 n.8 (2d Cir. 1981)) (finding that First Amendment concerns do not justify alteration of normal standard of preliminary injunctive relief based on a Lanham Act claim involving shampoo advertisements). There is some precedent for arguing that federal trademark infringement claims are *confined* to unauthorized uses of marks in commercial speech. For an in-depth discussion of the cases supporting this argument, *see* Margreth Barrett, *Domain Names, Trademarks, and the First Amendment: Searching for Meaningful Boundaries*, 97 TMR 865 (2007).

8. *Nat'l Endowment for the Arts v. Finley*, 524 U.S. 569, 602 (1998) ("It goes without saying that artistic expression lies within this First Amendment protection.")

9. *Time, Inc. v. Hill*, 385 U.S. 374, 397 (1967) ("That books, newspapers, and magazines are published and sold for profit does not prevent them from being a form of expression whose liberty is safeguarded by the First Amendment." (quoting *Joseph Burstyn, Inc. v. Wilson*, 343 U.S. 495, 501-02 (1952))).

intertwined,” these trademarks cannot be treated as ordinary commercial-product marks, but are entitled to the full scope of First Amendment protection.¹⁰

As courts have been careful to note, however, the First Amendment “cannot permit anyone who cries ‘artist’ to have *carte blanche* when it comes to naming and advertising his or her works, art though it may be.”¹¹ So when trademark claims extend to noncommercial speech, a balance must be struck between trademark rights and the protections afforded by the First Amendment. Some courts have held that application of the traditional likelihood-of-confusion factors alone “generally strikes a comfortable balance” between trademark rights and the First Amendment.¹² Others have found that so long as “alternative avenues of communication” are available to the artist, the First Amendment is not compromised.¹³ Clear guidance for balancing the interests of the trademark owner and the public in avoiding confusion about the source or sponsorship of products, on the one hand, and the defendant’s and the public’s interest in freedom of expression and the free flow of ideas, on the other, finally came in the Second Circuit’s 1989 landmark decision in *Rogers v. Grimaldi*,¹⁴ which was a case involving a film about fictional cabaret performers and the actress Ginger Rogers’s efforts to prevent the film from being titled *Ginger and Fred*.

This article discusses the *Rogers v. Grimaldi* decision and its impact on trademark litigation in the entertainment world in the twenty years since it was decided in 1989. In particular, it looks at the application of *Rogers* to titles of different types of creative works of artistic expression, such as films, television shows, books, magazines, and songs; and to elements of these works, such as fictional character names and business names appearing in the works. In doing so, it analyzes the impact of *Rogers* on a circuit-by-circuit basis.

10. *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989); *see also* *Bd. of Trs. v. Fox*, 492 U.S. 469, 474 (1989) (explaining that when pure speech and commercial speech are “inextricably intertwined,” the entirety must be classified as noncommercial); *Hoffman v. Capital Cities/ABC, Inc.*, 255 F.3d 1180, 1185 (9th Cir. 2001) (holding that an article was fully protected under the First Amendment because its commercial purpose was “inextricably entwined” with its expressive elements).

11. *Parks v. LaFace Records*, 329 F.3d 437, 447 (6th Cir. 2003).

12. *Lamparello v. Falwell*, 420 F.3d 309, 314 (4th Cir. 2005)

13. *See* discussion *infra* note 23.

14. 875 F.2d 994.

II. *ROGERS v. GRIMALDI*

Rogers v. Grimaldi involved a fictional film about two Italian cabaret performers who imitated the famed dancing duo Ginger Rogers and Fred Astaire, and ultimately became known as “Ginger and Fred” in Italy.¹⁵ The film focused on a televised reunion of the fictional duo, and was titled *Ginger and Fred*.¹⁶ Ginger Rogers sued the filmmaker, alleging, among other things, that the title violated her rights under Section 43(a) of the Lanham Act.¹⁷ Realizing that “overextension of Lanham Act restrictions in the area of titles might intrude on First Amendment values,” the district court cautioned that the Lanham Act must therefore be construed narrowly to avoid such a conflict.¹⁸

The district court granted summary judgment to the defendant, finding that the Lanham Act did not apply to the title of a motion picture because it was a work of artistic expression.¹⁹ The U.S. Court of Appeals for the Second Circuit affirmed, but commented that the district court had been too broad in its interpretation of the First Amendment’s impact on the Lanham Act, concluding it would create a “nearly absolute privilege” for movie titles.²⁰

While cautioning that First Amendment concerns could not insulate titles of artistic works from all Lanham Act claims, the Second Circuit recognized that those concerns were nevertheless relevant in applying the Lanham Act to claims involving titles.²¹ It also concluded that titles require more protection than ordinary commercial products.²²

The Second Circuit first considered the “no alternative avenues of communication” standard, which had previously been applied by courts faced with conflicts between trademark rights and First Amendment concerns.²³ This test is premised on the

15. *Id.* at 996-97.

16. *Id.* at 996.

17. *Id.* at 997. Section 43(a) of the Lanham Act creates civil liability for “[a]ny person who shall affix, apply, or annex, or use in connection with any goods or services . . . a false designation of origin, or any false description or representation . . . and shall cause such goods or services to enter into commerce. . . .” 15 U.S.C. § 1125(a).

18. *Rogers*, 875 F.2d at 998.

19. *Id.* at 997.

20. *Id.*

21. *Id.* at 997-98.

22. *Id.* at 994.

23. See *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206 (2d Cir. 1979) (enjoining defendants from releasing pornographic film containing infringing

notion that just as a real-property owner may exclude a speaker from its property if other locations exist for the speaker to deliver the message, a mark owner may prohibit use of its mark so long as alternative ways exist for the artist to communicate the idea. In essence, under the “no alternative avenues” test, the First Amendment is implicated only where a title is so intimately related to the subject matter of a work that the author has no alternative means of expressing what the work is about.²⁴

The *Rogers v. Grimaldi* court rejected the “no alternative avenues” test as not being sufficiently accommodating of the public’s interest in free expression.²⁵ Although acknowledging that it had previously employed the test in *Dallas Cowboys Cheerleaders*, the Second Circuit distinguished that case as involving “a pornographic movie with blatantly false advertising,” and explained that the case should not be read “as generally precluding all consideration of First Amendment concerns whenever an allegedly infringing author has ‘alternative avenues of communication.’”²⁶ Recognizing that the test was based on real-property cases, the Second Circuit noted that a landowner’s enforcement of its property rights restricts only the place where the speaker’s expression may occur, whereas a restriction based on intellectual property restricts the content of the speech.²⁷ Instead, the Second Circuit held that the Lanham Act “should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.”²⁸ In the context of allegedly misleading titles using a celebrity’s name, the Second Circuit explained that this “balanc[ing] will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title

marks because other avenues of expressing the message were available); *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397 (8th Cir. 1987), *cert. denied*, 488 U.S. 933 (1988) (finding defendant’s designs on T-shirts that parodied Mutual of Omaha’s logos likely to cause confusion, and rejecting defendant’s argument that the design was protectable free speech because defendant had adequate alternative avenues to communicate his message). The “no alternative avenues” test was derived from the Supreme Court’s decision finding no First Amendment right to distribute handbills in a private shopping mall. *Lloyd Corp. v. Tanner*, 407 U.S. 551 (1972).

24. *Rogers*, 875 F.2d at 998-99 (citing *Mutual of Omaha*, 836 F.2d at 402); *Reddy Commc’ns, Inc. v. Env’tl. Action Found.*, 477 F. Supp. 936 (D.D.C. 1979).

25. *Rogers*, 875 F.2d at 994.

26. *Id.* at 999 n.4.

27. *Id.* at 999.

28. *Id.* at 999.

explicitly misleads as to the source or the content of the work.”²⁹ Applying this balancing test, the Second Circuit found that the *Ginger and Fred* title surpassed the minimum threshold of artistic relevance to the film’s content and contained no explicit indication that Ginger Rogers endorsed the film or had a role in producing it.³⁰

In setting out this “no artistic relevance/explicitly misleading” balancing test, the Second Circuit noted in a footnote that “[t]his limiting construction would not apply to misleading titles that are confusingly similar to other titles” because “[t]he public interest in sparing consumers this type of confusion outweighs the slight public interest in permitting authors to use such titles.”³¹

III. *ROGERS v. GRIMALDI* IN THE SECOND CIRCUIT

Although the *Rogers v. Grimaldi* footnote discussed above seemed to limit the scope of *Rogers* significantly, the Second Circuit had occasion to revisit the issue just a few months later, and it put to rest any idea that *Rogers* was not applicable in “title versus title” cases. In *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publishing Group, Inc.*, the defendant, relying on the *Rogers* footnote, argued that *Rogers* was inapplicable in its parody case that involved the title *Spy Notes*, which was alleged to be confusingly similar to the plaintiff’s *Cliffs Notes* title.³² The Second Circuit disagreed, stating “that language says only that where a title is complained about because it is confusingly similar to another title, the *Rogers* rule that titles are subject to the Lanham Act’s false advertising prohibition only if explicitly misleading is inapplicable.”³³ The Second Circuit further noted that “the overall balancing approach of *Rogers* and its emphasis on construing the Lanham Act ‘narrowly’ when First Amendment values are involved” was applicable.³⁴ Specifically, “in deciding the reach of the Lanham Act in any case where an expressive work is alleged to infringe a trademark, it is appropriate to weigh the public interest in free expression against the public interest in avoiding consumer confusion.”³⁵ To make clear that the balancing test articulated in

29. *Id.*

30. *Id.* at 1001-02.

31. *Id.* at 999 n.5.

32. 886 F.2d 490 (2d Cir. 1989).

33. *Id.* at 494.

34. *Id.*

35. *Id.* (citing *Rogers*, 875 F.2d at 998-99).

Rogers was not limited to cases involving celebrity names or inapplicable in cases involving competing titles, the Second Circuit unequivocally and broadly stated that “we hold that the *Rogers* balancing approach is generally applicable to Lanham Act claims against works of artistic expression.”³⁶

A few years later, in *Twin Peaks Productions, Inc. v. Publications International, Ltd.*, the Second Circuit once again had an opportunity to hone its *Rogers v. Grimaldi* balancing test.³⁷ In deciding whether the plaintiff’s rights in the title *Twin Peaks* for a fictional television series were violated by publication of an unauthorized book about the series titled *Welcome to Twin Peaks: A Complete Guide to Who’s Who and What’s What*, the Second Circuit found “little question” that the title had artistic relevance to the book about the television series.³⁸ The issue then was whether the title was explicitly misleading in that it might induce members of the public to believe the book was prepared by or otherwise authorized by the plaintiff.³⁹

To determine whether a title was explicitly misleading, the Second Circuit believed that it must first assess the likelihood of confusion using the traditional *Polaroid* likelihood-of-confusion factors.⁴⁰ If the *Polaroid* factors weigh in favor of likelihood of confusion, though, the likelihood of confusion must be “particularly compelling” to outweigh First Amendment interests.⁴¹ Because the district court had failed even to consider the *Polaroid* factors, the Second Circuit remanded the case to the district court.⁴² Before doing so, however, the Second Circuit noted a “special consideration” that might be relevant in balancing these particular First Amendment and Lanham Act rights.⁴³ Specifically, the title of the defendant’s book and the appearance of the cover used other elements from the plaintiff’s television series, which the Second Circuit believed posed “a fair question whether a title that might otherwise be permissible under *Rogers* violates the Lanham Act when displayed in a manner that conjures up a visual image

36. *Id.* at 495.

37. 996 F.2d 1366 (2d Cir. 1993).

38. *Id.* at 1379.

39. *Id.*

40. *Id.* See discussion of *Polaroid* *supra* note 6.

41. *Twin Peaks*, 996 F.2d at 1379.

42. *Id.*

43. *Id.* at 1379-80.

prominently associated with the work bearing the mark that was copied.”⁴⁴

In 2007, a U.S. district court within the Second Circuit applied *Rogers* in a case involving competing titles of television programs. In *Lemme v. NBC*, the district court considered whether NBC’s use of the title *American Dreams* for a fictional drama set in the 1960s infringed the plaintiff’s rights in the trademark *American Dream* used as the title of a cable interview show chronicling success stories of immigrants who have “made it big.”⁴⁵ Finding NBC’s title artistically relevant, the district court then turned to an analysis of the *Polaroid* factors as the first step in determining whether the defendant’s title was explicitly misleading as to the source or content of the show it identified. The district court found that the prominent display of the NBC name with *American Dreams* and the fact that the plaintiff’s name (Ingrid Lemme) appeared on screen with her show title,⁴⁶ combined with the national distribution of the defendant’s show and the local cable distribution of the plaintiff’s show,⁴⁷ and the inherently weak nature of the marks,⁴⁸ led to the conclusion that “[n]o rational trier of fact could find for [p]laintiff” on the issue of likelihood of confusion.⁴⁹ Moreover, the district court noted, “This is especially so in this case where the finding of likelihood of confusion must be ‘particularly compelling’ to outweigh NBC’s significant First Amendment interest in the title of its program.”⁵⁰ The district court thus granted NBC’s motion for summary judgment.

Most recently within the Second Circuit in *Syler v. Woodruff* the district court denied an author’s motion for a preliminary injunction to bar another author’s use of “*Perfectly Imperfect*” in the book title *Perfectly Imperfect: A Life in Progress*.⁵¹ The plaintiff had used the title *Good Enough Mother: The Perfectly Imperfect Book of Parenting* and had registered the mark PERFECTLY

44. *Id.* at 1380. Specifically, the book title used the phrase “Welcome to” preceding “Twin Peaks,” copying the “Welcome to Twin Peaks” legend that appeared on a roadside sign in the introduction sequence of each televised episode; also, the book title was displayed on a background that appears to be a wooden slab, which evoked the wooden roadside sign depicted in the show. *Id.* at 1379-80.

45. 472 F. Supp. 2d 433, 438 (E.D.N.Y. 2007).

46. *Id.* at 448.

47. *Id.* at 449.

48. *Id.* at 447-48.

49. *Id.* at 452.

50. *Id.*

51. 2009 WL 1119370 (S.D.N.Y. Apr. 23, 2009).

IMPERFECT for various goods, including a series of books.⁵² Both books were autobiographical accounts of women who were trying to balance work and family. The district court denied injunctive relief primarily because it found that the plaintiff had failed to establish that her book title had acquired a secondary source-identifying meaning (i.e., the title was not protectable as a trademark). The district court noted that even if the plaintiff's title had acquired a secondary meaning, it did not believe that the plaintiff had established that she was likely to prevail on the merits under *Rogers v. Grimaldi* and its requirement that any likelihood of confusion be "particularly compelling."⁵³

IV. *ROGERS v. GRIMALDI* IN THE NINTH CIRCUIT

Perhaps no circuit finds itself considering the First Amendment implications of Lanham Act claims more often than the U.S. Court of Appeals for the Ninth Circuit, which is home to Hollywood, California, and the U.S. entertainment industry. The U.S. District Court for the Central District of California has been the most common forum for such cases, and in *New Kids on the Block v. News America Publishing, Inc.*, just one year after *Rogers* was decided, it had its first of many occasions to consider the *Rogers v. Grimaldi* test.⁵⁴

In *New Kids on the Block*, the singing group New Kids on the Block alleged that the defendant newspapers' use of its NEW KIDS ON THE BLOCK trademark in a survey that was polling readers on the "hottest pop music groups" through a 900 number violated its trademark rights and diluted its trademark.⁵⁵ Recognizing that *Rogers* concerned "First Amendment values in the context of artistic expression," the district court held that "the First Amendment plays the same central role regarding news gathering and dissemination," and the district court granted the defendants' motion for summary judgment.⁵⁶ On appeal, the Ninth Circuit held that the defendants had used the trademark to identify the plaintiff's goods or services (the musical group itself) for the ultimate purpose of identifying the defendants' own goods and services (the telephone polls).⁵⁷ Because the defendants'

52. *Id.* at *2.

53. *Id.* at *7-9.

54. 745 F. Supp. 1540 (C.D. Cal. 1990), *aff'd*, 971 F.2d 302 (9th Cir. 1992).

55. *Id.* at 1542.

56. *Id.* at 1544.

57. *New Kids*, 971 F.2d at 306-09.

“nominative use” of the trademark did not function as a source indicator or constitute unfair competition, such use was a “fair” use and was “outside the strictures of trademark law.”⁵⁸ The Ninth Circuit affirmed the district court’s ruling, but did not mention *Rogers v. Grimaldi*.

In *Titan Sports, Inc. v. 3-G Productions*, at issue were the defendant’s videotapes that were displaying the plaintiff’s marks and images of its professional wrestlers.⁵⁹ The videos were of wrestling matches that occurred before the videotaped wrestlers had signed contracts with the plaintiff, but which contained current pictures of the wrestlers.⁶⁰ Applying *Rogers v. Grimaldi*, the U.S. District Court for Central District of California found that although the titles *Hulk Hogan* and *Randy “Macho Man” Savage* had clear artistic relevance to the videos featuring those named wrestlers, the titles and the images portrayed on the video boxes were explicitly misleading as to the actual content of the videos because the videos displayed current pictures of the wrestlers, as opposed to pictures taken of them at the time when the older videotaped matches took place. Accordingly, the interest in avoiding consumer confusion outweighed the public interest in free expression.⁶¹

Next, in *Morgan Creek Productions, Inc. v. Capital Cities/ABC, Inc.*, the U.S. District Court for the Central District of California considered whether the title *Young Riders* for a television series infringed rights in the title *Young Guns* for a film with a similar subject matter.⁶² Although the Court had previously adopted the *Rogers v. Grimaldi* test in both *New Kids on the Block* and *Titan Sports*, it believed that *Rogers* did not apply where the allegation was that “one artistic title was confusingly similar to another.”⁶³ Rather, according to the district court, *Rogers* was confined to “the context of allegedly misleading titles using a celebrity’s name,” and it denied the defendants’ motion for

58. *Id.* at 308. To establish a nominative fair-use defense, a commercial user must establish the following three requirements: (1) the product or service must be one not readily identifiable without use of the trademark; (2) only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and (3) the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

59. 19 U.S.P.Q.2d 1867 (C.D. Cal. 1991).

60. *Id.* at 1868.

61. *Id.*

62. 22 U.S.P.Q.2d 1881 (C.D. Cal. 1991).

63. *Id.* at 1884.

summary judgment.⁶⁴ The district court failed to mention the Second Circuit's later clarification of the *Rogers* footnote in the 1989 *Cliffs Notes* case.⁶⁵

In 1995, in *No Fear, Inc. v. Image Films, Inc.*, the U.S. District Court for the Central District of California considered whether the title *No Fear* for a film infringed the plaintiff's rights in the trademark NO FEAR for clothing.⁶⁶ Believing that *Rogers v. Grimaldi* was, by its own terms, limited to cases involving the use of a celebrity's name in a movie title, the district court nevertheless recognized that later decisions had expanded the scope of *Rogers* to include many other areas of expressive conduct.⁶⁷ "In so doing, the Second Circuit has effectively supplemented the *Rogers* test by applying the standard likelihood of confusion factors."⁶⁸ After a detailed consideration of the post-*Rogers* cases, and after recognizing that there was "substantial confusion in the case law about the precise role of the likelihood of confusion factors in the application of the rule articulated in *Rogers*," the district court adopted the standard for determining whether a use is "explicitly misleading" that was set forth in *Twin Peaks*—first making a threshold determination of likely confusion, and second, determining whether the likelihood of confusion is particularly compelling.⁶⁹

Despite this seeming clarification, the waters were muddied in 1998 in *Films of Distinction, Inc. v. Allegro Film Productions, Inc.*⁷⁰ The plaintiff claimed that the defendant's use of the fictional TV channel trade name THE CRIME CHANNEL in a movie infringed the plaintiff's trademark THE CRIME CHANNEL for an actual television network. In denying the defendant's motion to dismiss the trademark claims on First Amendment grounds, the U.S. District Court for the Central District of California stated that "it appears the Ninth Circuit will not adopt the Second Circuit *Rogers/Twin Peaks* test balancing trademark protections against the artistic interest in protecting literary titles."⁷¹

64. *Id.*

65. *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, Inc.*, 886 F.2d 490 (2d Cir. 1989).

66. 930 F. Supp. 1381 (C.D. Cal. 1995).

67. *Id.* at 1382-84.

68. *Id.* at 1382.

69. *Id.* at 1383-84.

70. 12 F. Supp. 2d 1068 (C.D. Cal. 1998).

71. *Id.* at 1078.

Finally, in 2002, the U.S. Court of Appeals for the Ninth Circuit weighed in. In *Mattel, Inc. v. MCA Records, Inc.*,⁷² the Ninth Circuit considered whether the defendant's song title "Barbie Girl" infringed the plaintiff's BARBIE trademark.⁷³ In finding that it did not, the Ninth Circuit expressly adopted the Second Circuit's test in *Rogers v. Grimaldi*, stating, "We agree with the Second Circuit's analysis and adopt the *Rogers* standard as our own."⁷⁴ Finding that the song title did not explicitly mislead consumers as to the source of the work because it did not suggest that it was produced by the defendant, the Ninth Circuit noted, "The *only* indication that Mattel might be associated with the song is the use of Barbie in the title; if this were enough to satisfy this prong of the *Rogers* test, it would render *Rogers* a nullity."⁷⁵

In granting summary judgment to the defendant in *Mattel*, the U.S. District Court for the Central District of California had recognized that the "Ninth Circuit has not specifically adopted the 'particularly compelling' language used by the Second Circuit" in *Twin Peaks*, but it noted that the test had been adopted by a California U.S. district court in *No Fear*.⁷⁶ Apparently believing that the Ninth Circuit would also adopt this approach, the district court undertook an analysis of the likelihood-of-confusion factors, ultimately finding that the song was a parody and confusion was not likely. Although the Ninth Circuit affirmed the district court's ruling, the Ninth Circuit strictly applied the test set forth in *Rogers*, without mention of *Twin Peaks* or its expansion of the *Rogers* test, or any analysis of the likelihood-of-confusion factors.

In 2008, the Ninth Circuit applied *Rogers v. Grimaldi* to a case involving an element other than a title in a creative work. In *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, the plaintiff owner of the PLAY PEN trademark and associated trade dress for a strip club sued the defendant over its use of the trademark and trade dress for a fictional PIG PEN strip club in

72. 296 F.3d 894 (9th Cir. 2002), *cert. denied*, 537 U.S. 1171 (2003).

73. *Id.* at 898-99.

74. *Id.* at 902.

75. *Id.* The Ninth Circuit noted that consumers expect a title to describe the underlying work, not to identify the producer, so when an artistic work incorporates a trademark and titles the work accordingly, there is little risk that consumers will believe the mark owner sponsored or endorsed the work. *Id.*

76. *Mattel, Inc. v. MCA Records, Inc.*, 28 F. Supp. 2d 1120, 1144 n.31 (C.D. Cal. 1998) (granting defendant's motion for summary judgment). The district court undertook the same analysis in denying preliminary injunctive relief earlier in the case. *Mattel, Inc. v. MCA Records, Inc.*, 46 U.S.P.Q.2d 1407, 1414 n.16 (C.D. Cal. 1998).

the *Grand Theft Auto* video game.⁷⁷ As an initial matter, the Ninth Circuit noted that “although [*Rogers v. Grimaldi*] traditionally applies to uses of a trademark in the title of an artistic work, there is no principled reason why it ought not also apply to the use of a trademark in the body of the work.”⁷⁸

The Ninth Circuit then rejected the plaintiff’s argument that the PIG PEN mark had no artistic relevance because the game was not “about” the strip club. The court stressed that the First Amendment applies to marks except those with absolutely *no* artistic relevance to the underlying work whatsoever.⁷⁹ “In other words,” the Ninth Circuit stated, “the level of relevance merely must be above zero.”⁸⁰ Because the defendant’s artistic goal was to develop a cartoon-style parody of East Los Angeles, where the plaintiff’s club was located, it was reasonable for the defendant to re-create a critical mass of the businesses and buildings that constitute the area.⁸¹

The Ninth Circuit then considered whether the defendant’s use of the mark PIG PEN explicitly misled consumers about the source or content of the work. The relevant question here, the Ninth Circuit believed, was “whether the Game would confuse its players into thinking that the Play Pen is somehow behind the Pig Pen or that it sponsors [the video game].”⁸² Noting that the real strip club and the video game had nothing in common other than that both were “a form of low-brow entertainment,” the Ninth Circuit found nothing to indicate that the public reasonably would believe that the plaintiff had produced the video game or that defendant operated a strip club.⁸³ As in *Mattel*, the Ninth Circuit did not mention *Twin Peaks*, or engage in an analysis of the traditional likelihood-of-confusion factors.

77. 547 F.3d 1095 (9th Cir. 2008).

78. *Id.* at 1099. For a more detailed discussion of the justification for application of the *Rogers* balancing test to elements within an artistic work, see Pratheepan Gulasekaram, *Policing the Border Between Trademarks and Free Speech: Protecting Unauthorized Trademark Use in Expressive Works*, 80 Wash. L. Rev. 887, 921 (2005) (arguing that unauthorized trademark uses within the body of an expressive work—but not in the title, cover, or advertisement for the work—reduces the risk that defendant is trying to free-ride on the plaintiff’s commercial reputation or capitalize on an unbargained-for commercial advantage).

79. *Id.* at 1100.

80. *Id.*

81. *Id.*

82. *Id.*

83. *Id.*

Most recently, in *Roxbury Entertainment v. Penthouse Media Group Inc.*, the Central District of California granted summary judgment to the defendant, finding that the First Amendment was a complete defense to the plaintiff's Lanham Act claims.⁸⁴ The plaintiff was the owner of the mark ROUTE 66 for television programs and related entertainment properties, including the original 1960's "Route 66" television program about two young men travelling across America. When the defendant began selling a pornographic DVD entitled "Route 66," the plaintiff alleged that the title infringed and diluted its trademark rights. The defendant moved for summary judgment, arguing that its use of "Route 66" as the title of its film was fully protected under the First Amendment. The court agreed. Citing *Rogers v. Grimaldi*, and the Ninth Circuit's application of the *Rogers* test in *E.S.S. Entertainment*, the court first found that the title was artistically relevant to the defendant's film because of the film's setting in part in a roadside motel and the association of "Route 66" with cross-country travel.⁸⁵ Under the "above zero" standard for artistic relevance set forth in *E.S.S. Entertainment*, the court found the fact that the "association is tenuous does not controvert Defendant's showing."⁸⁶

The Central District of California then turned to whether the defendant's use of "Route 66" in its film title was explicitly misleading as to source or sponsorship. Finding nothing to indicate any risk of "duping" consumers into thinking they were buying a DVD in any way affiliated with the plaintiff or the 1960's television series, the court concluded that the First Amendment was a complete defense to the plaintiff's claims.⁸⁷ As in *Mattel* and *E.S.S. Entertainment*, the court did not even mention or consider the likelihood-of-confusion factors.

V. *ROGERS v. GRIMALDI* IN OTHER CIRCUITS

Although the Second and Ninth Circuits have been the most common venues for disputes involving entertainment properties, other courts have also considered the interplay between trademark rights and the First Amendment. The *Rogers v. Grimaldi* test has been explicitly adopted by the U.S. Courts of Appeal for the Third, Fifth, and Sixth Circuits, and by U.S. district courts within the

84. 92 U.S.P.Q.2d 1760 (C.D. Cal. 2009).

85. *Id.* at 1763.

86. *Id.*

87. *Id.* at 1764.

U.S. Courts of Appeal for the Seventh and Eleventh Circuits. It has not been explicitly rejected by any courts.⁸⁸ A summary of the most significant cases, by circuit, is provided below.

A. *The Third Circuit*

In *Seale v. Gramercy Pictures*, the plaintiff was a founding member of the activist Black Panthers group and he sued a film company for using his name and likeness in a docudrama film, a pictorial history book, a video release of the film, and a CD soundtrack of songs from the film.⁸⁹ The Third Circuit, citing *Rogers v. Grimaldi*, noted that First Amendment concerns were implicated, and it granted the defendant's motion for a summary judgment on the plaintiff's Lanham Act-based claims related to the film and the book.⁹⁰ The Third Circuit held that the defendant's use of the plaintiff's name and likeness in connection with the film and the book was not actionable on the ground that the First Amendment guarantee of freedom of expression outweighs any potential risk that the use might implicitly suggest that the plaintiff endorsed the film.⁹¹ Because the CD was merely a collection of songs performed by different artists, with no direct connection to the plaintiff or to the history of the Black Panther Party, the Third Circuit found there was a genuine issue of material fact about whether the use of the plaintiff's name and likeness on the CD cover was clearly related to the content of the film, or whether it was instead a disguised advertisement for the CD.⁹²

More recently, the Third Circuit considered whether *Rogers v. Grimaldi* should be applied beyond the titles of creative works, but ultimately did not reach the question, for it found the First Amendment inapplicable to what it deemed to be purely commercial speech.⁹³ In *Facenda v. NFL Films, Inc.*, the Third Circuit considered whether use of a famed sports commentator's voice as part of a television program entitled *The Making of*

88. See discussion of *Dairy Queen* *infra* note 116.

89. 949 F. Supp. 331 (E.D. Pa. 1996), *aff'd without opinion*, 156 F.3d 1225 (3d Cir. 1998).

90. *Id.* at 336-38.

91. *Id.* at 337-38.

92. *Id.* at 340 (citing *Rogers*, 875 F.2d at 999-1000).

93. For another case holding that a purported artistic work was actually commercial speech, see *Pam Media, Inc. v. Am. Research Corp.*, 889 F. Supp. 1403 (D. Colo. 1995) (finding a talk radio show featuring "spontaneity and free flow of colloquy" very different from works with established form and content).

Madden NFL 06 was the type of artistic expression protected under *Rogers*.⁹⁴ Because the Third Circuit found that the program was more akin to an infomercial than a documentary—focusing only on this particular video game, praising its merits, and offering a countdown to when it would be released—the Third Circuit determined that the program was commercial speech that was less protected by the First Amendment.⁹⁵ In the words of the court,

Unlike the film title in *Rogers* [or] the books in *Cliffs Notes*, . . . the work accused of trademark infringement in our case aims to promote another creative work, the video game. Even if *Rogers* should apply beyond titles . . . , we decline to apply it here in a context with that additional degree of separation.⁹⁶

Thus, the Third Circuit concluded, “we need not reach the issue whether our Court will adopt the *Rogers* test” as applied to an *element* within a creative work.⁹⁷

The *Facenda* case highlights the fine line often existing between commercial and noncommercial speech. The law remains that works combining artistic elements and a commercial purpose are considered noncommercial speech.⁹⁸ Modern commercial trends in the entertainment industry, such as the production of the type of infomercial at issue in *Facenda*, paid product placements in films, and short “public-service announcement” clips produced by commercial entities that include a company’s products, are in fact thinly veiled advertisements and give rise to the issue of what actions may be found sufficient by the courts to transform artistic works into commercial speech, thereby stripping them of constitutional protection. As Judge Kozinski of the Ninth Circuit has aptly noted, “In our pop culture, where salesmanship must be entertaining and entertainment must sell, the line between the

94. 542 F.3d 1007 (3d Cir. 2008).

95. *Id.* at 1017 (citing *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 66-67 (1983)) (quoting *U.S. Healthcare, Inc. v. Blue Cross of Greater Phila.*, 898 F.2d 914, 933 (3d Cir. 1990)) (noting the three factors for deciding whether speech is commercial are: (1) is the speech an advertisement; (2) does the speech refer to a specific product or service; and (3) does the speaker have an economic motivation for the speech).

96. *Id.* at 1018. The *Facenda* case predates the Ninth Circuit’s recent decision in *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.* (547 F.3d 1095 (9th Cir. 2008)), holding that there is no reason why the principles of *Rogers* should not also apply to the use of a trademark in the body of the work.

97. *Id.*

98. *See Bd. of Trs.*, 492 U.S. at 474.

commercial and noncommercial has not merely blurred; it has disappeared.”⁹⁹

B. The Fifth Circuit

In a case involving competing book titles, the Fifth Circuit declined to make the factual findings necessary to determine whether the plaintiff’s SUGARBUSTERS book title had acquired a secondary source-identifying meaning. In *Sugar Busters LLC v. Brennan*, the Fifth Circuit vacated a preliminary injunction and remanded the case to the district court for such a determination.¹⁰⁰ At issue was whether the defendants’ book title *Sugar Bust for Life!* infringed the plaintiff’s federally registered trademark SUGARBUSTERS for books. Although not reaching any conclusions on the merits, the Fifth Circuit, citing *Twin Peaks*, noted, “Any finding that defendants’ book title is likely to cause confusion with plaintiff’s book title must be ‘particularly compelling’ to outweigh defendants’ First Amendment interest in choosing an appropriate book title for their work.”¹⁰¹

In *Westchester Media v. PRL USA Holdings, Inc.*, the plaintiff sought a declaratory judgment that its use of POLO for a magazine title did not infringe the defendant’s (Ralph Lauren) POLO trademark.¹⁰² The defendants counterclaimed for trademark infringement and dilution, and the U.S. district court found for the defendants. Citing *Rogers v. Grimaldi*, the Fifth Circuit noted that the infringement claim “implicates the First Amendment right to choose an appropriate title for literary works,” and “thus involves the tension between the protection afforded by the Lanham Act to trademark owners and the protection afforded by the First Amendment to expressive activity.”¹⁰³ Finding no clear error in the

99. *White v. Samsung Elecs. Am., Inc.*, 989 F.2d 1512, 1520 (9th Cir. 1993) (dissenting from denial of rehearing en banc); see also *Kasky v. Nike, Inc.*, 45 P.3d 243, 279 (Cal. 2002) (Brown, J., dissenting) (“In today’s world, the difference between commercial and noncommercial speech is not black and white. Due to the growing politicization of commercial matters and increased sophistication of advertising campaigns, the intersection between commercial and noncommercial speech has become larger and larger. As this gray area expands, continued adherence to the dichotomous, all-or-nothing approach developed by the United States Supreme Court will eventually lead us down one of two unappealing paths; either the voices of businesses in the public debate will be effectively silenced, or businesses will be able to dupe consumers with impunity.”). See also Gulasekaram, *supra* note 77, at 931-40.

100. *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 270 (5th Cir. 1999).

101. *Id.* at 269 n.7.

102. 214 F.3d 658 (5th Cir. 2000).

103. *Id.* at 664.

district court's analysis of the Fifth Circuit's likelihood-of-confusion factors, the Fifth Circuit affirmed, noting that the district court's finding that the likelihood of confusion was particularly compelling was supported by the record, because the magazine and the defendants' products targeted the same consumers, used the same retail outlets, and could plausibly lead consumers to believe the parties were associated.¹⁰⁴ Moreover, there was actual confusion and evidence that the plaintiffs had intended to trade on the defendants' goodwill and reputation.¹⁰⁵

C. The Sixth Circuit

The Sixth Circuit considered the applicability of *Rogers v. Grimaldi* in a case involving the musical group Outkast and the famed civil-rights activist Rosa Parks. In *Parks v. LaFace Records*, Outkast selected "Rosa Parks" as the title of one of its songs.¹⁰⁶ The Sixth Circuit applied *Rogers*, finding it "the most appropriate method to balance the public interest in avoiding consumer confusion with the public interest in free expression."¹⁰⁷ Specifically, the Sixth Circuit held that there was a genuine issue of fact as to whether the song title was artistically relevant to the song because the song (unlike the "Barbie Girl" song) did not directly reference Ms. Parks, but rather only contained the phrase "move to the back of the bus," which was associated with Ms. Parks and her famous civil-rights activities.¹⁰⁸ Accordingly, the Sixth Circuit reversed the grant of summary judgment for the defendants on the Lanham Act claim, and remanded the case to the U.S. district court.¹⁰⁹

In *ETW Corp. v. Jireh Publishing, Inc.*, the Sixth Circuit extended *Rogers* beyond titles.¹¹⁰ In that case, golfer Tiger Woods claimed that an artist's rendering of his victory at the U.S. Masters golf tournament and the listing of his name on the back of the print constituted trademark infringement and false endorsement, and violated his right of publicity.¹¹¹ Agreeing that the Lanham Act should be applied to artistic works only where the

104. *Id.* at 667.

105. *Id.*

106. 329 F.3d 437 (6th Cir. 2003).

107. *Id.* at 450.

108. *Id.* at 452-54.

109. There is no reported subsequent history for this case.

110. 332 F.3d 915 (6th Cir. 2003).

111. *Id.* at 918-19.

public interest in avoiding confusion outweighs the public interest in free expression, the Sixth Circuit noted, “The *Rogers* test is helpful in striking that balance in the instant case.”¹¹² The Sixth Circuit concluded that the presence of Woods’s image in the painting had artistic relevance to the underlying work and did not explicitly mislead the public as to the source of the work.¹¹³

D. The Seventh Circuit

The Seventh Circuit has not yet had occasion to consider *Rogers v. Grimaldi*, but the U.S. District Courts for the Northern District of Illinois and for the Southern District of Indiana have done so. Although ultimately finding the balance of harms sufficient to grant injunctive relief, the U.S. District Court for the Northern District of Illinois in *Ty, Inc. v. Publications International, Ltd.*, cited *Rogers* as “[t]he law” regarding titles, noting that in title cases, “use of the trademark does not imply sponsorship or endorsement by the trademark holder.”¹¹⁴

In *Woodard v. Jackson*, members of a band called Ripples and Waves sued Michael Jackson for falsely representing that his band, The Jackson Five, had formerly been known as Ripples and Waves.¹¹⁵ The plaintiffs alleged that Jackson had purposefully advanced the rumor, which appeared in a 1991 biography of Jackson, in liner notes from some albums, in the biographical reference to the group in the Rock & Roll Hall of Fame, and in the title of a compilation CD released in 2000 entitled *Ripples and Waves—An Introduction to The Jackson Five*. In granting Jackson’s motion to dismiss the Lanham Act claims, the U.S. District Court for the Southern District of Indiana, citing *Rogers*, held that “with respect to *titles* of artistic works, the title must be explicitly misleading and devoid of any artistic relevance to the work for the Lanham Act to bar its use.”¹¹⁶ Noting that the Second Circuit had held as a matter of law that the film entitled *Ginger and Fred* did not violate Ginger Rogers’s rights, the district court found “that [the same] reasoning applies to the CD [title] here.”¹¹⁷

112. *Id.* at 936-37.

113. *Id.*

114. 81 F. Supp. 2d 899, 906 (N.D. Ill. 2000). This case involved a claim that defendants’ books about plaintiff’s BEANIE BABIES plush toys, which included the BEANIE BABIES mark and logo, were likely to cause confusion.

115. 2004 U.S. Dist. LEXIS 6292 (S.D. Ind. 2004).

116. *Id.* at *24-25.

117. *Id.* at *25.

E. The Eighth Circuit

Although the interplay of trademark law and the First Amendment has been addressed several times by the Eighth Circuit, it has neither expressly accepted nor rejected the *Rogers v. Grimaldi* test.

In *Mutual of Omaha Ins. Co. v. Novak*, a pre-*Rogers* case involving a parody, the Eighth Circuit focused on the “alternative avenues of communication” test as a means for balancing First Amendment and trademark rights.¹¹⁸ In *Anheuser-Busch, Inc. v. Balducci Publ'ns*, a post-*Rogers* case that also involved parody, however, the Eighth Circuit cited the Second Circuit's *Cliffs Notes* decision for the proposition that the public interest in free expression must be weighed against the public interest in avoiding consumer confusion.¹¹⁹ Specifically, the Eighth Circuit found that the district court had erred in finding no likelihood of confusion between a purported parody and the original, because in an effort to satisfy the First Amendment, it incorrectly weighted its analysis of the likelihood-of-confusion factors. “We believe the better course [of action] would have been to analyze the likelihood of confusion first and then proceed to an analysis of the *First Amendment* issues.”¹²⁰

At issue in *Anheuser-Busch* was a purported ad parody for MICHELOB OILY beer that appeared in a humor magazine. The ad featured Anheuser-Busch's MICHELOB mark and its Blue Ribbon logo. Finding that the likelihood-of-confusion factors favored the plaintiff, the Eighth Circuit concluded that under the specific facts in the case, where the defendant could have altered the marks and conveyed its message with substantially less risk of

118. 836 F.2d at 402. Although the court relied on the “no alternative avenues” analysis in affirming a finding of infringement, it appeared to rely in part on the fact that the defendant was placing his message on commercial products such as T-shirts and mugs rather than in more traditional media. The court expressly stated that finding for the plaintiff *would* infringe upon the plaintiff's First Amendment rights if the defendant had presented its editorial parody in a book, magazine, or film. *Id.* at 398. Other cases that have employed the “no alternative avenues” test have similarly involved use of a third-party mark on commercial products rather than editorial parody or competing titles of creative works. *See, e.g.,* MGM-Pathe Commc'ns Co. v. Pink Panther Patrol, 774 F. Supp. 869 (S.D.N.Y. 1991) (prohibiting use of PINK PANTHER PATROL for gay-activist clothing); Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc., 642 F. Supp. 1031 (N.D. Ga. 1986) (enjoining use of the mark GARBAGE PAIL KIDS for stickers and children's books that spoofed CABBAGE PATCH KIDS); Coca-Cola Co. v. Gemini Rising, Inc., 346 F. Supp. 1183 (E.D.N.Y. 1972) (enjoining use on T-shirts of ENJOY COCAINE in a logo similar to the distinctive COCA-COLA logo).

119. 28 F.3d 769 (8th Cir. 1994).

120. *Id.* at 775 (emphasis added).

confusion, the public interest in avoiding consumer confusion outweighed the public interest in protecting the defendants' freedom of expression.¹²¹ It did not, however, mention *Rogers v. Grimaldi* or its artistically relevant/explicitly misleading balancing test.

American Dairy Queen Corp. v. New Line Productions, Inc., a later decision by a district court within the Eighth Circuit that involved the title of a creative work, did little to clarify the law. The defendant produced and was preparing to release a film entitled *Dairy Queens*, which was described as a mock documentary satirizing beauty contests in rural Minnesota.¹²² The plaintiff was the franchisor of the DAIRY QUEEN ice-cream chain and objected on trademark infringement and dilution grounds to the use of its DAIRY QUEEN trademark as the film's title.¹²³ The district court found that the likelihood-of-confusion factors weighed in favor of the plaintiff, and it then turned to a consideration of whether the defendant's First Amendment interests were sufficient to outweigh the plaintiff's trademark interests in its DAIRY QUEEN trademark.¹²⁴ Though citing the Second Circuit's *Cliffs Notes* decision, the district court ultimately found that because other alternative avenues of communication were available, (i.e., *Dairy Princesses* or *Milk Maids* were apt titles), "the balance between the public's interest in free expression and its interest in avoiding consumer confusion and trademark dilution tilts in favors [sic] of avoiding confusion and dilution."¹²⁵ In doing so, the district court was careful to distinguish *Rogers v. Grimaldi* rather than to reject it. Specifically, the Eighth Circuit characterized *Rogers* as involving a title that directly referred to the content of the film—performers known as Ginger and Fred—whereas the title of the defendant's film at issue about beauty pageants in Minnesota lacked such a direct connection.¹²⁶ Interestingly, the district court also considered "the somewhat lesser protection afforded commercial speech" in finding for the plaintiff, suggesting that the commercial nature of the film was somehow relevant to the analysis.¹²⁷

121. *Id.*

122. 35 F. Supp. 2d 727 (D. Minn. 1998).

123. *Id.* at 729.

124. *Id.* at 732.

125. *Id.* at 735.

126. *Id.* at 734-35.

127. *Id.* at 735.

The district court's *Dairy Queen* decision has been widely criticized.¹²⁸ The flaws in the Eighth Circuit's reasoning have been thoroughly discussed by many commentators, including the use of a test that analogizes trademark rights to real-property rights, the idea that an artist's First Amendment rights are not compromised so long as any alternative artistic expression is available, the failure to recognize the cultural implications and metaphorical meaning of some trademarks, and the ultimate weighing of corporate interests against public interests.¹²⁹ No subsequent case has cited the *Dairy Queen* decision with approval.

Although the holding in *Dairy Queen* ostensibly was made under the "no alternative avenues" theory, the Eighth Circuit appears also to have based its decision on its subjective finding that the film title was not artistically relevant to the film because the film was not about the ice-cream chain.¹³⁰ This finding misses the fact that the title *was* selected because of the reference to the restaurant, and disregards the creator's First Amendment right to use another's trademark as a means of creative cultural commentary.¹³¹ As the Second Circuit noted in *Rogers v. Grimaldi*, it is precisely because "[t]he subtleties of a title can enrich a reader's or a viewer's understanding of a work . . . [and because] the expressive element of titles requires more protection than the labeling of ordinary commercial products."¹³² This distinction—between use of a trademark simply to identify and sell a product and use of a trademark as an understandable metaphor for social

128. See K.J. Greene, *Abusive Trademark Litigation and the Incredible Shrinking Confusion Doctrine -- Trademark Abuse in the Context of Entertainment Media and Cyberspace*, 27 Harv. J.L. & Pub. Pol'y 609, 634 (2004); Kerry L. Timbers & Julia Huston, *The "Artistic Relevance Test" Just Became Relevant: The Increasing Strength of the First Amendment as a Defense to Trademark Infringement and Dilution*, 93 TMR 1278 (2003).

129. See Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wis. L. Rev. 158, 195-96; Gulasekaram, *supra* note 77, at 891; Arlen W. Langvardt, *Protected Marks and Protected Speech: Establishing the First Amendment Boundaries in Trademark Parody Cases*, 36 Vill. L. Rev. 1, 63 (1991).

130. *Dairy Queen*, 35 F. Supp. 2d at 734.

131. Timbers & Huston, *supra* note 122, at 1296; Gulasekaram, *supra* note 77, at 911 n.137 ("[A]s with most cultural commentary, there will often be 'alternative avenues' that could have been used for expression, rendering such a restrictive test wholly antithetical to First Amendment concerns."); Denicola, *supra* note 123, at 195-96 ("[F]amous trademarks offer a particularly powerful means of conjuring up the image of their owners, and thus become an important, perhaps at times indispensable part of the public vocabulary. Rules restricting the use of well-known trademarks may therefore restrict the communication of ideas.").

132. 875 F.2d at 997-98.

commentary—appears to have been lost on the Eighth Circuit in *Dairy Queen*.

F. The Tenth Circuit

Although the Tenth Circuit has not decided a case balancing trademark rights and the First Amendment, it has approved principles of *Rogers v. Grimaldi* in an arguably similar context.¹³³ In a right-of-publicity case involving use of the names of Major League Baseball players on parody-style trading cards, the Tenth Circuit, citing *Rogers*, noted that “in the context of intellectual property, [the] ‘no adequate alternative avenues’ test does not sufficiently accommodate the public’s interest in free expression.”¹³⁴ The Tenth Circuit then concluded that the plaintiff’s First Amendment right to free expression outweighed the defendant’s proprietary right of publicity, and the Tenth Circuit affirmed the district court’s ruling in favor of the plaintiff.¹³⁵

G. The Eleventh Circuit

While the Eleventh Circuit also has not yet had occasion to consider the tension between trademark law and the First Amendment, the U.S. District Court for the Southern District of Florida confronted the issue in *Club Méditerranée v. Fox Searchlight Pictures*.¹³⁶ The district court rebuffed the efforts of the owners of the trademark CLUB MED for resort services to preliminarily enjoin use of CLUB DREAD for the title of a comedy/horror film about a serial killer at a swanky hedonistic island paradise for swingers.¹³⁷ Expressly adopting *Rogers v. Grimaldi*, the district court noted that the issues before it were whether the title had artistic relevance to the film and whether the title explicitly misled as to the source of the work, after a consideration of the *Polaroid* factors.¹³⁸ Specifically, the district court found that in comparing the parties’ services, all-inclusive vacations were very dissimilar to motion pictures.¹³⁹ After

133. *Cardtoons, L.C. v. Major League Baseball Players Ass’n*, 95 F.3d 959 (10th Cir.1996).

134. *Id.* at 971.

135. *Id.* at 976.

136. 2004 U.S. Dist. LEXIS 3543 (S.D. Fla. 2004).

137. *Id.* at *1-3.

138. *Id.* at *7.

139. *Id.* at *9.

analyzing all of the *Polaroid* factors, the district court found that the likelihood of confusion was very low, that the title had clear artistic relevance to the movie, and that there was nothing explicitly misleading about it.¹⁴⁰

VI. THE FUTURE OF *ROGERS v. GRIMALDI*

Rightly rejecting an absolute First Amendment privilege for titles or elements of creative works, in *Rogers v. Grimaldi* the Second Circuit noted, “Poetic license is not without limits” and “[t]he purchaser of a book, like the purchaser of a can of peas, has a right not to be misled as to the source of the product.”¹⁴¹ Nevertheless, the Second Circuit recognized that the First Amendment must be part of any analysis of infringement claims involving creative works, because the artistic and the commercial elements are “inextricably intertwined.”¹⁴² Because consumers of creative works have a dual interest in enjoying the results of an artist’s freedom of expression while not being misled, the expressive elements of titles and other elements of creative works require more protection than ordinary commercial products. So the *Rogers* balancing test was born.

In the twenty years since *Rogers v. Grimaldi* was decided, U.S. courts have struggled with defining—and refining—the test for balancing trademark rights with First Amendment rights in cases involving creative works. It appears that the *Rogers* test has become the standard for these types of disputes, by supplanting the “no alternative avenues” test previously used by some courts. It is also clear that *Rogers*, which was limited to rights in a celebrity’s name and was made expressly inapplicable to cases involving disputes between titles, has been significantly broadened in subsequent cases, and is now being applied by U.S. courts to claims involving any element of artistic expression.

Under the modern-day *Rogers* test, a U.S. court will first determine whether the title or mark has artistic relevance to the underlying work. Recent case law suggests that the threshold for such a finding is very low, as it can be met by anything “above zero.”¹⁴³ If some artistic relevance can be shown, the court must

140. *Id.* at *11-12.

141. *Rogers*, 875 F.2d at 997-98.

142. *Id.* at 998.

143. *E.S.S. Entm’t 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1100 (9th Cir. 2008); *Roxbury Entm’t v. Penthouse Media Group Inc.*, 92 U.S.P.Q.2d 1760, 1763 (C.D. Cal. 2009).

then consider whether use of the mark is explicitly misleading. In the Second Circuit, this is determined by first analyzing the traditional likelihood-of-confusion factors. If these factors weigh in favor of finding confusion likely, the court will then determine whether the likelihood of confusion is “particularly compelling.” If it is not, then the First Amendment rights of the creators of the artistic work will prevail over the complainant’s trademark rights. In the Ninth Circuit, however, a determination of whether a mark is explicitly misleading is made without consideration of the traditional likelihood-of-confusion factors, instead, the Ninth Circuit focuses directly on whether consumers would believe that the trademark owner sponsored or was associated with the creative work. The Ninth Circuit has not expressly rejected the Second Circuit’s *Twin Peaks* modification of *Rogers*, leaving open the possibility that it could some day become the standard in the Ninth Circuit. Other courts have taken mixed approaches on how to determine whether artistic use of a trademark is explicitly misleading.

The *Rogers* court’s artistically relevant/explicitly misleading test is the correct approach to the conflict between trademark rights and free expression, because it is the only test attuned to the primary purpose of trademark law, namely, protecting the public against confusion and fraud.¹⁴⁴ The innovation of the *Rogers* court was not its employment of flexible balancing, *per se*, but rather its choice of the two interests considered in the balance. Both interests—the interest in avoiding confusion and the interest in free speech—are public, and the underlying message is unmistakable, “[I]n the context of expressive works, private property interests in trademarks are protected only to the extent they coincide with the public’s interest in avoiding confusion and fraud.”¹⁴⁵ By focusing on consideration of the public interests and de-emphasizing concerns about the private interests of trademark holders in its balancing test, “the *Rogers* court recognized a famous trademark’s tremendous cultural and communicative value, which in expressive use transcends a trademark’s value solely as a source identifier.”¹⁴⁶ Numerous trademarks in our popular culture have clearly taken on second artistic meanings for our shared values, ideas, and experiences that the trademark holder never intended, and allowing a trademark holder to control these expressive uses could impair First Amendment interests. In the words of Judge

144. Gulasekaram, *supra* note 77, at 903.

145. *Id.*

146. *Id.* The “no alternative avenues” test instead focuses on the mark holder’s rights.

Kozinski, “[T]he trademark owner does not have the right to control public discourse whenever the public imbues his mark with a meaning beyond its source-identifying function.”¹⁴⁷

A recent title dispute between a well-known band and a popular television series creates an opportunity for consideration. In 1999, the Red Hot Chili Peppers band released a single and album entitled *Californication*, which sold more than 14 million copies and received numerous awards. When Showtime Networks began airing a television series also entitled *Californication*, about a sex addict who recently relocated to California, and distributed a music compilation album featuring songs used in the television series entitled *Temptation—Music from the Showtime Series Californication*, the band brought suit in *Kiedis v. Showtime Networks, Inc.*, alleging various violations of the Lanham Act.¹⁴⁸ The case ultimately settled, and Showtime’s series *Californication* recently began its third season.

In ruling on defendant Showtime’s motion to dismiss for failure to state a claim, the U.S. District Court for the Central District of California took the opportunity to discuss the application of *Rogers v. Grimaldi* in the Ninth Circuit to cases involving disputes between titles. Showtime had argued that under *Rogers* there could be no claim for trademark infringement. The title *Californication*, it argued, was artistically relevant because the show is set in California and features a great deal of fornication; and because the title did not refer to the band, it was not explicitly misleading.¹⁴⁹ The district court denied the motion. Although acknowledging the Ninth Circuit’s adoption of *Rogers* in *Mattel, Inc. v. MCA Records, Inc.*, the district court believed that Showtime had ignored “the fact that *Rogers* exempted works with confusingly similar titles” from its test.¹⁵⁰ The district court theorized that under Showtime’s interpretation of the law, there would be nothing to restrict an author from using the exact title of someone else’s earlier work as the title of a new work, so long as the words in that title had some relevance to the content of the new work, “[t]hus, HBO or Cinemax could decide to produce

147. *Mattel*, 296 F.3d at 900-01 (noting that the “Barbie Girl” song is about Barbie and Ken, a reference that “can only be to Mattel’s famous couple”).

148. *Kiedis v. Showtime Networks, Inc.*, CV 07-8185 DSF (C.D. Cal. 2008).

149. The term “Californication” first appeared in a *Time* magazine article in 1972, and was used to describe the haphazard development of California and the influx of outsiders responsible for the state’s rapid growth. Sandra Burton, *The Great Wild Californicated West*, *Time*, Aug. 21, 1972, available at <http://www.time.com/time/magazine/article/0,9171,877985,00.html>.

150. *Kiedis*, *supra* note 142, at 6.

another show also entitled *Californication*; and, so long as it took place in California and somehow involved fornication, defendants would not be able to prevent it.”¹⁵¹ Although the district court did refer to the Second Circuit’s *Twin Peaks* decision, it believed that the likelihood-of-confusion factors must be applied *before* application of the *Rogers* balancing test, whereas the *Twin Peaks* decision held that determination of whether a title is explicitly misleading is made, in part, by applying the likelihood-of-confusion factors.¹⁵²

Had the *Kiedis v. Showtime Networks, Inc.* case gone forward, a crucial issue would likely have been whether the title *Californication* was artistically relevant to the show. Obviously, this differs from the clear-cut situation where the title directly identifies the subject matter, such as *Ginger and Fred* or “Barbie Girl,” but does artistic relevance have to be so direct and obvious? Although the answer was “yes” in the Sixth Circuit’s *Parks* decision, more recent case law in the Ninth Circuit suggests that it simply must be “above zero.”¹⁵³ This highlights an inherent problem with the artistic relevance portion of the test. Isn’t artistic relevance really in the eye of the beholder?¹⁵⁴

Assuming for the sake of argument that the district court found the title *Californication* artistically relevant, under the Ninth Circuit’s current version of the *Rogers* test, the district court would have then considered whether the title was explicitly misleading. Although the title clearly does not contain any of the most obvious indicators for being explicitly misleading (i.e., it was not *Red Hot Chili Peppers Californication*), the series itself contains some elements that the district court may have found tipped the balance. Showtime’s series includes a character named Dani California, a character that also happens to appear in three

151. *Id.*

152. The *Kiedis v. Showtime Networks* case predates the 2009 decision in *Roxbury Entm’t v. Penthouse Media Group Inc.*, where the Central District of California granted summary judgment to the defendant, finding that the First Amendment was a complete defense to Lanham Act claims between competing titles without any consideration of the traditional likelihood-of-confusion factors.

153. *E.S.S. Entm’t 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1100 (9th Cir. 2008); *Roxbury Entm’t v. Penthouse Media Group Inc.*, 92 U.S.P.Q.2d 1760, 1763 (C.D. Cal. 2009).

154. See *Timbers & Huston*, *supra* note 122, at 1296, arguing that because artistic relevance is in the eye of the beholder, one viewer might easily see artistic relevance where another does not. Artistic relevance may be as hard to objectively determine as pornography. See *Jacobellis v. Ohio*, 378 U.S. 184, 197 (1964) (noting Justice Stewart’s test for determining what constitutes pornographic or obscene materials as simply, “I know it when I see it”).

different Red Hot Chili Peppers songs, and the character's name is, in fact, the title of one of the band's songs, "Dani California." As the Second Circuit noted in *Twin Peaks*, it is possible that "a title that might otherwise be permissible under *Rogers* violates the Lanham Act when displayed in a manner that conjures up a visual image prominently associated with the work bearing the mark that was copied."¹⁵⁵ While the facts differ here, the band might have argued that inclusion of that character in the defendants' underlying work transformed a title that may otherwise have been permissible to an explicitly misleading title that outweighed Showtime's First Amendment interests.

VII. CONCLUSION

The past twenty years have seen a marked change in the scope of protection afforded trademarks involved in creative works. The next twenty years will most certainly bring more. As new technologies and an ever-growing appetite for entertainment in all forms of media expand, the competition for consumers' attention—and dollars—will intensify. New technologies will undoubtedly create potential conflicts for similar titles where none may have existed before. Moreover, just what makes a title or creative element "artistically relevant" and "explicitly misleading" will likely evolve. Finally, because a number of U.S. circuit courts of appeal have not yet addressed the application of *Rogers v. Grimaldi*, there is potential for further modifications of *Rogers*, or even an outright rejection of *Rogers* that could result in a split among the circuits of the kind that prompts a U.S. Supreme Court review. Stay tuned.

155. *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1380 (2d Cir. 1993).

**UNIFORM TRADE SECRETS ACT
WITH 1985 AMENDMENTS**

Drafted by the

NATIONAL CONFERENCE OF COMMISSIONERS
ON UNIFORM STATE LAWS

and by it

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in All the States

At its

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IN MINNEAPOLIS, MINNESOTA
AUGUST 2-9, 1985

With Prefatory Note and Comments

Approved by the American Bar Association
Baltimore, Maryland, February 11, 1986

UNIFORM TRADE SECRETS ACT
WITH 1985 AMENDMENTS

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**UNIFORM TRADE SECRETS ACT
WITH 1985 AMENDMENTS**

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UNIFORM TRADE SECRETS ACT WITH 1985 AMENDMENTS

(The 1985 Amendments are Indicated
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PREFATORY NOTE

A valid patent provides a legal monopoly for seventeen years in exchange for public disclosure of an invention. If, however, the courts ultimately decide that the Patent Office improperly issued a patent, an invention will have been disclosed to competitors with no corresponding benefit. In view of the substantial number of patents that are invalidated by the courts, many businesses now elect to protect commercially valuable information through reliance upon the state law of trade secret protection. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), which establishes that neither the Patent Clause of the United States Constitution nor the federal patent laws pre-empt state trade secret protection for patentable or unpatentable information, may well have increased the extent of this reliance.

The recent decision in *Aronson v. Quick Point Pencil Co.*, 99 S.Ct. 1096, 201 USPQ 1 (1979) reaffirmed *Kewanee* and held that federal patent law is not a barrier to a contract in which someone agrees to pay a continuing royalty in exchange for the disclosure of trade secrets concerning a product.

Notwithstanding the commercial importance of state trade secret law to interstate business, this law has not developed satisfactorily. In the first place, its development is uneven. Although there typically are a substantial number of reported decisions in states that are commercial centers, this is not the case in less populous and more agricultural jurisdictions. Secondly, even in states in which there has been significant litigation, there is undue uncertainty concerning the parameters of trade secret protection, and the appropriate remedies for misappropriation of a trade secret. One commentator observed:

"Under technological and economic pressures, industry continues to rely on trade secret protection despite the doubtful and confused status of both common law and statutory remedies. Clear, uniform trade secret protection is urgently needed. . . ."

Comment, "Theft of Trade Secrets: The Need for a Statutory Solution", 120 U.Pa.L.Rev. 378, 380-81 (1971).

In spite of this need, the most widely accepted rules of trade secret law, § 757 of the Restatement of Torts, were among the sections omitted from the Restatement of Torts, 2d (1978).

The Uniform Act codifies the basic principles of common law trade secret protection, preserving its essential distinctions from patent law. Under both the Act and common law

principles, for example, more than one person can be entitled to trade secret protection with respect to the same information, and analysis involving the "reverse engineering" of a lawfully obtained product in order to discover a trade secret is permissible. *Compare* Uniform Act, Section 1(2) (misappropriation means acquisition of a trade secret by means that should be known to be improper and unauthorized disclosure or use of information that one should know is the trade secret of another) *with Miller v. Owens-Illinois, Inc.*, 187 USPQ 47, 48 (D.Md.1975) (alternative holding) (prior, independent discovery a complete defense to liability for misappropriation) *and Wesley-Jessen, Inc., v. Reynolds*, 182 USPQ 135, 144-45, (N.D.Ill.1974) (alternative holding) (unrestricted sale and lease of camera that could be reversed engineered in several days to reveal alleged trade secrets preclude relief for misappropriation).

For liability to exist under this Act, a Section 1(4) trade secret must exist and either a person's acquisition of the trade secret, disclosure of the trade secret to others, or use of the trade secret must be improper under Section 1(2). The mere copying of an unpatented item is not actionable.

Like traditional trade secret law, the Uniform Act contains general concepts. The contribution of the Uniform Act is substitution of unitary definitions of trade secret and trade secret misappropriation, and a single statute of limitations for the various property, quasi-contractual, and violation of fiduciary relationship theories of noncontractual liability utilized at common law. The Uniform Act also codifies the results of the better reasoned cases concerning the remedies for trade secret misappropriation.

The History of the Special Committee on the Uniform Trade Secrets Act

On February 17, 1968, the Conference's subcommittee on Scope and Program reported to the Conference's Executive Committee as follows:

"14. Uniform Trade Secrets Protection Act.

This matter came to the subcommittee from the Patent Law Section of the American Bar Association from President Pierce, Commissioner Joiner and Allison Dunham. It appears that in 1966 the Patent Section of the American Bar Association extensively discussed a resolution to the effect that 'the ABA favors the enactment of a uniform state law to protect against the wrongful disclosure or wrongful appropriation of trade secrets, know-how or other information maintained in confidence by another.' It was decided, however, not to put such a resolution to a vote at that time but that the appropriate Patent Section Committee would further consider the problem. In determining what would be appropriate for the Conference to do at this juncture, the following points should be considered:

- (1) At the present much is going on by way of statutory development, both federally and in the states.

(2) There is a fundamental policy conflict still unresolved in that the current state statutes that protect trade secrets tend to keep innovations secret, while our federal patent policy is generally designed to encourage public disclosure of innovations. It may be possible to devise a sensible compromise between these two basic policies that will work, but to do so demands coordination of the statutory reform efforts of both the federal government and the states.

(3) The Section on Patents, the ABA group that is closest to this problem, is not yet ready to take a definite position.

It is recommended that a special committee be appointed to investigate the question of the drafting of a uniform act relating to trade secret protection and to establish liaison with the Patent Law Section, the Corporation, Banking and Business Law Section, and the Antitrust Law Section of the American Bar Association."

The Executive Committee, at its Midyear Meeting held February 17 and 18, 1968, in Chicago, Illinois, "voted to authorize the appointment of a Special Committee on Uniform Trade Secrets Protection Act to investigate the question of drafting an act on the subject with instructions to establish liaison with the Patent Law Section, the Corporation, Banking and Business Law Section, and the Antitrust Law Section of the American Bar Association." Pursuant to that action, a Special Committee was appointed, which included Professor Richard Cosway of Seattle, Washington, who is the only original Committee member to serve to the present day. The following year saw substantial changes in the membership of the Committee. Professor Richard F. Dole, Jr., of Iowa City, Iowa, became a member then and has served as a member ever since.

The work of the Committee went before the Conference first on Thursday afternoon, August 10, 1972, when it was one of three Acts considered on first reading. Thereafter, for a variety of reasons, the Committee became inactive, and, regrettably, its original Chairman died on December 7, 1974. In 1976, the Committee became active again and presented a Fifth Tentative Draft of its proposed bill at the 1978 Annual Meeting of the National Conference of Commissioners on Uniform State Laws.

Despite the fact that there had previously been a first reading, the Committee was of the opinion that, because of the lapse of time, the 1978 presentation should also be considered a first reading. The Conference concurred, and the bill was proposed for final reading and adoption at the 1979 Annual Meeting.

On August 9, 1979, the Act was approved and recommended for enactment in all the states. Following discussions with members of the bar and bench, the Special Committee proposed amendments to Sections 2(b), 3(a), 7 and 11 that clarified the intent of the 1979 Official Text. On August 8, 1985, these four clarifying amendments were approved and recommended for enactment in all the states.

UNIFORM TRADE SECRETS ACT
WITH 1985 AMENDMENTS

SECTION 1. DEFINITIONS. As used in this [Act], unless the context requires otherwise:

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

(2) "Misappropriation" means:

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

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

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

or

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

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

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

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

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

(3) "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity.

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

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

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

COMMENT

One of the broadly stated policies behind trade secret law is "the maintenance of standards of commercial ethics." *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). The Restatement of Torts, Section 757, Comment (f), notes: "A complete catalogue of improper means is not possible," but Section 1(1) includes a partial listing.

Proper means include:

1. Discovery by independent invention;
2. Discovery by "reverse engineering", that is, by starting with the known product and working backward to find the method by which it was developed. The acquisition of the known product must, of course, also be by a fair and honest means, such as purchase of the item on the open market for reverse engineering to be lawful;
3. Discovery under a license from the owner of the trade secret;
4. Observation of the item in public use or on public display;

5. Obtaining the trade secret from published literature.

Improper means could include otherwise lawful conduct which is improper under the circumstances; *e.g.*, an airplane overflight used as aerial reconnaissance to determine the competitor's plant layout during construction of the plant. *E. I. du Pont de Nemours & Co., Inc. v. Christopher*, 431 F.2d 1012 (CA5, 1970), cert. den. 400 U.S. 1024 (1970). Because the trade secret can be destroyed through public knowledge, the unauthorized disclosure of a trade secret is also a misappropriation.

The type of accident or mistake that can result in a misappropriation under Section 1(2)(ii)(C) involves conduct by a person seeking relief that does not constitute a failure of efforts that are reasonable under the circumstances to maintain its secrecy under Section 1(4)(ii).

The definition of "trade secret" contains a reasonable departure from the Restatement of Torts (First) definition which required that a trade secret be "continuously used in one's business." The broader definition in the proposed Act extends protection to a plaintiff who has not yet had an opportunity or acquired the means to put a trade secret to use. The definition includes information that has commercial value from a negative viewpoint, for example the results of lengthy and expensive research which proves that a certain process will *not* work could be of great value to a competitor.

Cf. Telex Corp. v. IBM Corp., 510 F.2d 894 (CA10, 1975) per curiam, cert. dismissed 423 U.S. 802 (1975) (liability imposed for developmental cost savings with respect to product not marketed). Because a trade secret need not be exclusive to confer a competitive advantage, different independent developers can acquire rights in the same trade secret.

The words "method, technique" are intended to include the concept of "know-how."

The language "not being generally known to and not being readily ascertainable by proper means by other persons" does not require that information be generally known to the public for trade secret rights to be lost. If the principal ~~person~~ persons who can obtain economic benefit from information ~~is~~ are aware of it, there is no trade secret. A method of casting metal, for example, may be unknown to the general public but readily known within the foundry industry.

Information is readily ascertainable if it is available in trade journals, reference books, or published materials. Often, the nature of a product lends itself to being readily copied as soon as it is available on the market. On the other hand, if reverse engineering is lengthy and expensive, a person who discovers the trade secret through reverse engineering can have a trade secret in the information obtained from reverse engineering.

Finally, reasonable efforts to maintain secrecy have been held to include advising employees of the existence of a trade secret, limiting access to a trade secret on "need to know

basis", and controlling plant access. On the other hand, public disclosure of information through display, trade journal publications, advertising, or other carelessness can preclude protection.

The efforts required to maintain secrecy are those "reasonable under the circumstances." The courts do not require that extreme and unduly expensive procedures be taken to protect trade secrets against flagrant industrial espionage. See *E. I. du Pont de Nemours & Co., Inc. v. Christopher, supra*. It follows that reasonable use of a trade secret including controlled disclosure to employees and licensees is consistent with the requirement of relative secrecy.

SECTION 2. INJUNCTIVE RELIEF.

(a) Actual or threatened misappropriation may be enjoined. Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.

(b) ~~If the court determines that it would be unreasonable to prohibit future use~~ In exceptional circumstances, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time ~~the~~ for which use could have been prohibited. Exceptional circumstances include, but are not limited to, a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.

(c) In appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order.

COMMENT

Injunctions restraining future use and disclosure of misappropriated trade secrets frequently are sought. Although punitive perpetual injunctions have been granted, *e.g., Elcor Chemical Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204 (Tex.Civ.App.1973), Section 2(a) of this Act adopts the position of the trend of authority limiting the duration of injunctive relief to the extent of the temporal advantage over good faith competitors gained by a misappropriator. See, *e.g., K-2 Ski Co. v. Head Ski Co., Inc.*, 506 F.2d 471 (CA9, 1974) (maximum appropriate duration of both temporary and permanent injunctive relief is period of time it would have taken defendant

to discover trade secrets lawfully through either independent development or reverse engineering of plaintiff's products).

The general principle of Section 2(a) and (b) is that an injunction should last for as long as is necessary, but no longer than is necessary, to eliminate the commercial advantage or "lead time" with respect to good faith competitors that a person has obtained through misappropriation. Subject to any additional period of restraint necessary to negate lead time, an injunction accordingly should terminate when a former trade secret becomes either generally known to good faith competitors or generally knowable to them because of the lawful availability of products that can be reverse engineered to reveal a trade secret.

For example, assume that A has a valuable trade secret of which B and C, the other industry members, are originally unaware. If B subsequently misappropriates the trade secret and is enjoined from use, but C later lawfully reverse engineers the trade secret, the injunction restraining B is subject to termination as soon as B's lead time has been dissipated. All of the persons who could derive economic value from use of the information are now aware of it, and there is no longer a trade secret under Section 1(4). It would be anti-competitive to continue to restrain B after any lead time that B had derived from misappropriation had been removed.

If a misappropriator either has not taken advantage of lead time or good faith competitors already have caught up with a misappropriator at the time that a case is decided, future disclosure and use of a former trade secret by a misappropriator will not damage a trade secret owner and no injunctive restraint of future disclosure and use is appropriate. See, e.g., *Northern Petrochemical Co. v. Tomlinson*, 484 F.2d 1057 (CA7, 1973) (affirming trial court's denial of preliminary injunction in part because an explosion at its plant prevented an alleged misappropriator from taking advantage of lead time); *Kubik, Inc. v. Hull*, 185 USPQ 391 (Mich.App.1974) (discoverability of trade secret by lawful reverse engineering made by injunctive relief punitive rather than compensatory).

Section 2(b) deals with a ~~distinguishable~~ special situation in which future use by a misappropriator will damage a trade secret owner but an injunction against future use nevertheless is ~~unreasonable under the particular~~ inappropriate due to exceptional circumstances of a case. ~~Situations in which this unreasonableness can exist~~ Exceptional circumstances include the existence of an overriding public interest which requires the denial of a prohibitory injunction against future damaging use and a person's reasonable reliance upon acquisition of a misappropriated trade secret in good faith and without reason to know of its prior misappropriation that would be prejudiced by a prohibitory injunction against future damaging use. *Republic Aviation Corp. v. Schenk*, 152 USPQ 830 (N.Y.Sup.Ct.1967) illustrates the public interest justification for withholding prohibitory injunctive relief. The court considered that enjoining a misappropriator from supplying the U.S. with an aircraft weapons control system would have endangered military personnel in Viet Nam. The prejudice to a good faith third party justification for withholding prohibitory injunctive relief can arise upon a trade secret owner's notification to a good faith third party that the third party has knowledge of a trade secret as a result of misappropriation by another. This notice suffices to make the third party a misappropriator thereafter under Section 1(2)(ii)(B)(I). In weighing an aggrieved person's

interests and the interests of a third party who has relied in good faith upon his or her ability to utilize information, a court may conclude that restraining future use of the information by the third party is unwarranted. With respect to innocent acquirers of misappropriated trade secrets, Section 2(b) is consistent with the principle of 4 Restatement Torts (First) § 758(b) (1939), but rejects the Restatement's literal conferral of absolute immunity upon all third parties who have paid value in good faith for a trade secret misappropriated by another. The position taken by the Uniform Act is supported by *Forest Laboratories, Inc. v. Pillsbury Co.*, 452 F.2d 621 (CA7, 1971) in which a defendant's purchase of assets of a corporation to which a trade secret had been disclosed in confidence was not considered to confer immunity upon the defendant.

When Section 2(b) applies, a court ~~is given~~ has discretion to substitute an injunction conditioning future use upon payment of a reasonable royalty for an injunction prohibiting future use. Like all injunctive relief for misappropriation, a royalty order injunction is appropriate only if a misappropriator has obtained a competitive advantage through misappropriation and only for the duration of that competitive advantage. In some situations, typically those involving good faith acquirers of trade secrets misappropriated by others, a court may conclude that the same considerations that render a prohibitory injunction against future use inappropriate also render a royalty order injunction inappropriate. See, generally, *Prince Manufacturing, Inc. v. Automatic Partner, Inc.*, 198 USPQ 618 (N.J.Super.Ct.1976) (purchaser of misappropriator's assets from receiver after trade secret disclosed to public through sale of product not subject to liability for misappropriation).

A royalty order injunction under Section 2(b) should be distinguished from a reasonable royalty alternative measure of damages under Section 3(a). See the Comment to Section 3 for discussion of the differences in the remedies.

Section 2(c) authorizes mandatory injunctions requiring that a misappropriator return the fruits of misappropriation to an aggrieved person, *e.g.*, the return of stolen blueprints or the surrender of surreptitious photographs or recordings.

Where more than one person is entitled to trade secret protection with respect to the same information, only that one from whom misappropriation occurred is entitled to a remedy.

SECTION 3. DAMAGES.

(a) ~~In addition to or in lieu of injunctive relief~~ Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a complainant may is entitled to recover damages for the actual loss caused by misappropriation. A complainant also may recover for Damages can include both the actual loss caused by misappropriation and the unjust

enrichment caused by misappropriation that is not taken into account in computing ~~damages for~~ actual loss. In lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

(b) If willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subsection (a).

COMMENT

Like injunctive relief, a monetary recovery for trade secret misappropriation is appropriate only for the period in which information is entitled to protection as a trade secret, plus the additional period, if any, in which a misappropriator retains an advantage over good faith competitors because of misappropriation. Actual damage to a complainant and unjust benefit to a misappropriator are caused by misappropriation during this time alone. See *Conmar Products Corp. v. Universal Slide Fastener Co.*, 172 F.2d 150 (CA2, 1949) (no remedy for period subsequent to disclosure of trade secret by issued patent); *Carboline Co. v. Jarboe*, 454 S.W.2d 540 (Mo.1970) (recoverable monetary relief limited to period that it would have taken misappropriator to discover trade secret without misappropriation). A claim for actual damages and net profits can be combined with a claim for injunctive relief, but, if both claims are granted, the injunctive relief ordinarily will preclude a monetary award for a period in which the injunction is effective.

As long as there is no double counting, Section 3(a) adopts the principle of the recent cases allowing recovery of both a complainant's actual losses and a misappropriator's unjust benefit that are caused by misappropriation. *E.g.*, *Tri-Tron International v. Velto*, 525 F.2d 432 (CA9, 1975) (complainant's loss and misappropriator's benefit can be combined). Because certain cases may have sanctioned double counting in a combined award of losses and unjust benefit, *e.g.*, *Telex Corp. v. IBM Corp.*, 510 F.2d 894 (CA10, 1975) (per curiam), cert. dismissed, 423 U.S. 802 (1975) (IBM recovered rentals lost due to displacement by misappropriator's products without deduction for expenses saved by displacement; as a result of rough approximations adopted by the trial judge, IBM also may have recovered developmental costs saved by misappropriator through misappropriation with respect to the same customers), the Act adopts an express prohibition upon the counting of the same item as both a loss to a complainant and an unjust benefit to a misappropriator.

As an alternative to all other methods of measuring damages caused by a misappropriator's past conduct, a complainant can request that damages be based upon a demonstrably reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret. In order to justify this alternative measure of damages, there must be competent evidence of the amount of a reasonable royalty.

The reasonable royalty alternative measure of damages for a misappropriator's past conduct under Section 3(a) is readily distinguishable from a Section 2(b) royalty order injunction, which conditions a misappropriator's future ability to use a trade secret upon payment of a reasonable royalty. A Section 2(b) royalty order injunction is appropriate only in exceptional circumstances; whereas a reasonable royalty measure of damages is a general option. Because Section 3(a) damages are awarded for a misappropriator's past conduct and a Section 2(b) royalty order injunction regulates a misappropriator's future conduct, both remedies cannot be awarded for the same conduct. If a royalty order injunction is appropriate because of a person's material and prejudicial change of position prior to having reason to know that a trade secret has been acquired from a misappropriator, damages, moreover, should not be awarded for past conduct that occurred prior to notice that a misappropriated trade secret has been acquired.

Monetary relief can be appropriate whether or not injunctive relief is granted under Section 2. If a person charged with misappropriation has ~~acquired~~ materially and prejudicially changed position in reliance upon knowledge of a trade secret acquired in good faith and without reason to know of its misappropriation by another, however, the same considerations that can justify denial of all injunctive relief also can justify denial of all monetary relief. See *Conmar Products Corp. v. Universal Slide Fastener Co.*, 172 F.2d 1950 (CA2, 1949) (no relief against new employer of employee subject to contractual obligation not to disclose former employer's trade secrets where new employer innocently had committed \$40,000 to develop the trade secrets prior to notice of misappropriation).

If willful and malicious misappropriation is found to exist, Section 3(b) authorizes the court to award a complainant exemplary damages in addition to the actual recovery under Section 3(a) an amount not exceeding twice that recovery. This provision follows federal patent law in leaving discretionary trebling to the judge even though there may be a jury, *compare* 35 U.S.C. Section 284 (1976).

Whenever more than one person is entitled to trade secret protection with respect to the same information, only that one from whom misappropriation occurred is entitled to a remedy.

SECTION 4. ATTORNEY'S FEES. If (i) a claim of misappropriation is made in bad faith, (ii) a motion to terminate an injunction is made or resisted in bad faith, or (iii) willful and malicious misappropriation exists, the court may award reasonable attorney's fees to the prevailing party.

COMMENT

Section 4 allows a court to award reasonable attorney fees to a prevailing party in specified circumstances as a deterrent to specious claims of misappropriation, to specious efforts

by a misappropriator to terminate injunctive relief, and to willful and malicious misappropriation. In the latter situation, the court should take into consideration the extent to which a complainant will recover exemplary damages in determining whether additional attorney's fees should be awarded. Again, patent law is followed in allowing the judge to determine whether attorney's fees should be awarded even if there is a jury, *compare* 35 U.S.C. Section 285 (1976).

SECTION 5. PRESERVATION OF SECRECY. In an action under this [Act], a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include granting protective orders in connection with discovery proceedings, holding in-camera hearings, sealing the records of the action, and ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval.

COMMENT

If reasonable assurances of maintenance of secrecy could not be given, meritorious trade secret litigation would be chilled. In fashioning safeguards of confidentiality, a court must ensure that a respondent is provided sufficient information to present a defense and a trier of fact sufficient information to resolve the merits. In addition to the illustrative techniques specified in the statute, courts have protected secrecy in these cases by restricting disclosures to a party's counsel and his or her assistants and by appointing a disinterested expert as a special master to hear secret information and report conclusions to the court.

SECTION 6. STATUTE OF LIMITATIONS. An action for misappropriation must be brought within 3 years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered.

For the purposes of this section, a continuing misappropriation constitutes a single claim.

COMMENT

There presently is a conflict of authority as to whether trade secret misappropriation is a continuing wrong. *Compare* *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288 (CA9, 1969) (~~no~~ not a continuing wrong under California law - limitation period upon all recovery begins upon initial misappropriation) with *Underwater Storage, Inc. v. U. S. Rubber Co.*, 371 F.2d 950 (CAD9, 1966), cert. den., 386 U.S. 911 (1967) (continuing wrong under general principles - limitation period with respect to a specific act of

misappropriation begins at the time that the act of misappropriation occurs).

This Act rejects a continuing wrong approach to the statute of limitations but delays the commencement of the limitation period until an aggrieved person discovers or reasonably should have discovered the existence of misappropriation. If objectively reasonable notice of misappropriation exists, three years is sufficient time to vindicate one's legal rights.

SECTION 7. EFFECT ON OTHER LAW.

(a) ~~This~~ Except as provided in subsection (b), this [Act] displaces conflicting tort, restitutionary, and other law of this State pertaining to providing civil liability remedies for misappropriation of a trade secret.

(b) This [Act] does not affect:

(1) ~~contractual or other civil liability or relief that is~~ remedies, whether or not based upon misappropriation of a trade secret; ~~or~~

(2) ~~criminal liability for~~ other civil remedies that are not based upon misappropriation of a trade secret; or

(3) criminal remedies, whether or not based upon misappropriation of a trade secret.

COMMENT

~~This Act is not a comprehensive remedy~~ does not deal with criminal remedies for trade secret misappropriation and is not a comprehensive statement of civil remedies. It applies to ~~duties imposed by law in order~~ a duty to protect competitively significant secret information that is imposed by law. It does not apply to ~~duties~~ a duty voluntarily assumed through an express or an implied-in-fact contract. The enforceability of covenants not to disclose trade secrets and covenants not to compete that are intended to protect trade secrets, for example, ~~are~~ is governed by other law. The Act also does not apply to ~~duties~~ a duty imposed by law that ~~are~~ is not dependent upon the existence of competitively significant secret information, like an agent's duty of loyalty to his or her principal.

SECTION 8. UNIFORMITY OF APPLICATION AND CONSTRUCTION. This [Act] shall be applied and construed to effectuate its general purpose to make uniform the law

with respect to the subject of this [Act] among states enacting it.

SECTION 9. SHORT TITLE. This [Act] may be cited as the Uniform Trade Secrets Act.

SECTION 10. SEVERABILITY. If any provision of this [Act] or its application to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of the [Act] which can be given effect without the invalid provision or application, and to this end the provisions of this [Act] are severable.

SECTION 11. TIME OF TAKING EFFECT. This [Act] takes effect on _____, and does not apply to misappropriation occurring prior to the effective date. With respect to a continuing misappropriation that began prior to the effective date, the [Act] also does not apply to the continuing misappropriation that occurs after the effective date.

COMMENT

The Act applies exclusively to misappropriation that begins after its effective date. Neither misappropriation that began and ended before the effective date nor misappropriation that began before the effective date and continued thereafter is subject to the Act.

SECTION 12. REPEAL. The following Acts and parts of Acts are repealed:

- (1)
- (2)
- (3)

and those that almost certainly will take place in the future.



**AMERICAN BROADCASTING
COMPANIES, INC., et al.,
Petitioners**

v.

**AEREO, INC., fka Bamboom Labs, Inc.
No. 13–461.**

Argued April 22, 2014.

Decided June 25, 2014.

Background: Holders of copyrights to broadcast television programs brought copyright infringement action against provider that sold subscribers broadcast television programming streamed over the Internet from small antennas housed in a central warehouse. The United States District Court for the Southern District of New York, Alison J. Nathan, J., 874 F.Supp.2d 373, denied plaintiffs’ motion for preliminary injunction, and they appealed. The United States Court of Appeals for the Second Circuit, Droney, Circuit Judge, 712 F.3d 676, affirmed, and certiorari was granted.

Holdings: The Supreme Court, Justice Breyer, held that:

- (1) provider “performed” copyrighted works within meaning of the Copyright Act, and
- (2) provider performed the works “publicly” within meaning of the Act’s transmit clause.

Reversed and remanded.

Justice Scalia filed a dissenting opinion in which Justices Thomas and Alito joined.

1. Copyrights and Intellectual Property

⌚36

Under amended provision of the Copyright Act stating that to “perform” an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible,” both the broadcaster and the viewer of a television program “perform,” because they both show the program’s images and make audible the program’s sounds. 17 U.S.C.A. § 106(4).

2. Copyrights and Intellectual Property

⌚67.1

Provider that sold subscribers broadcast television programming streamed over the Internet from small antennas housed in a central warehouse “performed” copyrighted works within meaning of the Copyright Act; although the provider’s system remained inert until a subscriber indicated that he or she wanted to watch a program and may have emulated equipment a viewer could use at home, it allowed subscribers to watch programs almost as they were being broadcast. 17 U.S.C.A. § 106(4).

See publication Words and Phrases for other judicial constructions and definitions.

3. Copyrights and Intellectual Property

⌚57

A copy shop that provides its patrons with a library card is not directly liable whenever a patron uses the shop’s machines to “reproduce” copyrighted materials found in that library. 17 U.S.C.A. § 106(1).

4. Copyrights and Intellectual Property

⌚67.1

Provider that sold subscribers broadcast television programming streamed over the Internet from small antennas housed in a central warehouse performed

copyrighted works “publicly” within meaning of the Copyright Act’s transmit clause; although each performance was capable of being received by only one subscriber through a dedicated antenna, the provider communicated the same contemporaneously perceptible images and sounds to a large number of people who were unrelated and unknown to each other. 17 U.S.C.A. § 101.

See publication Words and Phrases for other judicial constructions and definitions.

5. Copyrights and Intellectual Property
⊕67.1

When an entity communicates the same contemporaneously perceptible images and sounds to multiple people, it “transmits” a performance to them within meaning of the Copyright Act’s transmit clause, regardless of the number of discrete communications it makes. 17 U.S.C.A. § 101.

See publication Words and Phrases for other judicial constructions and definitions.

6. Copyrights and Intellectual Property
⊕67.1

When an entity performs to a set of people, whether they constitute “the public” under the Copyright Act’s transmit clause often depends upon their relationship to the underlying work. 17 U.S.C.A. § 101.

7. Copyrights and Intellectual Property
⊕67.1

Under the Copyright Act’s transmit clause, “the public” need not be situated together, spatially or temporally. 17 U.S.C.A. § 101.

* The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of

8. Copyrights and Intellectual Property
⊕67.1

Congress, while intending the Copyright Act’s transmit clause to apply broadly to cable companies and their equivalents, did not intend to discourage or to control the emergence or use of different kinds of technologies. 17 U.S.C.A. § 101.

9. Copyrights and Intellectual Property
⊕67.1

An entity only transmits a performance within meaning of the Copyright Act’s transmit clause when it communicates contemporaneously perceptible images and sounds of a work. 17 U.S.C.A. § 101.

10. Copyrights and Intellectual Property
⊕67.1

An entity does not transmit to the public within meaning of the Copyright Act’s transmit clause if it does not transmit to a substantial number of people outside of a family and its social circle. 17 U.S.C.A. § 101.

11. Copyrights and Intellectual Property
⊕67.1

The doctrine of “fair use” can help to prevent inappropriate or inequitable applications of the Copyright Act’s transmit clause. 17 U.S.C.A. § 101.

Syllabus *

The Copyright Act of 1976 gives a copyright owner the “exclusive righ[t]” to “perform the copyrighted work publicly.” 17 U.S.C. § 106(4). The Act’s Transmit Clause defines that exclusive right to include the right to “transmit or otherwise communicate a performance . . . of the [copyrighted] work . . . to the public, by means of any device or process, whether

the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U.S. 321, 337, 26 S.Ct. 282, 50 L.Ed. 499.

the members of the public capable of receiving the performance . . . receive it in the same place or in separate places and at the same time or at different times.” § 101.

Respondent Aereo, Inc., sells a service that allows its subscribers to watch television programs over the Internet at about the same time as the programs are broadcast over the air. When a subscriber wants to watch a show that is currently airing, he selects the show from a menu on Aereo’s website. Aereo’s system, which consists of thousands of small antennas and other equipment housed in a centralized warehouse, responds roughly as follows: A server tunes an antenna, which is dedicated to the use of one subscriber alone, to the broadcast carrying the selected show. A transcoder translates the signals received by the antenna into data that can be transmitted over the Internet. A server saves the data in a subscriber-specific folder on Aereo’s hard drive and begins streaming the show to the subscriber’s screen once several seconds of programming have been saved. The streaming continues, a few seconds behind the over-the-air broadcast, until the subscriber has received the entire show.

Petitioners, who are television producers, marketers, distributors, and broadcasters that own the copyrights in many of the programs that Aereo streams, sued Aereo for copyright infringement. They sought a preliminary injunction, arguing that Aereo was infringing their right to “perform” their copyrighted works “publicly.” The District Court denied the preliminary injunction, and the Second Circuit affirmed.

Held: Aereo performs petitioners’ works publicly within the meaning of the Transmit Clause. Pp. 2504 – 2511.

(a) Aereo “perform[s].” It does not merely supply equipment that allows others to do so. Pp. 2504 – 2507.

(1) One of Congress’ primary purposes in amending the Copyright Act in 1976 was to overturn this Court’s holdings that the activities of community antenna television (CATV) providers fell outside the Act’s scope. In *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176, the Court determined that a CATV provider was more like a viewer than a broadcaster, because its system “no more than enhances the viewer’s capacity to receive the broadcaster’s signals [by] provid[ing] a well-located antenna with an efficient connection to the viewer’s television set.” *Id.*, at 399, 88 S.Ct. 2084. Therefore, the Court concluded, a CATV provider did not perform publicly. The Court reached the same determination in respect to a CATV provider that retransmitted signals from hundreds of miles away in *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415. “The reception and rechanneling of [broadcast television signals] for simultaneous viewing is essentially a viewer function, irrespective of the distance between the broadcasting station and the ultimate viewer,” the Court said. *Id.*, at 408, 94 S.Ct. 1129. Pp. 2504 – 2505.

(2) In 1976, Congress amended the Copyright Act in large part to reject the *Fortnightly* and *Teleprompter* holdings. The Act now clarifies that to “perform” an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible.” § 101. Thus, *both* the broadcaster *and* the viewer “perform,” because they both show a television program’s images and make audible the program’s sounds. Congress also enacted the Transmit Clause, which specifies that an entity performs when it “transmit[s] . . . a performance . . . to the pub-

lic.” *Ibid.* The Clause makes clear that an entity that acts like a CATV system itself performs, even when it simply enhances viewers’ ability to receive broadcast television signals. Congress further created a complex licensing scheme that sets out the conditions, including the payment of compulsory fees, under which cable systems may retransmit broadcasts to the public. § 111. Congress made all three of these changes to bring cable system activities within the Copyright Act’s scope. Pp. 2505 – 2506.

(3) Because Aereo’s activities are substantially similar to those of the CATV companies that Congress amended the Act to reach, Aereo is not simply an equipment provider. Aereo sells a service that allows subscribers to watch television programs, many of which are copyrighted, virtually as they are being broadcast. Aereo uses its own equipment, housed in a centralized warehouse, outside of its users’ homes. By means of its technology, Aereo’s system “receive[s] programs that have been released to the public and carr[ies] them by private channels to additional viewers.” *Fortnightly*, *supra*, at 400, 88 S.Ct. 2084.

This Court recognizes one particular difference between Aereo’s system and the cable systems at issue in *Fortnightly* and *Teleprompter*: The systems in those cases transmitted constantly, whereas Aereo’s system remains inert until a subscriber indicates that she wants to watch a program. In other cases involving different kinds of service or technology providers, a user’s involvement in the operation of the provider’s equipment and selection of the content transmitted may well bear on whether the provider performs within the meaning of the Act. But given Aereo’s overwhelming likeness to the cable companies targeted by the 1976 amendments, this sole technological difference between Aereo and traditional cable companies

does not make a critical difference here. Pp. 2506 – 2507.

(b) Aereo also performs petitioners’ works “publicly.” Under the Clause, an entity performs a work publicly when it “transmit[s] . . . a performance . . . of the work . . . to the public.” § 101. What performance, if any, does Aereo transmit? Petitioners say Aereo transmits a *prior* performance of their works, whereas Aereo says the performance it transmits is the *new* performance created by its act of transmitting. This Court assumes *arguendo* that Aereo is correct and thus assumes, for present purposes, that to transmit a performance of an audiovisual work means to communicate contemporaneously visible images and contemporaneously audible sounds of the work. Under the Court’s assumed definition, Aereo transmits a performance whenever its subscribers watch a program.

What about the Clause’s further requirement that Aereo transmit a performance “to the public”? Aereo claims that because it transmits from user-specific copies, using individually-assigned antennas, and because each transmission is available to only one subscriber, it does not transmit a performance “to the public.” Viewed in terms of Congress’ regulatory objectives, these behind-the-scenes technological differences do not distinguish Aereo’s system from cable systems, which do perform publicly. Congress would as much have intended to protect a copyright holder from the unlicensed activities of Aereo as from those of cable companies.

The text of the Clause effectuates Congress’ intent. Under the Clause, an entity may transmit a performance through multiple transmissions, where the performance is of the same work. Thus when an entity communicates the same contemporaneously perceptible images and sounds to multiple people, it “transmit[s]

... a performance” to them, irrespective of the number of discrete communications it makes and irrespective of whether it transmits using a single copy of the work or, as Aereo does, using an individual personal copy for each viewer.

Moreover, the subscribers to whom Aereo transmits constitute “the public” under the Act. This is because Aereo communicates the same contemporaneously perceptible images and sounds to a large number of people who are unrelated and unknown to each other. In addition, neither the record nor Aereo suggests that Aereo’s subscribers receive performances in their capacities as owners or possessors of the underlying works. This is relevant because when an entity performs to a set of people, whether they constitute “the public” often depends upon their relationship to the underlying work. Finally, the statute makes clear that the fact that Aereo’s subscribers may receive the same programs at different times and locations is of no consequence. Aereo transmits a performance of petitioners’ works “to the public.” Pp. 2507 – 2510.

(c) Given the limited nature of this holding, the Court does not believe its decision will discourage the emergence or use of different kinds of technologies. Pp. 2510 – 2511.

712 F.3d 676, reversed and remanded.

BREYER, J., delivered the opinion of the Court, in which ROBERTS, C.J., and KENNEDY, GINSBURG, SOTOMAYOR, and KAGAN, JJ., joined. SCALIA, J., filed a dissenting opinion, in which THOMAS and ALITO, JJ., joined.

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For U.S. Supreme Court briefs, see:

2014 WL 1430768 (Reply.Brief)

2014 WL 1245459 (Resp.Brief)

2014 WL 768315 (Pet.Brief)

2014 WL 632092 (Resp.Brief)

Justice BREYER delivered the opinion of the Court.

The Copyright Act of 1976 gives a copyright owner the “exclusive righ[t]” to “perform the copyrighted work publicly.” 17 U.S.C. § 106(4). The Act’s Transmit Clause defines that exclusive right as including the right to

“transmit or otherwise communicate a performance ... of the [copyrighted] work ... to the public, by means of any device or process, whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times.” § 101.

We must decide whether respondent Aereo, Inc., infringes this exclusive right by selling its subscribers a technologically complex service that allows them to watch television programs over the Internet at about the same time as the programs are broadcast over the air. We conclude that it does.

I

A

For a monthly fee, Aereo offers subscribers broadcast television programming over the Internet, virtually as the programming is being broadcast. Much of this programming is made up of copyrighted works. Aereo neither owns the copyright in those works nor holds a license from the copyright owners to perform those works publicly.

Aereo's system is made up of servers, transcoders, and thousands of dime-sized antennas housed in a central warehouse. It works roughly as follows: First, when a subscriber wants to watch a show that is currently being broadcast, he visits Aereo's website and selects, from a list of the local programming, the show he wishes to see.

Second, one of Aereo's servers selects an antenna, which it dedicates to the use of that subscriber (and that subscriber alone) for the duration of the selected show. A server then tunes the antenna to the over-the-air broadcast carrying the show. The antenna begins to receive the broadcast, and an Aereo transcoder translates the signals received into data that can be transmitted over the Internet.

Third, rather than directly send the data to the subscriber, a server saves the data in a subscriber-specific folder on Aereo's hard drive. In other words, Aereo's system creates a subscriber-specific copy—

that is, a "personal" copy—of the subscriber's program of choice.

Fourth, once several seconds of programming have been saved, Aereo's server begins to stream the saved copy of the show to the subscriber over the Internet. (The subscriber may instead direct Aereo to stream the program at a later time, but that aspect of Aereo's service is not before us.) The subscriber can watch the streamed program on the screen of his personal computer, tablet, smart phone, Internet-connected television, or other Internet-connected device. The streaming continues, a mere few seconds behind the over-the-air broadcast, until the subscriber has received the entire show. See *A Dictionary of Computing* 494 (6th ed. 2008) (defining "streaming" as "[t]he process of providing a steady flow of audio or video data so that an Internet user is able to access it as it is transmitted").

Aereo emphasizes that the data that its system streams to each subscriber are the data from his own personal copy, made from the broadcast signals received by the particular antenna allotted to him. Its system does not transmit data saved in one subscriber's folder to any other subscriber. When two subscribers wish to watch the same program, Aereo's system activates two separate antennas and saves two separate copies of the program in two separate folders. It then streams the show to the subscribers through two separate transmissions—each from the subscriber's personal copy.

B

Petitioners are television producers, marketers, distributors, and broadcasters who own the copyrights in many of the programs that Aereo's system streams to its subscribers. They brought suit against Aereo for copyright infringement in Federal District Court. They sought a prelim-

inary injunction, arguing that Aereo was infringing their right to “perform” their works “publicly,” as the Transmit Clause defines those terms.

The District Court denied the preliminary injunction. 874 F.Supp.2d 373 (S.D.N.Y.2012). Relying on prior Circuit precedent, a divided panel of the Second Circuit affirmed. *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676 (2013) (citing *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121 (2008)). In the Second Circuit’s view, Aereo does not perform publicly within the meaning of the Transmit Clause because it does not transmit “to the public.” Rather, each time Aereo streams a program to a subscriber, it sends a *private* transmission that is available only to that subscriber. The Second Circuit denied rehearing en banc, over the dissent of two judges. *WNET, Thirteen v. Aereo, Inc.*, 722 F.3d 500 (2013). We granted certiorari.

II

This case requires us to answer two questions: First, in operating in the manner described above, does Aereo “perform” at all? And second, if so, does Aereo do so “publicly”? We address these distinct questions in turn.

Does Aereo “perform”? See § 106(4) (“[T]he owner of [a] copyright . . . has the exclusive righ[t] . . . to *perform* the copyrighted work publicly” (emphasis added)); § 101 (“To *perform* . . . a work ‘publicly’ means [among other things] to transmit . . . a performance . . . of the work . . . to the public . . .” (emphasis added)). Phrased another way, does Aereo “transmit . . . a performance” when a subscriber watches a show using Aereo’s system, or is it only the subscriber who transmits? In Aereo’s view, it does not perform. It does no more than supply equipment that “emulate[s] the operation of a home antenna

and [digital video recorder (DVR)].” Brief for Respondent 41. Like a home antenna and DVR, Aereo’s equipment simply responds to its subscribers’ directives. So it is only the subscribers who “perform” when they use Aereo’s equipment to stream television programs to themselves.

Considered alone, the language of the Act does not clearly indicate when an entity “perform[s]” (or “transmit[s]”) and when it merely supplies equipment that allows others to do so. But when read in light of its purpose, the Act is unmistakable: An entity that engages in activities like Aereo’s performs.

A

History makes plain that one of Congress’ primary purposes in amending the Copyright Act in 1976 was to overturn this Court’s determination that community antenna television (CATV) systems (the precursors of modern cable systems) fell outside the Act’s scope. In *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176 (1968), the Court considered a CATV system that carried local television broadcasting, much of which was copyrighted, to its subscribers in two cities. The CATV provider placed antennas on hills above the cities and used coaxial cables to carry the signals received by the antennas to the home television sets of its subscribers. The system amplified and modulated the signals in order to improve their strength and efficiently transmit them to subscribers. A subscriber “could choose any of the . . . programs he wished to view by simply turning the knob on his own television set.” *Id.*, at 392, 88 S.Ct. 2084. The CATV provider “neither edited the programs received nor originated any programs of its own.” *Ibid.*

Asked to decide whether the CATV provider infringed copyright holders’ exclusive

right to perform their works publicly, the Court held that the provider did not “perform” at all. See 17 U.S.C. § 1(c) (1964 ed.) (granting copyright holder the exclusive right to “perform . . . in public for profit” a nondramatic literary work), § 1(d) (granting copyright holder the exclusive right to “perform . . . publicly” a dramatic work). The Court drew a line: “Broadcasters perform. Viewers do not perform.” 392 U.S., at 398, 88 S.Ct. 2084 (footnote omitted). And a CATV provider “falls on the viewer’s side of the line.” *Id.*, at 399, 88 S.Ct. 2084.

The Court reasoned that CATV providers were unlike broadcasters:

“Broadcasters select the programs to be viewed; CATV systems simply carry, without editing, whatever programs they receive. Broadcasters procure programs and propagate them to the public; CATV systems receive programs that have been released to the public and carry them by private channels to additional viewers.” *Id.*, at 400, 88 S.Ct. 2084.

Instead, CATV providers were more like viewers, for “the basic function [their] equipment serves is little different from that served by the equipment generally furnished by” viewers. *Id.*, at 399, 88 S.Ct. 2084. “Essentially,” the Court said, “a CATV system no more than enhances the viewer’s capacity to receive the broadcaster’s signals [by] provid[ing] a well-located antenna with an efficient connection to the viewer’s television set.” *Ibid.* Viewers do not become performers by using “amplifying equipment,” and a CATV provider should not be treated differently for providing viewers the same equipment. *Id.*, at 398–400, 88 S.Ct. 2084.

In *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415 (1974), the Court considered the copyright liability of

a CATV provider that carried broadcast television programming into subscribers’ homes from hundreds of miles away. Although the Court recognized that a viewer might not be able to afford amplifying equipment that would provide access to those distant signals, it nonetheless found that the CATV provider was more like a viewer than a broadcaster. *Id.*, at 408–409, 94 S.Ct. 1129. It explained: “The reception and rechanneling of [broadcast television signals] for simultaneous viewing is essentially a viewer function, irrespective of the distance between the broadcasting station and the ultimate viewer.” *Id.*, at 408, 94 S.Ct. 1129.

The Court also recognized that the CATV system exercised some measure of choice over what to transmit. But that fact did not transform the CATV system into a broadcaster. A broadcaster exercises significant creativity in choosing what to air, the Court reasoned. *Id.*, at 410, 94 S.Ct. 1129. In contrast, the CATV provider makes an initial choice about which broadcast stations to retransmit, but then “‘simply carr[ies], without editing, whatever programs [it] receive[s].’” *Ibid.* (quoting *Fortnightly, supra*, at 400, 88 S.Ct. 2084 (alterations in original)).

B

[1] In 1976 Congress amended the Copyright Act in large part to reject the Court’s holdings in *Fortnightly* and *Teleprompter*. See H.R.Rep. No. 94–1476, pp. 86–87 (1976) (hereinafter H.R. Rep.) (The 1976 amendments “completely overturned” this Court’s narrow construction of the Act in *Fortnightly* and *Teleprompter*). Congress enacted new language that erased the Court’s line between broadcaster and viewer, in respect to “perform[ing]” a work. The amended statute clarifies that to “perform” an audiovisual work means “to show its images in any sequence or to

make the sounds accompanying it audible.” § 101; see *ibid.* (defining “[a]udiovisual works” as “works that consist of a series of related images which are intrinsically intended to be shown by the use of machines . . . , together with accompanying sounds”). Under this new language, *both* the broadcaster *and* the viewer of a television program “perform,” because they both show the program’s images and make audible the program’s sounds. See H.R. Rep., at 63 (“[A] broadcasting network is performing when it transmits [a singer’s performance of a song] . . . and any individual is performing whenever he or she . . . communicates the performance by turning on a receiving set”).

Congress also enacted the Transmit Clause, which specifies that an entity performs publicly when it “transmit[s] . . . a performance . . . to the public.” § 101; see *ibid.* (defining “[t]o ‘transmit’ a performance” as “to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent”). Cable system activities, like those of the CATV systems in *Fortnightly* and *Teleprompter*, lie at the heart of the activities that Congress intended this language to cover. See H.R. Rep., at 63 (“[A] cable television system is performing when it retransmits [a network] broadcast to its subscribers”); see also *ibid.* (“[T]he concept of public performance . . . cover[s] not only the initial rendition or showing, but also any further act by which that rendition or showing is transmitted or communicated to the public”). The Clause thus makes clear that an entity that acts like a CATV system itself performs, even if when doing so, it simply enhances viewers’ ability to receive broadcast television signals.

Congress further created a new section of the Act to regulate cable companies’ public performances of copyrighted works.

See § 111. Section 111 creates a complex, highly detailed compulsory licensing scheme that sets out the conditions, including the payment of compulsory fees, under which cable systems may retransmit broadcasts. H.R. Rep., at 88 (Section 111 is primarily “directed at the operation of cable television systems and the terms and conditions of their liability for the retransmission of copyrighted works”).

Congress made these three changes to achieve a similar end: to bring the activities of cable systems within the scope of the Copyright Act.

C

[2] This history makes clear that Aereo is not simply an equipment provider. Rather, Aereo, and not just its subscribers, “perform[s]” (or “transmit[s]”). Aereo’s activities are substantially similar to those of the CATV companies that Congress amended the Act to reach. See *id.*, at 89 (“[C]able systems are commercial enterprises whose basic retransmission operations are based on the carriage of copyrighted program material”). Aereo sells a service that allows subscribers to watch television programs, many of which are copyrighted, almost as they are being broadcast. In providing this service, Aereo uses its own equipment, housed in a centralized warehouse, outside of its users’ homes. By means of its technology (antennas, transcoders, and servers), Aereo’s system “receive[s] programs that have been released to the public and carr[ies] them by private channels to additional viewers.” *Fortnightly*, 392 U.S., at 400, 88 S.Ct. 2084. It “carr[ies] . . . whatever programs [it] receive[s],” and it offers “all the programming” of each over-the-air station it carries. *Id.*, at 392, 400, 88 S.Ct. 2084.

Aereo’s equipment may serve a “viewer function”; it may enhance the viewer’s ability to receive a broadcaster’s pro-

grams. It may even emulate equipment a viewer could use at home. But the same was true of the equipment that was before the Court, and ultimately before Congress, in *Fortnightly* and *Teleprompter*.

We recognize, and Aereo and the dissent emphasize, one particular difference between Aereo's system and the cable systems at issue in *Fortnightly* and *Teleprompter*. The systems in those cases transmitted constantly; they sent continuous programming to each subscriber's television set. In contrast, Aereo's system remains inert until a subscriber indicates that she wants to watch a program. Only at that moment, in automatic response to the subscriber's request, does Aereo's system activate an antenna and begin to transmit the requested program.

[3] This is a critical difference, says the dissent. It means that Aereo's subscribers, not Aereo, "select the copyrighted content" that is "perform[ed]," *post*, at 2513 (opinion of SCALIA, J.), and for that reason they, not Aereo, "transmit" the performance. Aereo is thus like "a copy shop that provides its patrons with a library card." *Post*, at 2514. A copy shop is not directly liable whenever a patron uses the shop's machines to "reproduce" copyrighted materials found in that library. See § 106(1) ("exclusive righ[t] . . . to reproduce the copyrighted work"). And by the same token, Aereo should not be directly liable whenever its patrons use its equipment to "transmit" copyrighted television programs to their screens.

In our view, however, the dissent's copy shop argument, in whatever form, makes too much out of too little. Given Aereo's overwhelming likeness to the cable companies targeted by the 1976 amendments, this sole technological difference between Aereo and traditional cable companies does not make a critical difference here. The subscribers of the *Fortnightly* and

Teleprompter cable systems also selected what programs to display on their receiving sets. Indeed, as we explained in *Fortnightly*, such a subscriber "could choose any of the . . . programs he wished to view by simply turning the knob on his own television set." 392 U.S., at 392, 88 S.Ct. 2084. The same is true of an Aereo subscriber. Of course, in *Fortnightly* the television signals, in a sense, lurked behind the screen, ready to emerge when the subscriber turned the knob. Here the signals pursue their ordinary course of travel through the universe until today's "turn of the knob"—a click on a website—activates machinery that intercepts and reroutes them to Aereo's subscribers over the Internet. But this difference means nothing to the subscriber. It means nothing to the broadcaster. We do not see how this single difference, invisible to subscriber and broadcaster alike, could transform a system that is for all practical purposes a traditional cable system into "a copy shop that provides its patrons with a library card."

In other cases involving different kinds of service or technology providers, a user's involvement in the operation of the provider's equipment and selection of the content transmitted may well bear on whether the provider performs within the meaning of the Act. But the many similarities between Aereo and cable companies, considered in light of Congress' basic purposes in amending the Copyright Act, convince us that this difference is not critical here. We conclude that Aereo is not just an equipment supplier and that Aereo "perform[s]."

III

[4] Next, we must consider whether Aereo performs petitioners' works "publicly," within the meaning of the Transmit Clause. Under the Clause, an entity per-

forms a work publicly when it “transmit[s] . . . a performance . . . of the work . . . to the public.” § 101. Aereo denies that it satisfies this definition. It reasons as follows: First, the “performance” it “transmit[s]” is the performance created by its act of transmitting. And second, because each of these performances is capable of being received by one and only one subscriber, Aereo transmits privately, not publicly. Even assuming Aereo’s first argument is correct, its second does not follow.

We begin with Aereo’s first argument. What performance does Aereo transmit? Under the Act, “[t]o ‘transmit’ a performance . . . is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.” *Ibid.* And “[t]o ‘perform’” an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible.” *Ibid.*

Petitioners say Aereo transmits a *prior* performance of their works. Thus when Aereo retransmits a network’s prior broadcast, the underlying broadcast (itself a performance) is the performance that Aereo transmits. Aereo, as discussed above, says the performance it transmits is the *new* performance created by its act of transmitting. That performance comes into existence when Aereo streams the sounds and images of a broadcast program to a subscriber’s screen.

We assume *arguendo* that Aereo’s first argument is correct. Thus, for present purposes, to transmit a performance of (at least) an audiovisual work means to communicate contemporaneously visible images and contemporaneously audible sounds of the work. Cf. *United States v. American Soc. of Composers, Authors and Publishers*, 627 F.3d 64, 73 (C.A.2 2010) (holding that a download of a work is not a performance because the data transmitted

are not “contemporaneously perceptible”). When an Aereo subscriber selects a program to watch, Aereo streams the program over the Internet to that subscriber. Aereo thereby “communicate[s]” to the subscriber, by means of a “device or process,” the work’s images and sounds. § 101. And those images and sounds are contemporaneously visible and audible on the subscriber’s computer (or other Internet-connected device). So under our assumed definition, Aereo transmits a performance whenever its subscribers watch a program.

But what about the Clause’s further requirement that Aereo transmit a performance “to the public”? As we have said, an Aereo subscriber receives broadcast television signals with an antenna dedicated to him alone. Aereo’s system makes from those signals a personal copy of the selected program. It streams the content of the copy to the same subscriber and to no one else. One and only one subscriber has the ability to see and hear each Aereo transmission. The fact that each transmission is to only one subscriber, in Aereo’s view, means that it does not transmit a performance “to the public.”

In terms of the Act’s purposes, these differences do not distinguish Aereo’s system from cable systems, which do perform “publicly.” Viewed in terms of Congress’ regulatory objectives, why should any of these technological differences matter? They concern the behind-the-scenes way in which Aereo delivers television programming to its viewers’ screens. They do not render Aereo’s commercial objective any different from that of cable companies. Nor do they significantly alter the viewing experience of Aereo’s subscribers. Why would a subscriber who wishes to watch a television show care much whether images and sounds are delivered to his screen via a large multisubscriber antenna or one

small dedicated antenna, whether they arrive instantaneously or after a few seconds' delay, or whether they are transmitted directly or after a personal copy is made? And why, if Aereo is right, could not modern CATV systems simply continue the same commercial and consumer-oriented activities, free of copyright restrictions, provided they substitute such new technologies for old? Congress would as much have intended to protect a copyright holder from the unlicensed activities of Aereo as from those of cable companies.

The text of the Clause effectuates Congress' intent. Aereo's argument to the contrary relies on the premise that "to transmit . . . a performance" means to make a single transmission. But the Clause suggests that an entity may transmit a performance through multiple, discrete transmissions. That is because one can "transmit" or "communicate" something through a *set* of actions. Thus one can transmit a message to one's friends, irrespective of whether one sends separate identical e-mails to each friend or a single e-mail to all at once. So can an elected official communicate an idea, slogan, or speech to her constituents, regardless of whether she communicates that idea, slogan, or speech during individual phone calls to each constituent or in a public square.

The fact that a singular noun ("a performance") follows the words "to transmit" does not suggest the contrary. One can sing a song to his family, whether he sings the same song one-on-one or in front of all together. Similarly, one's colleagues may watch a performance of a particular play—say, this season's modern-dress version of "Measure for Measure"—whether they do so at separate or at the same showings. By the same principle, an entity may transmit a performance through one or

several transmissions, where the performance is of the same work.

[5] The Transmit Clause must permit this interpretation, for it provides that one may transmit a performance to the public "whether the members of the public capable of receiving the performance . . . receive it . . . at the same time or at different times." § 101. Were the words "to transmit . . . a performance" limited to a single act of communication, members of the public could not receive the performance communicated "at different times." Therefore, in light of the purpose and text of the Clause, we conclude that when an entity communicates the same contemporaneously perceptible images and sounds to multiple people, it transmits a performance to them regardless of the number of discrete communications it makes.

We do not see how the fact that Aereo transmits via personal copies of programs could make a difference. The Act applies to transmissions "by means of any device or process." *Ibid.* And retransmitting a television program using user-specific copies is a "process" of transmitting a performance. A "cop[y]" of a work is simply a "material objec[t] . . . in which a work is fixed . . . and from which the work can be perceived, reproduced, or otherwise communicated." *Ibid.* So whether Aereo transmits from the same or separate copies, it performs the same work; it shows the same images and makes audible the same sounds. Therefore, when Aereo streams the same television program to multiple subscribers, it "transmit[s] . . . a performance" to all of them.

Moreover, the subscribers to whom Aereo transmits television programs constitute "the public." Aereo communicates the same contemporaneously perceptible images and sounds to a large number of people who are unrelated and unknown to each other. This matters because, al-

though the Act does not define “the public,” it specifies that an entity performs publicly when it performs at “any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.” *Ibid.* The Act thereby suggests that “the public” consists of a large group of people outside of a family and friends.

[6] Neither the record nor Aereo suggests that Aereo’s subscribers receive performances in their capacities as owners or possessors of the underlying works. This is relevant because when an entity performs to a set of people, whether they constitute “the public” often depends upon their relationship to the underlying work. When, for example, a valet parking attendant returns cars to their drivers, we would not say that the parking service provides cars “to the public.” We would say that it provides the cars to their owners. We would say that a car dealership, on the other hand, does provide cars to the public, for it sells cars to individuals who lack a pre-existing relationship to the cars. Similarly, an entity that transmits a performance to individuals in their capacities as owners or possessors does not perform to “the public,” whereas an entity like Aereo that transmits to large numbers of paying subscribers who lack any prior relationship to the works does so perform.

[7] Finally, we note that Aereo’s subscribers may receive the same programs at different times and locations. This fact does not help Aereo, however, for the Transmit Clause expressly provides that an entity may perform publicly “whether the members of the public capable of receiving the performance . . . receive it in the same place or in separate places and at the same time or at different times.” *Ibid.* In other words, “the public” need not be situated together, spatially or temporally. For these reasons, we conclude that Aereo

transmits a performance of petitioners’ copyrighted works to the public, within the meaning of the Transmit Clause.

IV

[8] Aereo and many of its supporting *amici* argue that to apply the Transmit Clause to Aereo’s conduct will impose copyright liability on other technologies, including new technologies, that Congress could not possibly have wanted to reach. We agree that Congress, while intending the Transmit Clause to apply broadly to cable companies and their equivalents, did not intend to discourage or to control the emergence or use of different kinds of technologies. But we do not believe that our limited holding today will have that effect.

[9] For one thing, the history of cable broadcast transmissions that led to the enactment of the Transmit Clause informs our conclusion that Aereo “perform[s],” but it does not determine whether different kinds of providers in different contexts also “perform.” For another, an entity only transmits a performance when it communicates contemporaneously perceptible images and sounds of a work. See Brief for Respondent 31 (“[I]f a distributor . . . sells [multiple copies of a digital video disc] by mail to consumers, . . . [its] distribution of the DVDs merely makes it possible for the recipients to perform the work themselves—it is not a ‘device or process’ by which the *distributor* publicly performs the work” (emphasis in original)).

[10] Further, we have interpreted the term “the public” to apply to a group of individuals acting as ordinary members of the public who pay primarily to watch broadcast television programs, many of which are copyrighted. We have said that it does not extend to those who act as owners or possessors of the relevant prod-

uct. And we have not considered whether the public performance right is infringed when the user of a service pays primarily for something other than the transmission of copyrighted works, such as the remote storage of content. See Brief for United States as *Amicus Curiae* 31 (distinguishing cloud-based storage services because they “offer consumers more numerous and convenient means of playing back copies that the consumers have *already* lawfully acquired” (emphasis in original)). In addition, an entity does not transmit to the public if it does not transmit to a substantial number of people outside of a family and its social circle.

[11] We also note that courts often apply a statute’s highly general language in light of the statute’s basic purposes. Finally, the doctrine of “fair use” can help to prevent inappropriate or inequitable applications of the Clause. See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984).

We cannot now answer more precisely how the Transmit Clause or other provisions of the Copyright Act will apply to technologies not before us. We agree with the Solicitor General that “[q]uestions involving cloud computing, [remote storage] DVRs, and other novel issues not before the Court, as to which ‘Congress has not plainly marked [the] course,’ should await a case in which they are squarely presented.” Brief for United States as *Amicus Curiae* 34 (quoting *Sony, supra*, at 431, 104 S.Ct. 774 (alteration in original)). And we note that, to the extent commercial actors or other interested entities may be concerned with the relationship between the development and use of such technologies and the Copyright Act, they are of course free to seek action from Congress.

Cf. Digital Millennium Copyright Act, 17 U.S.C. § 512.

* * *

In sum, having considered the details of Aereo’s practices, we find them highly similar to those of the CATV systems in *Fortnightly* and *Teleprompter*. And those are activities that the 1976 amendments sought to bring within the scope of the Copyright Act. Insofar as there are differences, those differences concern not the nature of the service that Aereo provides so much as the technological manner in which it provides the service. We conclude that those differences are not adequate to place Aereo’s activities outside the scope of the Act.

For these reasons, we conclude that Aereo “perform[s]” petitioners’ copyrighted works “publicly,” as those terms are defined by the Transmit Clause. We therefore reverse the contrary judgment of the Court of Appeals, and we remand the case for further proceedings consistent with this opinion.

It is so ordered.

Justice SCALIA, with whom Justice THOMAS and Justice ALITO join, dissenting.

This case is the latest skirmish in the long-running copyright battle over the delivery of television programming. Petitioners, a collection of television networks and affiliates (Networks), broadcast copyrighted programs on the public airwaves for all to see. Aereo, respondent, operates an automated system that allows subscribers to receive, on Internet-connected devices, programs that they select, including the Networks’ copyrighted programs. The Networks sued Aereo for several forms of copyright infringement, but we are here concerned with a single claim: that Aereo violates the Networks’ “exclusive righ[t]” to “perform” their programs

“publicly.” 17 U.S.C. § 106(4). That claim fails at the very outset because Aereo does not “perform” at all. The Court manages to reach the opposite conclusion only by disregarding widely accepted rules for service-provider liability and adopting in their place an improvised standard (“looks-like-cable-TV”) that will sow confusion for years to come.

I. Legal Standard

There are two types of liability for copyright infringement: direct and secondary. As its name suggests, the former applies when an actor personally engages in infringing conduct. See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 433, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984). Secondary liability, by contrast, is a means of holding defendants responsible for infringement by third parties, even when the defendants “have not themselves engaged in the infringing activity.” *Id.*, at 435, 104 S.Ct. 774. It applies when a defendant “intentionally induc[es] or encourag[es]” infringing acts by others or profits from such acts “while declining to exercise a right to stop or limit [them].” *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930, 125 S.Ct. 2764, 162 L.Ed.2d 781 (2005).

Most suits against equipment manufacturers and service providers involve secondary-liability claims. For example, when movie studios sued to block the sale of Sony’s Betamax videocassette recorder (VCR), they argued that Sony was liable because *its customers* were making unauthorized copies. See *Sony, supra*, at 434–435, 104 S.Ct. 774. Record labels and movie studios relied on a similar theory when they sued Grokster and StreamCast, two providers of peer-to-peer file-sharing

software. See *Grokster, supra*, at 920–921, 927, 125 S.Ct. 2764.

This suit, or rather the portion of it before us here, is fundamentally different. The Networks claim that Aereo *directly* infringes their public-performance right. Accordingly, the Networks must prove that Aereo “perform[s]” copyrighted works, § 106(4), when its subscribers log in, select a channel, and push the “watch” button. That process undoubtedly results in a performance; the question is *who* does the performing. See *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 130 (C.A.2 2008). If Aereo’s subscribers perform but Aereo does not, the claim necessarily fails.

The Networks’ claim is governed by a simple but profoundly important rule: A defendant may be held directly liable only if it has engaged in volitional conduct that violates the Act. See 3 W. Patry, Copyright § 9:5.50 (2013). This requirement is firmly grounded in the Act’s text, which defines “perform” in active, affirmative terms: One “perform[s]” a copyrighted “audiovisual work,” such as a movie or news broadcast, by “show[ing] its images in any sequence” or “mak[ing] the sounds accompanying it audible.” § 101. And since the Act makes it unlawful to copy or perform copyrighted works, not to copy or perform in general, see § 501(a), the volitional-act requirement demands conduct directed to the plaintiff’s copyrighted material, see *Sony, supra*, at 434, 104 S.Ct. 774. Every Court of Appeals to have considered an automated-service provider’s direct liability for copyright infringement has adopted that rule. See *Fox Broadcasting Co. v. Dish Network LLC*, 747 F.3d 1060, 1066–1068 (C.A.9 2014); *Cartoon Network, supra*, at 130–131 (C.A.2 2008); *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 549–550 (C.A.4 2004).¹

1. An unpublished decision of the Third Circuit

is to the same effect. *Parker v. Google, Inc.*,

Although we have not opined on the issue, our cases are fully consistent with a volitional-conduct requirement. For example, we gave several examples of direct infringement in *Sony*, each of which involved a volitional act directed to the plaintiff's copyrighted material. See 464 U.S., at 437, n. 18, 104 S.Ct. 774.

The volitional-conduct requirement is not at issue in most direct-infringement cases; the usual point of dispute is whether the defendant's conduct is infringing (*e.g.*, Does the defendant's design copy the plaintiff's?), rather than whether the defendant has acted at all (*e.g.*, Did this defendant create the infringing design?). But it comes right to the fore when a direct-infringement claim is lodged against a defendant who does nothing more than operate an automated, user-controlled system. See, *e.g.*, *Fox Broadcasting, supra*, at 1067; *Cartoon Network, supra*, at 131. Internet-service providers are a prime example. When one user sends data to another, the provider's equipment facilitates the transfer automatically. Does that mean that the provider is directly liable when the transmission happens to result in the "reproduc[ti]on," § 106(1), of a copyrighted work? It does not. The provider's system is "totally indifferent to the material's content," whereas courts require "some aspect of volition" directed at the copyrighted material before direct liability may be imposed. *CoStar*, 373 F.3d, at 550–551.² The defendant may be held directly liable only if the defendant *itself* "trespassed on the exclusive domain of the

copyright owner." *Id.*, at 550. Most of the time that issue will come down to who selects the copyrighted content: the defendant or its customers. See *Cartoon Network, supra*, at 131–132.

A comparison between copy shops and video-on-demand services illustrates the point. A copy shop rents out photocopiers on a per-use basis. One customer might copy his 10-year-old's drawings—a perfectly lawful thing to do—while another might duplicate a famous artist's copyrighted photographs—a use clearly prohibited by § 106(1). Either way, *the customer* chooses the content and activates the copying function; the photocopier does nothing except in response to the customer's commands. Because the shop plays no role in selecting the content, it cannot be held directly liable when a customer makes an infringing copy. See *CoStar, supra*, at 550.

Video-on-demand services, like photocopiers, respond automatically to user input, but they differ in one crucial respect: *They choose the content*. When a user signs in to Netflix, for example, "thousands of . . . movies [and] TV episodes" carefully curated by Netflix are "available to watch instantly." See How [D]oes Netflix [W]ork?, online at <http://help.netflix.com/en/node/412> (as visited June 20, 2014, and available in Clerk of Court's case file). That selection and arrangement by the service provider constitutes a volitional act directed to specific copyrighted works and thus serves as a basis for direct liability.

² 242 Fed.Appx. 833, 836–837 (2007) (*per curiam*).

The Networks muster only one case they say stands for a different approach, *New York Times Co. v. Tasini*, 533 U.S. 483, 121 S.Ct. 2381, 150 L.Ed.2d 500 (2001). Reply Brief 18. But *Tasini* is clearly inapposite; it dealt with the question whether the defendants' copying was permissible, not whether the defendants were the ones who made the copies.

See 533 U.S., at 487–488, 492, 504–506, 121 S.Ct. 2381.

2. Congress has enacted several safe-harbor provisions applicable to automated network processes, see, *e.g.*, 17 U.S.C. § 512(a)–(b), but those provisions do not foreclose "any other defense," § 512(l), including a volitional-conduct defense.

The distinction between direct and secondary liability would collapse if there were not a clear rule for determining whether *the defendant* committed the infringing act. See *Cartoon Network*, 536 F.3d, at 132–133. The volitional-conduct requirement supplies that rule; its purpose is not to excuse defendants from accountability, but to channel the claims against them into the correct analytical track. See Brief for 36 Intellectual Property and Copyright Law Professors as *Amici Curiae* 7. Thus, in the example given above, the fact that the copy shop does not choose the content simply means that its culpability will be assessed using secondary-liability rules rather than direct-liability rules. See *Sony*, *supra*, at 434–442, 104 S.Ct. 774; *Cartoon Network*, *supra*, at 132–133.

II. Application to Aereo

So which is Aereo: the copy shop or the video-on-demand service? In truth, it is neither. Rather, it is akin to a copy shop that provides its patrons with a library card. Aereo offers access to an automated system consisting of routers, servers, transcoders, and dime-sized antennae. Like a photocopier or VCR, that system lies dormant until a subscriber activates it. When a subscriber selects a program, Aereo’s system picks up the relevant broadcast signal, translates its audio and video components into digital data, stores the data in a user-specific file, and transmits that file’s contents to the subscriber via the Internet—at which point the subscriber’s laptop, tablet, or other device displays the broadcast just as an ordinary television would. The result of that process fits the statutory definition of a performance to a tee: The subscriber’s device “show[s]” the broadcast’s “images” and “make[s]” the sounds accompanying” the broadcast “au-

dible.” § 101. The only question is whether those performances are the product of Aereo’s volitional conduct.

They are not. Unlike video-on-demand services, Aereo does not provide a prearranged assortment of movies and television shows. Rather, it assigns each subscriber an antenna that—like a library card—can be used to obtain whatever broadcasts are freely available. Some of those broadcasts are copyrighted; others are in the public domain. The key point is that subscribers call all the shots: Aereo’s automated system does not relay any program, copyrighted or not, until a subscriber selects the program and tells Aereo to relay it. Aereo’s operation of that system is a volitional act and a but-for cause of the resulting performances, but, as in the case of the copy shop, that degree of involvement is not enough for direct liability. See *Grokster*, 545 U.S., at 960, 125 S.Ct. 2764 (BREYER, J., concurring) (“[T]he producer of a technology which *permits* unlawful copying does not himself *engage* in unlawful copying”).

In sum, Aereo does not “perform” for the sole and simple reason that it does not make the choice of content. And because Aereo does not perform, it cannot be held directly liable for infringing the Networks’ public-performance right.³ That conclusion does not necessarily mean that Aereo’s service complies with the Copyright Act. Quite the contrary. The Networks’ complaint alleges that Aereo is directly *and* secondarily liable for infringing their public-performance rights (§ 106(4)) *and also* their reproduction rights (§ 106(1)). Their request for a preliminary injunction—the only issue before this Court—is based exclusively on the direct-liability portion of the public-performance claim

3. Because I conclude that Aereo does not perform at all, I do not reach the question

whether the performances in this case are to the public. See *ante*, at 2507–2511.

(and further limited to Aereo’s “watch” function, as opposed to its “record” function). See App. to Pet. for Cert. 60a–61a. Affirming the judgment below would merely return this case to the lower courts for consideration of the Networks’ remaining claims.

III. Guilt By Resemblance

The Court’s conclusion that Aereo performs boils down to the following syllogism: (1) Congress amended the Act to overrule our decisions holding that cable systems do not perform when they retransmit over-the-air broadcasts;⁴ (2) Aereo looks a lot like a cable system; therefore (3) Aereo performs. *Ante*, at 2504–2507. That reasoning suffers from a trio of defects.

First, it is built on the shakiest of foundations. Perceiving the text to be ambiguous, *ante*, at 2504, the Court reaches out to decide the case based on a few isolated snippets of legislative history, *ante*, at 2505–2506 (citing H.R.Rep. No. 94–1476 (1976)). The Court treats those snippets as authoritative evidence of congressional intent even though they come from a single report issued by a committee whose members make up a small fraction of one of the two Houses of Congress. Little else need be said here about the severe shortcomings of that interpretative methodology. See *Lawson v. FMR LLC*, 571 U.S. —, —, 134 S.Ct. 1158, 1176–1177, 188 L.Ed.2d 158 (2014) (SCALIA, J., concur-

ring in principal part and concurring in judgment).

Second, the Court’s reasoning fails on its own terms because there are material differences between the cable systems at issue in *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415 (1974), and *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176 (1968), on the one hand and Aereo on the other. The former (which were then known as community-antenna television systems) captured the full range of broadcast signals and forwarded them to all subscribers at all times, whereas Aereo transmits only specific programs selected by the user, at specific times selected by the user. The Court acknowledges this distinction but blithely concludes that it “does not make a critical difference.” *Ante*, at 2507. Even if that were true, the Court fails to account for other salient differences between the two technologies.⁵ Though cable systems started out essentially as dumb pipes that routed signals from point A to point B, see *ante*, at 2504, by the 1970’s, that kind of service “‘no longer exist[ed],’” Brief for Petitioners in *Columbia Broadcasting System, Inc. v. Teleprompter Corp.*, O.T. 1973, No. 72–1633, p. 22. At the time of our *Teleprompter* decision, cable companies “perform[ed] the same functions as ‘broadcasters’ by deliberately selecting and importing distant signals, originating programs, [and] selling com-

4. See *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394, 94 S.Ct. 1129, 39 L.Ed.2d 415 (1974); *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed.2d 1176 (1968).

5. The Court observes that “[t]he subscribers of the *Fortnightly* and *Teleprompter* cable systems . . . selected what programs to display on their receiving sets,” but acknowledges

that those choices were possible only because “the television signals, in a sense, lurked behind the screen, ready to emerge when the subscriber turned the knob.” *Ante*, at 2507. The latter point is dispositive: The signals were “ready to emerge” because the cable system—much like a video-on-demand provider—took affirmative, volitional steps to *put* them there. As discussed above, the same cannot be said of the programs available through Aereo’s automated system.

mercials,” *id.*, at 20, thus making them curators of content—more akin to video-on-demand services than copy shops. So far as the record reveals, Aereo does none of those things.

Third, and most importantly, even accepting that the 1976 amendments had as their purpose the overruling of our cable-TV cases, what they were meant to do and how they did it are two different questions—and it is the latter that governs the case before us here. The injury claimed is not violation of a law that says operations similar to cable TV are subject to copyright liability, but violation of § 106(4) of the Copyright Act. And whatever soothing reasoning the Court uses to reach its result (“this looks like cable TV”), the consequence of its holding is that someone who implements this technology “*perform[s]*” *under that provision*. That greatly disrupts settled jurisprudence which, before today, applied the straightforward, bright-line test of volitional conduct directed at the copyrighted work. If that test is not outcome determinative in this case, presumably it is not outcome determinative elsewhere as well. And it is not clear what the Court proposes to replace it. Perhaps the Court means to adopt (invent, really) a two-tier version of the Copyright Act, one part of which applies to “cable companies and their equivalents” while the other governs everyone else. *Ante*, at 2506–2507, 2510.

The rationale for the Court’s ad hoc rule for cable-system lookalikes is so broad that it renders nearly a third of the Court’s opinion superfluous. Part II of the opinion concludes that Aereo performs because it resembles a cable company, and Congress amended the Act in 1976 “to bring

the activities of cable systems within [its] scope.” *Ante*, at 2506. Part III of the opinion purports to address separately the question whether Aereo performs “publicly.” *Ante*, at 2507–2510. Trouble is, that question cannot remain open if Congress’s supposed intent to regulate whatever looks like a cable company must be given legal effect (as the Court says in Part II). The Act reaches only public performances, see § 106(4), so Congress could not have regulated “the activities of cable systems” without deeming their retransmissions public performances. The upshot is this: If Aereo’s similarity to a cable company means that it performs, then by necessity that same characteristic means that it does so publicly, and Part III of the Court’s opinion discusses an issue that is no longer relevant—though discussing it certainly gives the opinion the “feel” of real textual analysis.

Making matters worse, the Court provides no criteria for determining when its cable-TV-lookalike rule applies. Must a defendant offer access to live television to qualify? If similarity to cable-television service is the measure, then the answer must be yes. But consider the implications of that answer: Aereo would be free to do exactly what it is doing right now so long as it built mandatory time shifting into its “watch” function.⁶ Aereo would not be providing *live* television if it made subscribers wait to tune in until after a show’s live broadcast ended. A subscriber could watch the 7 p.m. airing of a 1-hour program any time after 8 p.m. Assuming the Court does not intend to adopt such a do-nothing rule (though it very well may), there must be some other means of identi-

6. Broadcasts accessible through the “watch” function are technically not live because Aereo’s servers take anywhere from a few seconds to a few minutes to begin transmitting

data to a subscriber’s device. But the resulting delay is so brief that it cannot reasonably be classified as time shifting.

fyng who is and is not subject to its guilt-by-resemblance regime.

Two other criteria come to mind. One would cover any automated service that captures and stores live television broadcasts at a user's direction. That can't be right, since it is exactly what remote storage digital video recorders (RS-DVRs) do, see *Cartoon Network*, 536 F.3d, at 124–125, and the Court insists that its “limited holding” does not decide the fate of those devices, *ante*, at 2510–2511. The other potential benchmark is the one offered by the Government: The cable-TV-lookalike rule embraces any entity that “operates an integrated system, substantially dependent on physical equipment that is used in common by [its] subscribers.” Brief for United States as *Amicus Curiae* 20. The Court sensibly avoids that approach because it would sweep in Internet service providers and a host of other entities that quite obviously do not perform.

That leaves as the criterion of cable-TV-resemblance nothing but th'ol' totality-of-the-circumstances test (which is not a test at all but merely assertion of an intent to perform test-free, ad hoc, case-by-case evaluation). It will take years, perhaps decades, to determine which automated systems now in existence are governed by the traditional volitional-conduct test and which get the Aereo treatment. (And automated systems now in contemplation will have to take their chances.) The Court vows that its ruling will not affect cloud-storage providers and cable-television systems, see *ante*, at 2510–2511, but it cannot deliver on that promise given the imprecision of its result-driven rule. Indeed, the difficulties inherent in the Court's makeshift approach will become apparent in this very case. Today's decision addresses the legality of Aereo's “watch” function, which provides nearly contemporaneous access to live broadcasts. On re-

mand, one of the first questions the lower courts will face is whether Aereo's “record” function, which allows subscribers to save a program while it is airing and watch it later, infringes the Networks' public-performance right. The volitional-conduct rule provides a clear answer to that question: Because Aereo does not select the programs viewed by its users, it does not perform. But it is impossible to say how the issue will come out under the Court's analysis, since cable companies did not offer remote recording and playback services when Congress amended the Copyright Act in 1976.

* * *

I share the Court's evident feeling that what Aereo is doing (or enabling to be done) to the Networks' copyrighted programming ought not to be allowed. But perhaps we need not distort the Copyright Act to forbid it. As discussed at the outset, Aereo's secondary liability for performance infringement is yet to be determined, as is its primary and secondary liability for reproduction infringement. If that does not suffice, then (assuming one shares the majority's estimation of right and wrong) what we have before us must be considered a “loophole” in the law. It is not the role of this Court to identify and plug loopholes. It is the role of good lawyers to identify and exploit them, and the role of Congress to eliminate them if it wishes. Congress can do that, I may add, in a much more targeted, better informed, and less disruptive fashion than the crude “looks-like-cable-TV” solution the Court invents today.

We came within one vote of declaring the VCR contraband 30 years ago in *Sony*. See 464 U.S., at 441, n. 21, 104 S.Ct. 774. The dissent in that case was driven in part by the plaintiffs' prediction that VCR technology would wreak all manner of havoc in the television and movie industries. See *id.*, at 483, 104 S.Ct. 774 (opinion of Black-

mun, J.); see also Brief for CBS, Inc., as *Amicus Curiae*, O.T. 1982, No. 81–1687, p. 2 (arguing that VCRs “directly threatened” the bottom line of “[e]very broadcaster”).

The Networks make similarly dire predictions about Aereo. We are told that nothing less than “the very existence of broadcast television as we know it” is at stake. Brief for Petitioners 39. Aereo and its *amici* dispute those forecasts and make a few of their own, suggesting that a decision in the Networks’ favor will stifle technological innovation and imperil billions of dollars of investments in cloud-storage services. See Brief for Respondents 48–51; Brief for BSA, The Software Alliance as *Amicus Curiae* 5–13. We are in no position to judge the validity of those self-interested claims or to foresee the path of future technological development. See *Sony*, *supra*, at 430–431, 104 S.Ct. 774; see also *Grokster*, 545 U.S., at 958, 125 S.Ct. 2764 (BREYER, J., concurring). Hence, the proper course is not to bend and twist the Act’s terms in an effort to produce a just outcome, but to apply the law as it stands and leave to Congress the task of deciding whether the Copyright Act needs an upgrade. I conclude, as the Court concluded in *Sony*: “It may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past. But it is not our job to apply laws that have not yet been written. Applying the copyright statute, as it now reads, to the facts as they have been developed in this case, the judgment of the Court of Appeals must be [affirmed].” 464 U.S., at 456, 104 S.Ct. 774.

I respectfully dissent.



Eleanor McCULLEN, et al., Petitioners

v.

Martha COAKLEY, Attorney General
of Massachusetts, et al.

No. 12–1168.

Argued Jan. 15, 2014.

Decided June 26, 2014.

Background: Sidewalk counselors brought action against Massachusetts Attorney General, challenging constitutionality of revised Massachusetts statute, which made it a crime to knowingly stand on a public way or sidewalk within 35 feet of an entrance or driveway to any place, other than a hospital, where abortions were performed. Following affirmance of denial of facial challenge, 571 F.3d 167, and following bench trial, the United States District Court for the District of Massachusetts, Joseph L. Tauro, J., 759 F.Supp.2d 133 and 844 F.Supp.2d 206, denied counselors’ as-applied challenges. Counselors appealed. The United States Court of Appeals for the First Circuit, Selya, Circuit Judge, 708 F.3d 1, affirmed. Certiorari was granted.

Holdings: The Supreme Court, Chief Justice Roberts, held that:

- (1) statute was not content-based due to fact that it established buffer zones only at clinics that performed abortions;
- (2) statute was not content-based due to fact that it exempted certain groups including clinic employees and agents; and
- (3) statute was not narrowly tailored to serve significant governmental interest, and thus violated free speech guarantees.

Reversed and remanded.

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Another Decade of *Rogers v. Grimaldi*: Continuing to Balance the Lanham Act with the First Amendment Rights of Creators of Artistic Works
Lynn M. Jordan and David M. Kelly

Commentary: If You Remove It, You Use It: The Court of Justice of the European Union on Debranding—On the *Mitsubishi v. Duma* Judgment by the Court of Justice of the European Union
Fabio Angelini and Simone Verducci Galletti

Brief of the International Trademark Association as Amicus Curiae in *Romag Fasteners, Inc. v. Fossil, Inc.*

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ANOTHER DECADE OF *ROGERS v. GRIMALDI*: CONTINUING TO BALANCE THE LANHAM ACT WITH THE FIRST AMENDMENT RIGHTS OF CREATORS OF ARTISTIC WORKS

By Lynn M. Jordan and David M. Kelly***

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I. INTRODUCTION

Twenty years after the U.S. Court of Appeals for the Second Circuit's watershed decision in *Rogers v. Grimaldi*¹ balancing U.S. Bill of Rights First Amendment rights in creative works with the U.S. Trademark (Lanham) Act, the authors thoroughly analyzed how courts in the Second Circuit and other federal circuits applied the two-part test created in *Rogers*.² At the time of the authors' first article, courts had applied the *Rogers* test to cases involving disputes over the titles and content³ of creative works, even the most tenuous showing of artistic relevance would be enough to satisfy the first prong of the test, and the U.S. Court of Appeals for the Ninth Circuit had fully embraced the *Rogers* test as its own.⁴ It had clearly become the standard in disputes involving trademarks and creative works.

Much has happened in the ten years since that article. Courts that had adopted the *Rogers* test have continued to refine its application, and more courts have expressly adopted the test in Lanham Act⁵ cases, bringing the current roster to the Third,⁶ Fifth,⁷ Sixth,⁸ Ninth,⁹ and Eleventh Circuits,¹⁰ and federal district courts

¹ 875 F.2d 994 (2d Cir. 1989).

² See David M. Kelly and Lynn M. Jordan, *Twenty Years of Rogers v. Grimaldi: Balancing the Lanham Act with the First Amendment Rights of Creators of Artistic Works*, 99 TMR 1360 (2009).

³ The Ninth Circuit was the first to extend *Rogers* beyond titles to content, holding that "there is no principled reason why it ought not also apply to the use of a trademark in the body of the work." *E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1099 (9th Cir. 2008).

⁴ *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902 (9th Cir. 2002), *cert. denied*, 537 U.S. 1171 (2003).

⁵ Although the *Rogers* case involved right-of-publicity claims, the Ninth Circuit has held that *Rogers* is not the appropriate test in such cases. See *Elec. Arts v. Davis*, 775 F.3d 1172, 1179 (9th Cir. 2015), *cert. denied*, 136 S. Ct. 1448 (2016). The law regarding right of publicity is not so clear in other circuits, but as this article focuses on Lanham Act claims, we leave an analysis of right-of-publicity claims and the First Amendment for another day.

⁶ *Seale v. Gramercy Pictures*, 949 F. Supp. 331 (E.D. Pa. 1996), *aff'd without opinion*, 156 F.3d 1225 (3d Cir. 1998).

⁷ *Sugar Busters LLC v. Brennan*, 177 F.3d 258 (5th Cir. 1999); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000).

⁸ *Parks v. LaFace Records*, 329 F.3d 437 (6th Cir. 2003); *ETW Corp. v. Jireh Publ'g*, 332 F.3d 915, 937 (6th Cir. 2003).

⁹ *Mattel, Inc.*, 296 F.3d at 902; *E.S.S. Entm't 2000, Inc.*, 547 F.3d at 1099; *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235, 1243 (9th Cir. 2013); *Twentieth Century Fox Television v. Empire Distrib.*, 875 F.3d 1192, 1197-98 (9th Cir. 2017); *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 269-70 (9th Cir. 2018).

¹⁰ *Univ. of Ala. Bd. of Trustees v. New Life Art, Inc.*, 683 F.3d 1266 (11th Cir. 2012).

within the Seventh¹¹ and Tenth Circuits.¹² No courts have rejected the *Rogers* test. In the context of deciding motions for summary judgment and motions to dismiss,¹³ courts have applied the *Rogers* test to both forward and reverse confusion trademark infringement cases¹⁴ as well as false endorsement and false advertising cases.¹⁵

On the other hand, a few federal district court decisions within the Ninth Circuit misinterpreted *Rogers* as applicable only when the asserted mark had an overarching “cultural significance” in the public’s vocabulary, and the junior use referred to the senior one. In 2017, however, the Ninth Circuit stepped in and held that *Rogers* required no such threshold determination.¹⁶

Perhaps the most important substantive development of the decade, however, has been judicial refinement of the second prong of the *Rogers* test—whether the junior use is “explicitly misleading.”

Our first article discussed the *Rogers v. Grimaldi* decision at length, and then undertook a circuit-by-circuit analysis.¹⁷ Here, we analyze in detail how courts have specifically applied the two prongs of the balancing test over the past thirty years and how the test has been applied to both motions to dismiss and summary judgment.

II. *ROGERS v. GRIMALDI*

Rogers v. Grimaldi involved a fictional film about two Italian cabaret performers who imitated the famed dancing duo Ginger Rogers and Fred Astaire and ultimately became known as “Ginger

¹¹ Eastland Music Grp., LLC v. Lionsgate Entm’t, No. 11 C 8224, 2012 WL 2953188 (N.D. Ill. July 19, 2012), *aff’d without reaching constitutional question*, 707 F.3d 869 (7th Cir. 2013); Fortres Grand Corp. v. Warner Bros. Entm’t, 947 F. Supp. 2d 922, 926-27 (N.D. Ind. 2013), *aff’d without reaching First Amendment constitutional question*, 763 F.3d 696 (7th Cir. 2014), *cert. denied*, 135 S. Ct. 981 (2015).

¹² Stouffer v. Nat’l Geographic Partners, LLC, No. 18-cv-3127-WJM-SKC, 2019 WL 3935180 (D. Colo. Aug. 20, 2019). It has also been adopted by a California state court. See Winchester Mystery House, LLC v. Global Asylum, Inc., 210 Cal. App. 4th 579, 590 (Cal. Ct. App. 2012).

¹³ See discussion, *infra* Part III.C.

¹⁴ Unlike traditional or “forward confusion” cases where a consumer is likely to believe that a junior user’s goods or services emanate from or are associated with the senior user, “reverse confusion” occurs when a typically larger junior user engages in such extensive promotion of goods under the senior user’s mark that the market for the junior user is swamped, resulting in a likelihood that consumers will mistakenly believe that the senior user’s goods emanate from the junior user. See *Fortres Grand Corp.*, 947 F. Supp. 2d at 926-27.

¹⁵ Use of a plaintiff’s name and likeness were at issue in *Brown*, 724 F.3d at 1243 (9th Cir. 2013); *Dickinson v. Ryan Seacrest Enters., Inc.*, No. CV 18-2544-GW, 2018 WL 6112628 at *5 (C.D. Cal. Oct. 1, 2018); and *Brown v. Showtime Networks, Inc.*, No. 18 Civ. 11078, 2019 WL 3798044 at *14-15 (S.D.N.Y. Aug. 2, 2019).

¹⁶ *Twentieth Century Fox Television*, 875 F.3d at 1197-98.

¹⁷ See Kelly & Jordan, *supra* note 2, for a detailed analysis of *Rogers v. Grimaldi* and a circuit-by-circuit analysis.

and Fred” in Italy.¹⁸ The film focused on a televised reunion of the fictional duo and was titled *Ginger and Fred*.¹⁹ Ginger Rogers sued the filmmaker, alleging, among other things, that the title violated her rights under Section 43(a) of the Lanham Act.²⁰ Realizing that applying the Lanham Act in the area of titles might intrude on First Amendment values, the district court granted summary judgment to the defendant, finding that the Lanham Act did not apply to the title of the motion picture because it was a work of artistic expression.²¹ The U.S. Court of Appeals for the Second Circuit affirmed, but held that the district court had interpreted the First Amendment’s impact on the Lanham Act too broadly, concluding that doing so would create a “nearly absolute privilege” for movie titles.²²

While cautioning that First Amendment concerns could not insulate artistic works from all Lanham Act claims, the Second Circuit recognized that those concerns were nevertheless relevant in applying the Lanham Act to claims involving the titles of creative works.²³ Although all consumers have a right not to be misled, consumers of artistic works “also have an interest in enjoying the results of the author’s freedom of expression,” which means “the expressive elements of titles requires more protection than the labelling of ordinary commercial products.”²⁴ Ultimately, the Second Circuit held that the Lanham Act “should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.”²⁵ In the context of allegedly misleading titles using a celebrity’s name, the Second Circuit explained that this “balance will normally not support application of the [Lanham] Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.”²⁶ The court held that this construction of the Lanham Act would best accommodate both consumer and artistic interests, because “it insulates from

¹⁸ *Rogers*, 875 F.2d at 996-97.

¹⁹ *Id.*

²⁰ *Id.* at 997. Section 43(a) of the Lanham Act creates civil liability for any person who uses in connection with any goods or services “any false designation of origin, false or misleading description of fact, or false or misleading representation of fact . . . that is likely to cause confusion.” 15 U.S.C. § 1125(a) (2018).

²¹ *Rogers*, 875 F.2d at 997.

²² *Id.* at 996-97.

²³ *Id.* at 997-98.

²⁴ *Id.* at 998 (“Because overextension of Lanham Act restrictions in the area of titles might intrude on First Amendment values, we must construe the Act narrowly to avoid such a conflict.”).

²⁵ *Id.* at 999.

²⁶ *Id.*

restriction titles with at least minimal artistic relevance that are ambiguous or only implicitly misleading but leaves vulnerable to claims of deception titles that are explicitly misleading as to source or content, or that have no artistic relevance at all.”²⁷

Applying this balancing test, the Second Circuit found that the *Ginger and Fred* title surpassed the minimum threshold of artistic relevance to the film’s content and contained no explicit indication that Ginger Rogers endorsed the film or had a role in producing it.²⁸

III. SUBSEQUENT APPLICATION OF THE *ROGERS* BALANCING TEST

The *Rogers* test was created to balance the danger of consumer confusion, which trademark law is designed to prevent, with the benefits of free expression, which the First Amendment protects. *Rogers* effectively employs the First Amendment as a rule of construction to avoid conflict between the Constitution and the Lanham Act, and does so by setting certain threshold requirements in cases involving creative works before the Lanham Act will apply. These requirements make up the two “prongs” of the test: (1) determining whether a use has “artistic relevance”; and (2) if so, whether the use is “explicitly misleading.”

A. Artistic Relevance

“The artistic relevance prong ensures that the defendant intended an artistic—*i.e.*, noncommercial—association with the plaintiff’s mark, as opposed to one in which the defendant intends to associate with the mark to exploit its popularity and goodwill.”²⁹ It is not the role of the court to determine *how* meaningful the artistic connection is, but simply that one exists. As a result, the threshold for finding artistic relevance has always been low. Indeed, the Second Circuit established a very low bar in *Rogers*, repeatedly referring to works that had “no artistic relevance” as the only works that would be exempt from further First Amendment consideration.³⁰ The Ninth Circuit has followed suit, holding that “the level of relevance merely must be above zero.”³¹

²⁷ *Id.* at 1000.

²⁸ *Id.* at 1001.

²⁹ *Louis Vuitton Malletier S.A. v. Warner Bros. Entm’t Inc.*, 868 F. Supp. 2d 172, 178 (S.D.N.Y. 2012) (citing *Rogers*, 875 F.2d at 1001, and finding that the defendant satisfied the artistic relevance prong where its use of the trademark was “not arbitrarily chosen just to exploit the publicity value of [the plaintiff’s mark] but instead had genuine relevance to the film’s story”).

³⁰ *Rogers*, 875 F.2d at 999-1000.

³¹ *E.S.S. Entm’t*, 547 F.3d at 1100.

At first glance, it would appear easy for a court to determine whether use of a mark is artistically relevant to the underlying work. The artistic relevance prong has even been described as a “black-and-white rule [having] the benefit of limiting [a court’s] need to engage in artistic analysis in this context.”³² In reality, however, it isn’t always so easy to apply. Nevertheless, courts have been extremely liberal in finding artistic relevance, even though it isn’t always obvious.³³

For instance, in *Dillinger, LLC v. Electronic Arts, Inc.*, notorious gangster John Dillinger’s estate argued that the appearance of a “Dillinger Level Three Tommy Gun” as a weapon in the *Godfather* video game series infringed its trademark rights in the mark JOHN DILLINGER.³⁴ In particular, the plaintiff argued there was no artistic relevance of the “Dillinger” name to the video game because the *Godfather* novels weren’t set in the time when John Dillinger lived; the novels didn’t involve a John Dillinger character; and no one within defendant’s organization could even remember why the “Dillinger” name was chosen for the weapon.³⁵ In granting summary judgment to defendant Electronic Arts, the court held that it was “not the role of the Court to determine how meaningful the relationship between a trademark and the content of a literary work must be; consistent with *Rogers*, any connection whatsoever is enough for the Court to determine that the mark’s use meets ‘the appropriately low threshold of minimal artistic relevance.’”³⁶ Here, because John Dillinger was widely associated with Tommy Guns, even such a “superficial and attenuated” connection was “above zero.”³⁷

There are many other examples of less-than-obvious artistic relevance meeting the “above zero” standard in video game cases where the inclusion of other parties’ trademarks “increase[s] specific realism of the game.”³⁸ Game manufacturer Activision prevailed on summary judgment in two cases involving elements from its *Call of*

³² *Brown*, 724 F.3d at 1243.

³³ *Roxbury Entm’t v. Penthouse Media Grp., Inc.*, 669 F. Supp. 2d 1170, 1176 (C.D. Cal. 2009) (finding the title ROUTE 66 artistically relevant to a pornographic film because of the film’s setting in part in a roadside motel and the association of “Route 66” with cross-country travel).

³⁴ No. 1:09-cv-36-JMS-DKL, 2011 WL 2457678, at *3 (S.D. Ind. June 16, 2011).

³⁵ *Id.* at *4, *6.

³⁶ *Id.* at *6.

³⁷ *Id.* at *5.

³⁸ *E.g.*, *Novalogic Inc. v. Activision Blizzard*, 41 F. Supp. 3d 885, 900 (C.D. Cal. 2013); *Mil-Spec Monkey, Inc. v. Activision Blizzard, Inc.*, 74 F. Supp. 3d 1134, 1142 (N.D. Cal. 2014); *VIRAG, S.R.L. v. Sony Comput. Entm’t Am. LLC*, No. 3:15-cv-01729-LB, 2015 WL 5000102 (N.D. Cal. Aug. 21, 2015), *aff’d*, 699 F. App’x 667 (9th Cir. 2017); *see also Dillinger*, 2011 WL 2457678, at *6 (“It is not the role of the Court to determine how meaningful the relationship between a trademark and the content of a literary work must be; consistent with *Rogers*, any connection whatsoever is enough.”).

Duty game franchise. In *Novalogic v. Activision Blizzard Inc.*, the court found as a matter of law that Activision's use of the Army's phrase "Delta Force" within the *Call of Duty* video game gave users "a sense of a particularized reality of being part of an actual elite special-forces operation and serve[d] as a means to increase specific realism of the game."³⁹ And in *Mil-Spec Monkey, Inc. v. Activision Blizzard, Inc.*, the court held that Activision's use of the plaintiff's ANGRY MONKEY morale patch within the video game bore "some artistic relevance to the creators' goal of offering players a feeling of personal identity and authenticity during game play."⁴⁰

Sony's use of the plaintiff's VIRAG mark on a racecourse bridge within its *Gran Turismo* racing game was also found to "provide a realistic simulation of European car racing . . . by allowing players to drive on realistic simulations of European race tracks."⁴¹ The court clarified that it need not "determine *exactly* how artistically relevant the VIRAG® mark is to the games," but instead merely had to be able to conclude that the artistic relevance is "above zero," summarizing the standard as a "black-and-white rule."⁴² Despite the defendant's claims to the contrary, the court also noted that whether Sony's use of the VIRAG mark was "for commercial gain *in addition to* . . . for artistic purposes" was "irrelevant."⁴³

The plaintiffs' objections to the defendants' uses of their marks as elements within creative works have also arisen in other contexts, including disputes regarding films, books, and art displays. For example, a defendant's depiction of a fictional cover of the plaintiff's magazine, *The Sporting Times*, featured with the lead character's picture in the film *Spaceman* was found artistically relevant as part of a montage of magazines about the film's sports-star subject;⁴⁴ a depiction of the plaintiff's surfboard, which the plaintiff admitted had "celebrity status" in the surfing community, on the back cover of a fictional book that had a surfing theme was found artistically relevant to the story;⁴⁵ and the inclusion of a drawing based on a scene from a 1923 silent film, which the plaintiff alleged was "one of the most iconic images in cinema," in a

³⁹ *Novalogic*, 41 F. Supp. 3d at 900.

⁴⁰ *Mil-Spec Monkey*, 74 F. Supp. 3d at 1142.

⁴¹ *VIRAG*, 2015 WL 5000102, at *11 (plaintiff was a frequent race sponsor).

⁴² *Id.* at *12.

⁴³ *Id.*; but see *N.Y. Racing Ass'n, Inc. v. Perlmutter Publ'g, Inc.*, No. 95-CV-994 (FJS), 1996 WL 465298, at *5 (N.D.N.Y. July 19, 1996) (court finding that although t-shirts featuring paintings of the actual Saratoga racecourse that included plaintiff's trademarks were artistically relevant, in the case of defendants' products that display paintings where plaintiff's marks were added to the scenes and the mark does not actually exist in the scene depicted, "the balance shifts").

⁴⁴ *Sporting Times, LLC v. Orion Pictures Corp.*, 291 F. Supp. 3d 817, 826 (W.D. Ky. 2017).

⁴⁵ *Stewart Surfboards, Inc. v. Disney Book Grp., LLC*, No. CV 10-2982 GAF, 2011 WL 12877019, at *5 (C.D. Cal. May 11, 2011).

multimedia work displayed in Los Angeles International Airport was found artistically relevant as a tribute to silent movies.⁴⁶ In a case with particularly unusual facts, a different court found that use of a counterfeit LOUIS VUITTON bag in the film *The Hangover II* was artistically relevant because the use was intended to create an artistic association with LOUIS VUITTON, which it did, and thus discovery was irrelevant and unnecessary as to whether Warner Bros. knew the bag was a counterfeit.⁴⁷

In a case involving the title of a work, rather than an element, the court found BITCHIN' KITCHEN artistically relevant as the title of a reality television series.⁴⁸ The Cooking Channel show starred a larger-than-life host who routinely employed sexual innuendo, provocative attire, off-color humor, and recipes such as “Save Your Sex Life Soufflé,” and so the court found the title supported the show’s content, tone, style, purpose, and intended appeal.⁴⁹

In all of these cases, the courts easily concluded that there was at least an “above zero” level of artistic relevance, and therefore the defendants were all entitled to summary judgment or dismissal of the claims against them under the *Rogers* balancing test. Very few cases have ever held that there was no artistic relevance.⁵⁰ *Parks v. LaFace Records* is often erroneously cited by plaintiffs for that proposition, but the court in *Parks* held only that the level of artistic relevance was insufficient for satisfying *Rogers*’s first prong as a matter of law and remanded the case back to the district court for further findings.⁵¹ The musical group Outkast released the song “Rosa Parks,” which was not about Rosa Parks or even the Civil Rights movement, but rather was about how Outkast is better than its competitors who must therefore take a “back seat” to them and “move to the back of the bus.”⁵² Outkast argued that because the song contained the phrase “move to the back of the bus,” use of Parks’s name as the title was symbolic or metaphorical.⁵³ The district court agreed, and granted Outkast’s motion for summary

⁴⁶ *Harold Lloyd Entm’t, Inc. v. Moment Factory One, Inc.*, No. LA CV15-01556 JAK, 2015 WL 12765142, at *10 (C.D. Cal. Oct. 29, 2015).

⁴⁷ *Louis Vuitton Malletier*, 868 F. Supp. at 178.

⁴⁸ *Martha Elizabeth, Inc. v. Scripps Networks Interactive, LLC*, No. 1:10-cv-1244, 2011 WL 1750711 (W.D. Mich. 2011) (comparing BITCHIN’ KITCHEN v. THE BITCHEN KITCHEN).

⁴⁹ *Id.*

⁵⁰ One such example is *N.Y. Racing Ass’n*, in which the court found that incorporating plaintiff’s trademarks into actual depictions of the Saratoga racecourse was artistically relevant, but adding the marks to scenes where they do not exist in real life made a finding of artistic relevance “virtually non-existent.” 1996 WL 465298, at *5.

⁵¹ 329 F.3d 437 (6th Cir. 2003).

⁵² *Id.* at 452-53.

⁵³ *Id.* at 454.

judgment.⁵⁴ The Sixth Circuit reversed, finding that it could not be said *as a matter of law* that the title was artistically relevant to the song itself.⁵⁵ If the requirement of “relevance” in “artistic relevance” is to have any meaning, the court believed “it would not be unreasonable to conclude that the title *Rosa Parks* is *not* relevant to the content of the song in question.”⁵⁶ The case ultimately settled without any more factual findings or a determination whether the title was artistically relevant to the song.⁵⁷

In 2010, a series of district court cases within the Ninth Circuit began reading additional requirements into the artistic relevance part of the *Rogers* test. In *Rebelution, LLC v. Armando C. Perez*,⁵⁸ a Northern District of California court held that although the Ninth Circuit had adopted the *Rogers* test, “it has placed an important threshold limitation upon its application: plaintiff’s mark must be of such cultural significance that it has become an integral part of the public’s vocabulary.”⁵⁹ According to the court, the relevant inquiry was thus the “artistic relevance of defendant’s use of the mark related to the meaning associated with *plaintiff’s* mark.”⁶⁰

The plaintiffs in that case, whose reggae band was called “Rebelution,” sought to enjoin the defendant, Perez, known by his performance title “Pitbull,” from using the identical mark REBELUTION for an album title.⁶¹ Although Perez argued that “Rebelution” was artistically relevant to his album because the word was a made-up amalgamation of “rebel,” “revolution,” and “evolution” and symbolized his personal artistic struggles, the court found that his use was not artistically relevant as related to the meaning of the mark associated with *plaintiff’s* band.⁶² In fact, the defendant argued that he had never heard of the plaintiff’s band.⁶³ Because the plaintiffs’ mark had no independent cultural significance, and the defendant’s use did not refer to the plaintiffs’ band, the court found that there was no artistic relevance and

⁵⁴ *Id.*

⁵⁵ *Id.* at 459.

⁵⁶ *Id.* at 453.

⁵⁷ *See also Seale*, 949 F. Supp. at 340 (finding use of plaintiff’s name on film about the history of the Black Panther Party and book about the film was artistically relevant as a matter of law, but factual issues precluded summary judgment as to whether use of name was artistically relevant on the cover of a soundtrack of songs unrelated to plaintiff or the history of the Black Panther Party).

⁵⁸ 732 F. Supp. 2d 883 (N.D. Cal. 2010).

⁵⁹ *Id.* at 887.

⁶⁰ *Id.* at 889 (emphasis added).

⁶¹ *Id.* at 886.

⁶² *Id.* at 889.

⁶³ *Id.*

concluded that the use failed to meet the first prong of the *Rogers* test.⁶⁴

That same month, in a dispute between the maker of CAKEBOSS bakery software and Discovery Channel's CAKE BOSS television series title, a district court in the District Court for the Western District of Washington similarly held that the infringement claim against the Discovery Channel did not implicate the First Amendment interests recognized by the Ninth Circuit in *Mattel* and *Rogers* because "Discovery did not choose the name of *Cake Boss* as an allusion to *CakeBoss*" software, which the court found in any event had not attained cultural significance beyond its source-identifying function.⁶⁵

Other district courts quickly rejected the reasoning in these "outlier" cases,⁶⁶ pointing to the Ninth Circuit's own language in *E.S.S. Entertainment v. Rock Star Videos*,⁶⁷ which, in turn, drew from the *Mattel, Inc. v. MCA Records, Inc.*, the case in which the Ninth Circuit expressly adopted the *Rogers* test as its own.⁶⁸ In *E.S.S. Entertainment*, the Ninth Circuit considered whether the defendant's depiction of a fictional "Pig Pen" strip club in a video game infringed rights in a real-life "Play Pen" strip club.⁶⁹ The

⁶⁴ *Id.*

⁶⁵ *Masters Software, Inc., v. Discovery Commc'ns, Inc.*, 725 F. Supp. 2d 1294, 1306 (W.D. Wash. 2010); *see also* *Dita, Inc. v. Mendez*, No. CV 10-6277 PSG, 2010 WL 5140855, at *3 (C.D. Cal. Dec. 14, 2010); *Warner Bros. Entm't v. Global Asylum, Inc.*, No. CV 12-9547 PSG, 2012 WL 6951315, at *17 (C.D. Cal. Dec. 10, 2012). Notably, this seems to be the same type of argument that the district court in Minnesota used to find *Rogers v. Grimaldi* inapplicable many years earlier in *American Dairy Queen Corp. v. New Line Productions, Inc.*, 35 F. Supp. 2d 727, 734-35 (D. Minn. 1998).

⁶⁶ *See Mil-Spec Monkey*, 74 F. Supp. 3d at 1140-41 (calling *Rebellion* an "outlier" and pointing to the Ninth Circuit's earlier decision in *E.S.S. Entm't v. Rock Star Videos*). The *Mil-Spec* court specifically noted that the fact that *Mattel's* BARBIE mark had "made its way into the global lexicon does not mean that every mark must do so in order for its use to be protected by the First Amendment." *See also Stewart Surfboards*, 2011 U.S. Dist. LEXIS 155444, at *17 (expressly stating that it does not read the Ninth Circuit's adoption of *Rogers* as limited to cases where the mark has cultural significance, noting that "the Ninth Circuit made clear in *E.S.S. Entertainment* that a defendant's work need not be 'about' the [plaintiff's] trademark or what the trademark signifies," so long as the use has some relevance to *defendant's* work); *Webceleb, Inc. v. Procter & Gamble Co.*, No. 10cv2318 DMS (BLM), 2012 U.S. Dist. LEXIS 188117, at *15-16 (S.D. Cal. Sept. 25, 2012) (noting that the plaintiff had cited district court cases requiring that the mark have "cultural significance" and be referential to plaintiff's mark for *Rogers* to apply, which defendant's mark did not, the court pointed out that the Ninth Circuit had "specifically rejected this argument," citing *E.S.S.* Specifically, the court found that "Defendants need not refer to Plaintiff's product to meet the element of artistic relevance. Indeed, Defendants' use of the term has to be artistically relevant to their own product, not Plaintiff's product."); *Rebellion Devs. Ltd. v. Stardock Entm't, Inc.*, No. 12-12805, 2013 WL 1944888, at *3 (E.D. Mich. May 9, 2013) ("This referential requirement is simply not required by either prong of the *Rogers* test.")

⁶⁷ 547 F.3d 1095 (9th Cir. 2008).

⁶⁸ *Mattel*, 296 F.3d at 902.

⁶⁹ *E.S.S. Entm't*, 547 F.3d. at 1097.

plaintiff argued that use of “Pig Pen” had no artistic relevance and was explicitly misleading, resting its argument on the facts that “(1) the Game [was] not ‘about’ E.S.S.’s Play Pen Club the way that ‘Barbie Girl’ was ‘about’ the Barbie Doll in *MCA Records*; and (2) also unlike the [*Mattel*] case, where the trademark and trade dress at issue was a cultural icon (Barbie), the Play Pen [strip club] is not a cultural icon.”⁷⁰ The Ninth Circuit held that ESS’s objections, though factually accurate, missed the point.⁷¹ It did not matter that the game wasn’t “about” the plaintiff’s club; as long as the fictional Pig Pen club had some plausible level of artistic relevance to the defendant’s game (which it did), its name met the required “low threshold” of artistic relevance.⁷²

In *Twentieth Century Fox Television v. Empire Distribution, Inc.*, the Ninth Circuit finally addressed the question of whether the mark at issue must have obtained some “cultural significance.”⁷³ In that case, Fox sought a declaratory judgment that its use of the word “Empire” as the title of a television series about a fictional music label called “Empire Enterprises” did not infringe trademark rights held by a real-life record label called “Empire Distribution.”⁷⁴ Affirming summary judgment in favor of Fox, the Ninth Circuit first addressed the declaratory-judgment defendant’s argument that a “threshold requirement” for applying *Rogers v. Grimaldi* was whether the mark at issue—EMPIRE—had attained a meaning beyond its source-identifying function.⁷⁵ Acknowledging that trademark suits “often arise when a brand name enters common parlance and comes to signify something more than the brand itself,” the court nevertheless confirmed that this was not a requirement, noting that “we apply the *Rogers* test in other cases as well.”⁷⁶ Instead, the court held that “the only threshold requirement for the *Rogers* test is an attempt to apply the Lanham Act to First Amendment expression.”⁷⁷

⁷⁰ *Id.* at 1100.

⁷¹ *Id.*

⁷² *Id.*

⁷³ 875 F.3d 1192 (9th Cir. 2017). Just a few weeks earlier, the Ninth Circuit had reached the same conclusion, but without discussion. *VIRAG*, 699 F. App’x at 668 (holding “[t]he test set forth in *Rogers v. Grimaldi* . . . applies regardless whether the *VIRAG* trademark has independent cultural significance . . . or Sony’s use of the trademark within the video game serves to communicate a message other than the source of the trademark”). See also *Brown*, 724 F.3d at 1235 (Although not involving the association issue, in applying *Rogers v. Grimaldi* the court emphatically stated that the “interpretation of the ‘artistic relevance’ prong of the *Rogers* test in *E.S.S.* [was] correct.”).

⁷⁴ *Twentieth Century Fox*, 875 F.3d at 1195.

⁷⁵ See *id.* at 1197-98.

⁷⁶ *Id.* at 1197.

⁷⁷ *Id.* at 1198. See also *VIRAG*, 699 F. App’x at 668; but see *IOW, LLC v. Michael Breus & Lauren Breus*, No. CV18-1649-PHX-DGC, 2019 WL 4010737, at *12 (D. Ariz. Aug. 26, 2019) for a recent case from a district court within the Ninth Circuit denying summary

This is not to say that the cultural significance of a mark may never be relevant. As the Ninth Circuit acknowledged in the *Empire* case, trademarks transcending their identifying purpose are more likely to be used in artistically relevant ways, and trademarks that have no meaning beyond their source-identifying function are more likely to be used in ways that have no artistic relevance to the underlying work whatsoever if they merely borrow another's property to get attention.⁷⁸

The Ninth Circuit found that Fox used the common English word “empire” for artistically relevant reasons, namely because the show was set in the Empire State (New York) and its subject matter was a family music “empire.”⁷⁹ Conceding that Fox’s *Empire* title was relevant to its series in that sense, the declaratory-judgment defendant nevertheless argued that the relevant inquiry was not whether Fox’s title referred to characteristics of Fox’s own series, but whether it referred to Empire Distribution’s music label.⁸⁰ But the court was also clear on this point: “This referential requirement does not appear in the text of the *Rogers* test, and such a requirement would be inconsistent with the purpose of the first prong of *Rogers*.”⁸¹ Because there was at least some level of artistic relevance, the first prong of *Rogers v. Grimaldi* was satisfied.

Closing the door to further misinterpretation, the Ninth Circuit spelled out exactly “how a work fails the first prong of the *Rogers* test: by bearing a title which has no artistic relevance to the work. A title may have artistic relevance by linking the work to another mark, as with ‘Barbie Girl,’ or it may have artistic relevance by supporting the themes and geographic setting of the work, as with *Empire*. Reference to another work may be a component of artistic relevance, but it is not a prerequisite.”⁸²

The Ninth Circuit’s resolution of the “cultural significance” question also made clear that *Rogers* applies in reverse confusion cases. In a case involving a fictional software product called CLEAN SLATE in the Batman film *The Dark Knight Rises*, the plaintiff alleged that use of that mark for the fictional software in the film

judgment to defendants’ use of non-fiction book title, erroneously citing *Rebellion* and other superseded district court cases and finding “no demonstrated independent expressive, artistic, or cultural meaning apart from its content-describing function,” therefor the use “implicates none of the First Amendment concerns that *Rogers* was adopted to safeguard.”

⁷⁸ *Twentieth Century Fox*, 875 F.3d at 1198 (citing *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1401 (9th Cir. 1997) (holding that an account of the O.J. Simpson murder trial titled “The Cat NOT in the Hat!” borrowed Dr. Seuss’s trademark and poetic style only to “‘get attention’ or maybe even ‘to avoid the drudgery in working up something fresh’”).).

⁷⁹ 875 F.3d at 1198.

⁸⁰ *Id.*

⁸¹ *Id.*

⁸² *Id.* at 1199.

infringed its rights in its own real-life CLEAN SLATE software product.⁸³ Because the defendant Warner Bros. was the much larger user and extensively advertised and promoted its movie, the plaintiff argued that the defendant's use was likely to cause "reverse confusion," and that *Rogers* applied only to cases involving traditional forward confusion.⁸⁴ The plaintiff's argument was based on its belief that *Rogers* applied only to marks that had cultural significance, and only when a defendant used the mark to reference the senior use. "In other words, in a case of reverse confusion the defendant is not trying to use the plaintiff's mark expressively, or availing itself illegitimately of the plaintiff's reputation—the foundational rationale of *Rogers* and its progeny."⁸⁵ The court disagreed, holding definitively that "the *Rogers* test applies to reverse confusion cases."⁸⁶ The court separately held that, even in a traditional reverse likelihood-of-confusion case not implicating First Amendment concerns, the plaintiff could not prevail because no reasonable consumer would believe that Fortres Grand's software emanated from Warner Bros.⁸⁷ The plaintiff appealed only this latter ruling. In upholding the grant of Warner Bros.' motion to dismiss because the allegations of reverse confusion were "too implausible to support costly litigation," the Seventh Circuit did not weigh in on the district court's finding that *Rogers* applied to reverse confusion cases.⁸⁸ Presumably, however, with the "cultural significance" issue firmly put to rest by the Ninth Circuit, there is no reason for courts not to apply the *Rogers* test in reverse confusion cases involving creative works.⁸⁹

B. Explicitly Misleading

Although the "above zero" standard for meeting the artistic-relevance prong appears to be consistent across all circuits that have applied *Rogers*,⁹⁰ the method for determining whether a use is explicitly misleading is not, as shown below.

⁸³ *Fortres Grand Corp.*, 947 F. Supp. 2d at 924.

⁸⁴ *Id.* at 932. See discussion *supra* note 14.

⁸⁵ *Id.*

⁸⁶ *Id.* at 933 (citing other cases where *Rogers* has been applied to reverse confusion cases, namely *Webceleb*, 2012 U.S. Dist. LEXIS 188117 and *DeClemente v. Columbia Pictures Indus.*, 860 F. Supp. 30 (E.D.N.Y. 1994)). See also *Martha Elizabeth, Inc.*, 2011 WL 1750711.

⁸⁷ *Fortres Grand Corp.*, 947 F. Supp. 2d at 930-31.

⁸⁸ *Fortres Grand Corp.*, 763 F.3d at 696.

⁸⁹ *Twentieth Century Fox*, 875 F.3d at 1198. This "cultural significance" argument was the same used by the plaintiff in *Masters Software*, 725 F. Supp. 2d at 1294 to argue that *Rogers* was inapplicable in its reverse confusion case.

⁹⁰ *But see Stouffer*, 2019 WL 3935180, *3, discussed *supra* Part III.5.

1. “Explicitly Misleading” in the Second Circuit

When the Second Circuit created its balancing test in *Rogers v. Grimaldi*, it thoroughly analyzed the phrase “explicitly misleading.” Examples the court gave of what would be explicitly misleading as to *source* included NIMMER ON COPYRIGHT and JANE FONDA’S WORKOUT BOOK, for works where neither Mr. Nimmer nor Ms. Fonda were associated, or “an authorized biography” when the subject had not given authorization at all.⁹¹ The court gave use of the title THE TRUE LIFE STORY OF GINGER AND FRED as an illustration of the type of use of Ms. Rogers’s name that would have explicitly misled as to *content*, since the film, in fact, was about an Italian couple known as the “Ginger and Fred” of Italy.⁹² In giving these examples and explaining what was required, the court used the word “explicit,” which is defined as “stated clearly and in detail, leaving no room for confusion or doubt,”⁹³ more than ten times, and contrasted it with uses where the title might *implicitly* suggest an endorsement or association.⁹⁴ Where the possibility of confusion exists only because of an implicit suggestion, that risk is “outweighed by the danger of restricting artistic expression.”⁹⁵ Acknowledging that “some members of the public would draw the incorrect inference that Rogers had some involvement with the film” by reason of its title, the court nevertheless held that “that risk of misunderstanding, *not engendered by any overt claim in the title*, is so outweighed by the interests in artistic expression as to preclude application of the Lanham Act.”⁹⁶ To drive the point home, the court held emphatically that a “possibly misleading meaning *not the result of explicit misstatement*[] precludes a Lanham Act claim.”⁹⁷

Although the *Rogers* court believed that “in general the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression,” the specific holding of the case was more narrow: “In the context of allegedly misleading titles using a celebrity’s name, that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of

⁹¹ *Rogers*, 875 F.2d at 999.

⁹² *Id.* at 1000.

⁹³ *Explicit*, Oxford Dictionaries, <https://en.oxforddictionaries.com/definition/explicit> (last visited Jan. 8, 2019).

⁹⁴ *Implicitly* is defined as “in a way that is not directly expressed; tacitly.” *Implicitly*, Oxford Dictionaries, <https://en.oxforddictionaries.com/definition/implicitly> (last visited Aug. 5, 2019).

⁹⁵ *Rogers*, 875 F.2d at 1000.

⁹⁶ *Id.* at 1001 (emphasis added).

⁹⁷ *Id.* (emphasis added).

the work.”⁹⁸ Making it arguably narrower still, the court dropped in footnote 5: “This limiting construction would not apply to misleading titles that are confusingly similar to other titles. The public interest in sparing consumers this type of confusion outweighs the slight public interest in permitting authors to use such titles.”⁹⁹

Although it appears that footnote 5 was meant only to exempt disputes between titles from the specific requirement that the defendants have engaged in an *explicitly misleading act* rather than its broader interpretation that the Lanham Act should be construed narrowly in cases involving artistic works, the footnote cast some doubt over whether the *Rogers* balancing test would apply *at all* in competing title cases.¹⁰⁰ That doubt was quickly resolved, however, by the Second Circuit’s later decisions in *Cliffs Notes* and *Twin Peaks*.

Just four months after issuing *Rogers*, the Second Circuit faced another dispute involving an expressive work, but this time instead of a false endorsement claim, the dispute hinged on whether the cover of *Spy Notes*, a parody of the popular *Cliffs Notes* study guides, constituted trademark infringement.¹⁰¹ Applying the traditional *Polaroid* likelihood-of-confusion factors,¹⁰² the district court had concluded that there was “a very strong” and “profound likelihood of confusion.”¹⁰³ Although it “seriously doubt[ed] whether the special balancing test enunciated in *Rogers*” would apply to a non-title case, the district court nonetheless believed that the plaintiff should prevail “[e]ven adopting the standard used by the *Rogers* Court.”¹⁰⁴ However, in making that finding, the district court did not undertake the two-part *Rogers* analysis, but instead merely

⁹⁸ *Id.* at 999.

⁹⁹ *Id.* at 999 n.5.

¹⁰⁰ See *Tri-Star Pictures, Inc. v. Leisure Time Prods., B.V.*, 749 F. Supp. 1243, 1252-53 (S.D.N.Y. 1990) (finding *Rogers* not applicable in a case involving two titles based on footnote 5).

¹⁰¹ *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ’g Grp., Inc.*, 718 F. Supp. 1159, 1160 (S.D.N.Y. 1989).

¹⁰² The *Polaroid* factors include: (1) strength of the plaintiff’s mark; (2) degree of similarity between the marks; (3) the proximity of the products; (4) the likelihood that the plaintiff will bridge the gap between the two markets; (5) the existence of actual confusion; (6) the defendant’s intent in adopting the mark; (7) the quality of defendant’s product; and (8) sophistication of the purchasers. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). These same factors are known as the *Sleekcraft* factors in the Ninth Circuit. Other circuits use similar multi-factor tests.

¹⁰³ *Cliffs Notes*, 718 F. Supp. at 1168.

¹⁰⁴ *Id.* at 1163, 1168. The court elaborated that its belief that “[a] cover that sends the message, ‘This is a Cliff’s Notes product,’ explicitly sends the message that Cliff’s endorsed the product, and this message brings *Spy Notes* within the purview of the Lanham Act.”

concluded that because there was a likelihood of confusion the use was explicitly misleading, and it issued a preliminary injunction.¹⁰⁵

On appeal, the Second Circuit rejected the assumption that the *Rogers* test was limited to false endorsement cases, and definitively found that “the overall balancing approach of *Rogers* and its emphasis on construing the Lanham Act ‘narrowly’ when First Amendment values are involved” were applicable.¹⁰⁶ Moreover, the plaintiff argued that *Rogers* was inapplicable because it “does not protect ‘misleading titles that are confusingly similar to other titles,’” which were part of the overall book covers.¹⁰⁷ The Second Circuit disagreed, however, clarifying that its earlier “language says only that where a title is complained about because it is confusingly similar to another title, the *Rogers* rule that titles are subject to the Lanham Act’s false advertising prohibition only if explicitly misleading is inapplicable.”¹⁰⁸ Emphatically, the court stated: “we hold that the *Rogers* balancing approach is generally applicable to Lanham Act claims against works of artistic expression . . . [because] this approach takes into account the ultimate test in trademark law, namely, the likelihood of confusion.”¹⁰⁹

Vacating the preliminary injunction, the Second Circuit held that “the district court erred as a matter of law in concluding on the record before it that there was a strong likelihood of confusion” because it did not give proper weight to the defendant’s First Amendment considerations.¹¹⁰ In a footnote, and with no elaboration, the court noted: “[A]s is clear from the above discussion, we also believe that the district court’s finding that the cover of *Spy Notes* is explicitly misleading is clearly erroneous.”¹¹¹

A few years later, the District Court for the Southern District of New York rendered its opinion in *Girl Scouts v. Bantam Doubleday*.¹¹² In response to the plaintiff’s urging that the court apply the *Polaroid* factors to its claim that use of the term SCOUTS in the title and content of the defendant’s books infringed plaintiff’s mark, the court believed that it was “possibly not required to do so

¹⁰⁵ *Id.* at 1168.

¹⁰⁶ *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ’g Grp., Inc.*, 886 F.2d 490, 494 (2d Cir. 1989).

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* at 495. The court noted that “the *Polaroid* test is at best awkward in the context of parody” and thus “should be applied with proper weight given to First Amendment considerations.” *Id.* at 495 n.3.

¹¹⁰ *Id.* at 497.

¹¹¹ *Id.* at 497 n.6.

¹¹² 808 F. Supp. 1112 (S.D.N.Y. 1992).

in light of *Cliffs Notes* and *Rogers*.”¹¹³ Ultimately, however, the court did consider the *Polaroid* factors, but concluded that although the defendant’s use of its title and content “could engender some consumer confusion as to source, no overt references to Plaintiffs’ trademarks” were made.¹¹⁴ Thus, applying the *Rogers* balancing test, it granted summary judgment to defendant.¹¹⁵

The following year, the First Amendment issue was back before the Second Circuit in a case directly involving competing titles.¹¹⁶ The District Court for the Southern District of New York had found that the television show title TWIN PEAKS was infringed by a compendium book title WELCOME TO TWIN PEAKS: A COMPLETE GUIDE TO WHO’S WHO AND WHAT’S WHAT, based solely on its assessment that “a substantial number of reasonably prudent purchasers, on seeing the name Twin Peaks as part of the title of the Book would be led to believe that plaintiff was the source of the goods.”¹¹⁷ The district court had reached this conclusion without considering the defendant’s First Amendment rights.¹¹⁸ Finding this to be clearly erroneous, the Second Circuit found “little question” that the title was artistically relevant to the defendant’s book, and then considered “whether the title is misleading in the sense that it induces members of the public to believe the Book was prepared or otherwise authorized” by the plaintiff.¹¹⁹ Instead of looking at whether the defendant had made any *explicit* statements about this, as the *Rogers* court had done, presumably because the case was a dispute between titles and covered by footnote 5, the court instead held that “[t]his determination must be made, in the first instance, by application of the venerable *Polaroid* [likelihood-of-confusion] factors.”¹²⁰ If, after applying the *Polaroid* factors, a likelihood of confusion is found, it must be “particularly compelling to outweigh the First Amendment interest recognized in *Rogers*.”¹²¹

Notably, Judge Newman, author of the *Rogers* opinion, also penned the *Twin Peaks* opinion and was on the panel that decided *Cliffs Notes*, which should quell any arguments that these decisions are inconsistent or that the *Rogers* test does not apply to title-

¹¹³ *Id.* at 1122 (“In neither *Cliffs Notes* nor *Rogers* did the Second Circuit explicitly employ the *Polaroid* factors in weighing the trademark rights of the plaintiffs against the First Amendment implications of artistic expression.”).

¹¹⁴ *Id.* at 1130 (emphasis added).

¹¹⁵ *Id.* at 1119.

¹¹⁶ *Twin Peaks Prods., Inc. v. Publ’ns Int’l, Ltd.*, 996 F.2d 1366 (2d Cir. 1993).

¹¹⁷ *Twin Peaks Prods., Inc. v. Publ’ns Int’l*, 778 F. Supp. 1247, 1252 (S.D.N.Y. 1991).

¹¹⁸ *Id.*

¹¹⁹ *Twin Peaks*, 996 F.2d at 1379.

¹²⁰ *Id.* It remanded the case back to the District Court for an assessment of the likelihood-of-confusion factors.

¹²¹ *Id.*

versus-title cases. Rather, these three cases represent an evolution of the principal that the Lanham Act must be construed narrowly when First Amendment rights are implicated and provide a roadmap for how that is to be done.¹²²

Shortly after this trilogy of Second Circuit cases, the District Court for the Southern District of New York decided a dispute between the titles THE BOOK OF VIRTUES and THE CHILDREN'S BOOK OF VIRTUES.¹²³ The defendant argued that its title was not infringing because it had not engaged in explicit misstatements.¹²⁴ The district court disagreed. Examining footnote 5 in the *Rogers* opinion and the later application of *Rogers* in *Cliffs Notes* and *Twin Peaks*, the district court concluded that "*Rogers* did not require that such a test be applied when a title is misleadingly similar to another title. Rather, *Rogers* set forth a balancing approach 'generally applicable to Lanham Act claims against works of literary expression.'"¹²⁵ The court believed that "[the defendant's] argument that its titles do not 'explicitly mislead' (*i.e.*, [the defendant's] books are not titled 'William Bennett's Book of Virtues') misses the mark."¹²⁶ Instead, the court held in this dispute between two competing titles that the likelihood-of-confusion factors should be applied, and any likelihood of confusion would have to be particularly compelling to outweigh the First Amendment.¹²⁷ After careful consideration, the court found the likelihood of confusion sufficiently compelling to outweigh any potential First Amendment interests, and enjoined the defendant's use.¹²⁸ Although explicit misstatements were not required, the defendant's actions were nevertheless relevant, as the district court found that defendant had deliberately selected the title "in a blatant and ill-conceived effort to piggy-back on the good will associated with [plaintiff's] best-selling title."¹²⁹

In the following years, numerous federal district courts within the Second Circuit applied the *Rogers* balancing test in cases involving artistic works. The vast majority involved disputes between titles. In each of those cases, the district courts followed the mandate set forth in *Twin Peaks* that they must first apply the *Polaroid* factors in competing title cases to determine whether there

¹²² Numerous district court cases within the Second Circuit have subsequently applied the *Rogers* balancing test in title versus title cases. *See, e.g.*, *Simon & Schuster, Inc. v. Dove Audio, Inc.*, 970 F. Supp. 279 (S.D.N.Y. 1997).

¹²³ *Id.*

¹²⁴ *Id.* at 296.

¹²⁵ *Id.*

¹²⁶ *Id.*

¹²⁷ *Id.*

¹²⁸ *Id.* at 300.

¹²⁹ *Id.* at 301.

is a likelihood of confusion. If there is no likelihood-of-confusion, the analysis is complete. If, on the other hand, there is a likelihood of confusion, the use will be found infringing only if the court finds it a “particularly compelling” likelihood of confusion that renders the title explicitly misleading.¹³⁰

Only a few of the district court cases within the Second Circuit applying *Rogers* have *not* involved two titles of competing creative works, including the four most recent cases from the District Court for the Southern District of New York.

In *Cummings v. Soul Train Holdings LLC*,¹³¹ the district court granted the defendant’s motion to dismiss a Lanham Act false-endorsement claim alleging that the inclusion of the plaintiff’s image, likeness, and voice in DVD sets containing a television program in which he had appeared violated his rights, finding that the plaintiff failed “to plead facts showing that Defendants *explicitly* misled consumers, as required by Second Circuit law.”¹³² In finding that the defendant’s use was not explicitly misleading, the court noted that the complaint contained “only conclusory allegations that Defendants’ inclusion of Plaintiff in the DVD sets and promotional materials ‘caused confusion and mistake to consumers, would-be consumers, [and] fans,’” which did not “suffice to plead that Defendants’ inclusion of Plaintiff ‘explicitly misleads as to the source or content of the work.’”¹³³ Because this was not a dispute between titles, but rather a false endorsement case, the court proceeded as the original *Rogers* court had and looked only for explicit misstatements or overt actions. The court neither mentioned *Twin Peaks* nor undertook an analysis of the *Polaroid* likelihood-of-confusion factors.

In *Medina v. Dash Films, Inc.*, the district court dismissed a claim that the title LOISIDAS for a video series infringed the rights in a band called “Loisidas.”¹³⁴ Finding that the complaint was “devoid of concrete allegations that defendants attempted to suggest that the plaintiff’s duo produced the work,” the court noted that the materials promoting the work truthfully informed the reader that defendants were the producers.¹³⁵ The court also noted that there was nothing to show that the title of the video series would be

¹³⁰ Lemme v. NBC, Inc., 472 F. Supp. 2d 433, 446 (E.D.N.Y. 2007); Syler v. Woodruff, 610 F. Supp. 2d 256, 265 (S.D.N.Y. 2009); *Communico, Ltd. v. DecisionWise, Inc.*, No. 3:14-CV-1887 (RNC), 2018 WL 1525711, at *8 (D. Conn. Mar. 28, 2018).

¹³¹ 67 F. Supp. 3d 599 (S.D.N.Y. 2014).

¹³² *Id.* at 605.

¹³³ *Id.* at 606 (citing *Brown*, 724 F.3d at 1239, 1248 (noting that, while complaint alleged video game had “no artistic relevance” and defendant “attempted to mislead consumers about [plaintiff’s] involvement” in video game, “none of the facts asserted in support of these legal conclusions actually justify the conclusions.”)).

¹³⁴ No. 15-cv-2552 (KBF), 2016 WL 3906714, at *6 (S.D.N.Y. July 14, 2016).

¹³⁵ *Id.* at *5.

viewed as a source identifier.¹³⁶ And, as in *Rogers*, the *Medina* court did not undertake an analysis of the *Polaroid* factors.

Next, a district court in the Southern District of New York decided whether the characters and lettering style of the title of a play entitled *Who's Holiday!* meant to parody the Dr. Seuss book *The Grinch Who Stole Christmas* were protected by the First Amendment under *Rogers*.¹³⁷ In granting the motion to dismiss the trademark infringement claims, the court simply concluded that any risk of consumer confusion was outweighed by public interest in free expression.¹³⁸ It mentioned neither the *Polaroid* factors nor *Twin Peaks*. On appeal, the Second Circuit held in an unpublished opinion that the *Rogers* balancing test applied, and agreed with the district court that “the public’s interest in free speech here outweighs [plaintiff’s] interest in protecting its trademarks.”¹³⁹

Finally, in the most recent case out of the Second Circuit, a district court dismissed a false endorsement claim made by Bobby Brown against Showtime networks for using footage of him in a documentary about his late wife Whitney Houston.¹⁴⁰ After finding use of the footage artistically relevant to the film, the court dismissed the claim, finding that plaintiff had not pled any facts demonstrating that Showtime’s use of the footage was explicitly misleading as to source or content of the film. As the case was not a dispute between titles, it made no mention of the *Polaroid* factors.

In summary, a careful review of the decisions rendered by courts in the Second Circuit in the thirty years since *Rogers* leads to the conclusion that in the Second Circuit, the two-part balancing test is generally applicable to all Lanham Act claims involving artistic works. In cases where an artistic work allegedly infringes another party’s trademark rights, courts will find the use explicitly misleading only where the defendant engaged in an overt act or express misstatement. Mere use of the mark alone will not be sufficient, even if some consumers may be confused, unless the defendant did something to engender the confusion. In cases involving two competing titles, however, courts will determine whether the use is explicitly misleading by first considering the *Polaroid* factors, and, if a likelihood of confusion is found, the court will determine whether it is of a sufficiently compelling level to outweigh First Amendment concerns.

¹³⁶ *See id.*

¹³⁷ *Lombardo v. Dr. Seuss Enters., L.P.*, 279 F. Supp. 3d 497, 514 (S.D.N.Y. 2017).

¹³⁸ *Id.*

¹³⁹ *Lombardo v. Dr. Seuss Enters., L.P.*, 729 F. App’x 131 (2d Cir. 2018) (unpublished opinion).

¹⁴⁰ *Brown v. Showtime Networks, Inc.*, No. 18 Civ. 11078 (CM)(JLC), 2019 WL 3798044 at *15 (S.D.N.Y. Aug. 2, 2019).

2. “Explicitly Misleading” in the Fifth Circuit

The Fifth Circuit has stated that it “has adopted the Second Circuit’s approach,”¹⁴¹ but interestingly it determines whether a use is explicitly misleading by applying the likelihood-of-confusion factors even in cases *not* involving disputes between titles. In *Westchester Media v. PRL USA Holdings, Inc.*, the court was tasked with determining whether use of POLO for a magazine title infringed the trademark rights of the Ralph Lauren POLO brand.¹⁴² In a bench trial, the District Court for the Southern District of Texas found a likelihood of confusion and permanently enjoined use of the magazine title.¹⁴³ The Fifth Circuit affirmed the finding of likelihood of confusion and that it was particularly compelling, but remanded the case back to the district court for a determination of the appropriate remedy.¹⁴⁴ Other than as part of considering the likelihood-of-confusion analysis, the court did not look for any overt actions or misstatements as the determining factor of whether the use of the magazine title was explicitly misleading, as would have been done by the Second Circuit.

Only one subsequent district court case within the Fifth Circuit has involved *Rogers*.¹⁴⁵ In that case, Beyoncé’s song “Formation” included short clips of a comedian/performance artist reciting lines from his works. The comedian’s estate alleged that the unauthorized inclusion of the lines in his voice constituted false endorsement.¹⁴⁶ The court found that that plaintiffs’ allegations that Beyoncé had “used and exploited” his voice as “the seed from which the entire song grows” and “failed to give credit or compensation” for the use was sufficient evidence that her conduct had been explicitly misleading to survive the motion to dismiss.¹⁴⁷ This was not a decision on the merits, and the court did not mention or engage in an analysis of the likelihood-of-confusion factors.

3. “Explicitly Misleading” in the Ninth Circuit

In stark contrast, the likelihood-of-confusion factors are never considered in the Ninth Circuit, even in cases involving competing titles.

¹⁴¹ *Westchester Media Co. v. PRL USA Holdings, Inc.*, 214 F.3d 658, 665 (5d Cir. 2000) (citing *Sugar Busters, LLC v. Brennan*, 177 F.3d 258, 269 n.7 (5th Cir. 1999)).

¹⁴² *Westchester*, 214 F.3d at 663 (affirming declaratory judgment that magazine title was infringing).

¹⁴³ *Westchester Media Co. v. PRL USA Holdings, Inc.*, 103 F. Supp. 2d 935, 1008-10 (S.D. Tex. 1999).

¹⁴⁴ *Westchester Media*, 214 F.3d at 675.

¹⁴⁵ *Estate of Barre v. Carter*, 272 F. Supp. 3d 906 (E.D. La. 2017).

¹⁴⁶ *Id.* at 945.

¹⁴⁷ *Id.* at 946.

When the Ninth Circuit “adopt[ed] the *Rogers* standard as [its] own” in 2002, it did so in the context of a case involving use of a non-artistic mark (BARBIE for a doll) as the title of an artistic work (BARBIE GIRL for a song title).¹⁴⁸ Because the *Mattel* case, like the *Rogers* case, did not involve a dispute between artistic titles, there was no need for the court to consider *Rogers*’s footnote 5 or to consider the likelihood-of-confusion factors.¹⁴⁹ Inevitably, however, title dispute cases were brought in federal district courts within the Ninth Circuit, and alleged infringers raised questions regarding footnote 5.

In *Kiedis v. Showtime Networks*, the band Red Hot Chili Peppers alleged that the Showtime television series title CALIFORNICATION infringed its rights in its identically titled record album.¹⁵⁰ In denying Showtime’s motion to dismiss, the District Court for the Central District of California assumed that when the Ninth Circuit “adopted the reasoning of *Rogers*, it adopted all of *Rogers*, and not just the part that was relevant to the decision in [*Mattel*].”¹⁵¹ Thus, the court believed that footnote 5 in *Rogers* precluded it from holding “as a matter of law, that Defendants are entitled to the across-the-board protection of the two-part test used in the [*Mattel*] case.”¹⁵² However, the court stated that “when the facts are fully developed, the two uses of ‘Californication’ [could] turn out not to be confusingly similar in the contexts in which they are found” but that was “a factual issue not appropriate for resolution without examining the evidence.”¹⁵³

Just a few months later, the District Court for the Northern District of California came to a different conclusion.¹⁵⁴ In *Capcom Co. v. The MKR Group*, the court easily found that the title DEAD RISING for a video game about zombies did not infringe the rights in a similarly themed film about zombies entitled *Dawn of the Dead*.¹⁵⁵ With no discussion of *Rogers*’ footnote 5, the court held that

¹⁴⁸ *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902 (9th Cir. 2002).

¹⁴⁹ Similar to the *Polaroid* factors, in the Ninth Circuit these are referred to as the *Sleekcraft* factors. See *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

¹⁵⁰ No. CV 07-8185 DSF (MAN), 2008 WL 11173143, at *1-2 (C.D. Cal. Feb. 19, 2008).

¹⁵¹ *Id.* at *4.

¹⁵² *Id.*

¹⁵³ *Id.* at *5. In response to the defendant’s argument that a dispute between a title of a song and the title of a television series should be treated differently from a dispute between two television series or two song titles, the court held that “[n]othing in *MCA* or any subsequent Ninth Circuit case . . . suggests that the two-part *MCA* test should be applied differently to a work that is in ‘direct competition’ with an allegedly infringing work than to a work that is not.” *Id.* at *4. The Ninth Circuit later addressed this issue in *Gordon v. Drape Creative*. See *infra* Part III.B.3.

¹⁵⁴ See *Capcom Co. v. MKR Grp.*, No. C 08-0904 RS, 2008 WL 4661479, at *13 (N.D. Cal. Oct. 20, 2008).

¹⁵⁵ *Id.*

there would be an infringement only if the title was found to “explicitly mislead as to the source of the work, which it simply does not do.”¹⁵⁶

The issue was soon back before the District Court for the Central District of California in *Roxbury Entertainment v. Penthouse Media Group*, a case alleging that use of the title ROUTE 66 for a pornographic film infringed the trademark rights of owners of the *Route 66* television program.¹⁵⁷ Again with no discussion of footnote 5, the court easily concluded that “the *Rogers* test provides a complete defense to all of Plaintiff’s claims,” in this case because the title was artistically relevant to the film and there was “nothing to indicate that there [was] any risk of Defendants’ use of the mark ‘duping’ consumers into thinking they [were] buying a product sponsored by, or in any way affiliated with, Plaintiff or the 1960s television series in which it owns rights.”¹⁵⁸

But the next ruling from the District Court for the Central District of California involving a dispute between two titles *did* reference footnote 5. In *Wild v. HarperCollins Publishers, LLC*, the court denied the defendant’s motion to dismiss where the plaintiff had alleged that the defendant had “deliberately chose[n] a confusingly identical title for its competing book in the same genre,” namely CARNIVAL OF SOULS for books for a young adult audience focused on supernatural beings, love story elements, and violence.¹⁵⁹ Although not specifically finding *Rogers* inapplicable based on its footnote 5, the court concluded that allegations concerning the defendant’s intent created a factual question as to whether the defendant’s book was “likely to confuse consumers as to the origin of its source.”¹⁶⁰

The *Rogers* footnote 5 was examined in much greater detail in *CI Games S.A. v. Destination Films*, which considered whether a movie entitled *Sniper: Ghost Shooter* infringed the trademark rights in a video game entitled *Sniper: Ghost Warrior* with similar themes.¹⁶¹ Rejecting the argument that the *Rogers* balancing test was wholly inapplicable because of its footnote 5, the district court concluded that “Ninth Circuit precedent weighs in favor of applying the *Rogers* test to all trademark cases in which the alleged infringement occurs in an expressive work, including when an infringing title is allegedly confusingly similar to a previous title.”¹⁶²

¹⁵⁶ *Id.*

¹⁵⁷ 669 F. Supp. 2d. 1170, 1175 (C.D. Cal. 2009).

¹⁵⁸ *Id.* at 1175-76.

¹⁵⁹ No. SACV 12-1191-JST (ANx), 2012 WL 12887690, at *5 (C.D. Cal. Nov. 29, 2012).

¹⁶⁰ *Id.*

¹⁶¹ No. 2:16-cv-05719-SVW-JC, 2016 WL 9185391 at *1 (C.D. Cal. Oct. 25, 2016).

¹⁶² *Id.* at *3; *see also* *Reflex Media, Inc. v. Pilgrim Studios, Inc.*, No. CV 18-2260-GW(FFMx), 2018 WL 6566561 (C.D. Cal. 2018) (dismissing claim that title LOVE AT FIRST FLIGHT

But the court recognized, as the *Rogers* court had believed, that the analysis of the “explicitly misleading” prong is different in the context of two confusingly similar titles because these cases present a greater likelihood of consumer confusion.¹⁶³

Unlike the Second Circuit’s determination in *Twin Peaks* that the “explicitly misleading” prong in title-versus-title cases must be satisfied by first applying the likelihood-of-confusion factors, the court in *CI Games* disagreed with that approach, stating that

the analysis of this prong cannot possibly be equivalent to the “likelihood of confusion” test employed in *Sleekcraft*. Courts apply the likelihood of confusion test when First Amendment concerns are not implicated. (citation omitted). In other words, the test applies when the *Rogers* test is found inapplicable. Therefore, incorporating the likelihood-of-confusion test into the *Rogers* test would render the second prong of the *Rogers* test a nullity, as the same test would again be applied to cases that fail the *Rogers* analysis.¹⁶⁴

Rejecting the defendant’s argument that its use of the title was not “explicitly misleading” because it had made no affirmative statements of sponsorship or endorsement, the *CI Games* court explained that the defendant had “misunderstood the purpose of the second prong [of *Rogers*] in the context of confusingly similar titles.”¹⁶⁵ As the court explained, consumers do not typically expect a title to identify the publisher or producer of a work, but rather to communicate some message about the work’s content.¹⁶⁶ But “[t]he same conclusions are not relevant when the case involves confusingly similar titles. The title of a movie, if confusingly similar to the title of a video game series, absolutely would suggest to consumers that the producer of the video game is also the producer of the movie.”¹⁶⁷ Thus, the court believed that if the evidence ultimately showed that the defendant *intended* to create confusion, even without making explicit misstatements, such evidence could be sufficient to show that the use was explicitly misleading.

The *CI Games* court concluded that the plaintiff had at least presented sufficient factual allegations to survive the motion to dismiss.¹⁶⁸ But it denied the plaintiff’s motion for a preliminary injunction because the plaintiff’s reliance only on “accusations and

for a reality dating television series infringed rights in title LOVE AT FIRST FLIGHT for a reality dating web series, noting Ninth Circuit precedent for applying *Rogers* in cases involving competing titles despite footnote 5).

¹⁶³ *Id.*

¹⁶⁴ *Id.* at *3 n.3, *9.

¹⁶⁵ *CI Games*, 2016 WL 9185391, at *8.

¹⁶⁶ *Id.*

¹⁶⁷ *Id.* at *9.

¹⁶⁸ *Id.*

speculation” and “its own insinuations and innuendo” that the plaintiff’s game was the source of the defendant’s inspiration failed to demonstrate a “clear showing” that it would ultimately overcome the First Amendment defense or succeed on the merits.¹⁶⁹

Finally, the Ninth Circuit also weighed in on the “explicitly misleading” issue in *Twentieth Century Fox v. Empire Distribution*.¹⁷⁰ Fox sought a declaratory judgment that its television show title EMPIRE did not infringe the trademark rights in a real-life record label called “Empire Distribution.” Empire Distribution, however, counterclaimed not only that Fox’s use of EMPIRE as a television series title was infringing, but also that Fox used the mark as the title of at least two soundtrack albums.¹⁷¹ Because Empire Distribution alleged it had used its EMPIRE mark on many of its own albums,¹⁷² it also positioned the case as a title-versus-title dispute, and asserted footnote 5 to argue that the *Rogers* balancing test should not apply at all.¹⁷³ The Ninth Circuit disagreed, holding that “the exception the footnote suggests may be ill-advised or unnecessary” and “conflicts with our precedents, which dictate that we apply the *Rogers* test in all . . . cases involving expressive works.”¹⁷⁴

Empire Distribution also argued that *Rogers* should not apply because Fox used the EMPIRE mark not just as an artistic title, but as an “umbrella brand” for a larger commercial enterprise including the sale of collateral merchandise, musical recordings, and other promotional activities.¹⁷⁵ The court disagreed, stating that “[a]lthough it is true that these promotional efforts technically fall outside the title or body of an expressive work, it requires only a minor logical extension of the reasoning of *Rogers* to hold that works protected under its test may be advertised and marketed by name, and we so hold.”¹⁷⁶ Furthermore, cautioning that “[t]he balance of First Amendment interests struck in *Rogers* and *Mattel* could be destabilized if the titles of expressive works were protected but could not be used to promote those works,” the court held that

¹⁶⁹ *Id.* at *12.

¹⁷⁰ 875 F.3d 1192 (9th Cir. 2017).

¹⁷¹ *Id.* at 1195.

¹⁷² Alleged titles were *EMPIRE Presents: Triple X-Mas*, *EMPIRE SAMPLER*, *EMPIRE SELECTS*, and *EMPIRE Unplugged*, among others. Appellant Empire Distribution, Inc.’s Reply Brief at 7, *Twentieth Century Fox Television*, 875 F.3d at 1192 (No. 16-55577).

¹⁷³ *Twentieth Century Fox*, 875 F.3d at 1197.

¹⁷⁴ *Id.*

¹⁷⁵ *Id.* at 1198. Empire Distribution also raised the possibility that the EMPIRE television series was “a pretextual expressive work meant only to disguise a business profiting from another’s trademark,” but the court held that “the record in this case makes clear that the *Empire* show is no such thing.” *Id.*

¹⁷⁶ *Id.* at 1196-97.

“Fox’s promotional activities, including those that generate revenue, are auxiliary to the television show and music releases, which lie at the heart of its ‘Empire’ brand.”¹⁷⁷

Finally, the *Fox* court cautioned against “conflat[ing] the second prong of the *Rogers* test with the general *Sleekcraft* likelihood-of-confusion test, which applies outside the *Rogers* context of expressive works.”¹⁷⁸ Instead, the court held that “[t]o fail the second prong of the *Rogers* test, ‘[i]t is key . . . that the creator must *explicitly* mislead consumers’” through an “‘explicit indication,’ ‘overt claim,’ or ‘explicit misstatement’” that caused consumer confusion.”¹⁷⁹

Because there was no evidence that Fox had made any explicit misstatements, let alone explicit misstatements that caused consumer confusion, and because Fox’s promotional activities—including release of musical recordings and the sale of collateral merchandise bearing the EMPIRE mark—were also protected as auxiliary to the *Empire* television series, the Ninth Circuit granted summary judgment to Fox on all claims.¹⁸⁰

Following this Ninth Circuit clarification confirming the applicability of the *Rogers* balancing test in competing title cases, a court in the Southern District of California considered the balancing test in a dispute involving the book titles OH THE PLACES YOU’LL GO and OH THE PLACES YOU’LL BOLDLY GO.¹⁸¹ Evaluating the plaintiff’s trademark claim “under the *Rogers* test as it has been interpreted by the Ninth Circuit” in *Twentieth Century Fox*, the court found that in the absence of explicit misstatements that the defendant’s work is associated with or endorsed by the plaintiff, it did not meet the explicitly misleading prong and therefore summary judgment was appropriate.¹⁸²

None of the other Ninth Circuit cases applying *Rogers* had involved disputes between competing titles. In another case involving the iconic BARBIE mark, a series of photographs featuring a BARBIE doll in absurd positions often involving kitchen appliances that used the title FOOD CHAIN BARBIE was found not to infringe Mattel’s BARBIE mark because the defendant made no indication that Mattel in any way created or sponsored the photographs.¹⁸³

¹⁷⁷ *Id.* at 1197.

¹⁷⁸ *Id.* at 1199

¹⁷⁹ *Id.* (alteration in original).

¹⁸⁰ *See id.* at 1200.

¹⁸¹ *Dr. Seuss Enters. v. ComicMix LLC*, No. 16-CV-2779-JLS (BGS), 2018 WL 2306733, at *4-5 (S.D. Cal. May 21, 2018).

¹⁸² *Id.*

¹⁸³ *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 807 (9th Cir. 2003).

In *E.S.S. Entertainment v. Rock Star Videos*, a case involving the use of a mark identifying a strip club within a fictional world in a video game, the court extended *Rogers* from titles of works to elements of works, and held that use of the mark within the game would not confuse players into thinking that the real-life strip club was sponsoring or endorsing the game.¹⁸⁴ The court also affirmed summary judgment in favor of Sony in a similar case, where the plaintiff had not alleged any “explicit indication, overt claim, or explicit misstatement” on the part of Sony that would cause consumers to believe the plaintiff was the source of the game.¹⁸⁵

Then in *Brown v. Electronic Arts*, another video game case, former professional football player Jim Brown alleged that use of his name and likeness in the MADDEN NFL video game franchise violated Section 43(a) of the Lanham Act.¹⁸⁶ The Ninth Circuit affirmed the district court’s granting of the motion to dismiss Brown’s claims, and used this case as an opportunity to elaborate on what type of evidence is relevant for finding a use “explicitly misleading.”¹⁸⁷

According to the Ninth Circuit, “the factual support Brown offer[ed] [wa]s simply of the wrong type.”¹⁸⁸ First, Brown argued that “written materials that accompanied versions of the game . . . explicitly represent[ed] that Brown was in EA’s game” by stating that the game contained “[f]ifty of the NFL’s greatest players.”¹⁸⁹ The court found that this true statement proved only that Brown’s likeness was in the game, not that Brown had endorsed the game.¹⁹⁰ Instead, “Brown would need to demonstrate that EA *explicitly* misled *consumers* as to his *involvement*,” not that his likeness was in the game.¹⁹¹

Second, Brown submitted survey evidence showing that a majority of the public believed that identifying marks cannot be included in products without permission.¹⁹² But the court explained that “survey evidence changes nothing” because even if a survey showed consumer confusion, “that would not support [a] claim that the use was explicitly misleading”¹⁹³ because evidence must “relate

¹⁸⁴ 547 F.3d 1095, 1100-01 (9th Cir. 2008).

¹⁸⁵ *VIRAG*, 699 F.App’x at 668.

¹⁸⁶ 724 F.3d 1235, 1239 (9th Cir. 2013).

¹⁸⁷ *Id.* at 1245-48.

¹⁸⁸ *Id.* at 1248.

¹⁸⁹ *Id.* at 1246.

¹⁹⁰ *Id.*

¹⁹¹ *Brown*, 724 F.3d at 1248 (emphasis in original).

¹⁹² *Id.* at 1245.

¹⁹³ *Id.* at 1245-46. The Sixth Circuit has also rejected the relevance of survey evidence to the “explicitly misleading” prong of *Rogers*. *ETW Corp.*, 332 F.3d at 937.

to the nature of the behavior of the identifying materials user, not the impact of the use.”¹⁹⁴

The court concluded that Brown’s evidence demonstrated only that “the public can generally be misled about sponsorship when marks are included in products” and that “EA explicitly stated that Brown’s likeness appears” in the game, which did not establish that EA engaged in any acts that explicitly misled consumers as to Brown’s endorsement of the game.¹⁹⁵

Although the *Rogers* court had also found that survey evidence would not support a finding that a use was explicitly misleading, district courts within the Second Circuit have found survey evidence relevant in disputes between titles, where the likelihood-of-confusion factors were considered.¹⁹⁶ The Fifth Circuit, the only other circuit requiring consideration of likelihood-of-confusion factors, considered survey evidence as part of the likelihood-of-confusion analysis in *Westchester Media*.¹⁹⁷

Not surprisingly, such a deliberate attempt to “dupe” consumers, as the controlling Ninth Circuit cases require, has rarely been found, despite a plethora of cases.¹⁹⁸ There are only two such decisions, one finding deliberate misstatements to mislead as to content, and the other finding deliberate misstatements to mislead as to source.

In *Titan Sports, Inc. v. 3-G Productions*, the plaintiffs objected to videotapes featuring its WWE marks and images of its professional wrestlers.¹⁹⁹ Although the videos were of matches that occurred before the wrestlers were associated with the plaintiffs, the

¹⁹⁴ *Brown*, 724 F.3d at 1246.

¹⁹⁵ *Id.* at 1248.

¹⁹⁶ *Simon & Schuster, Inc.*, 970 F. Supp. at 289.

¹⁹⁷ *Westchester Media*, 214 F.3d at 667.

¹⁹⁸ *See, e.g., Stewart Surfboards*, 2011 WL 12877019, at *7 (granting motion to dismiss and giving examples of what would have been explicitly misleading uses of the STEWART SURFBOARD mark as “BROUGHT TO YOU BY STEWART SURFBOARDS” and “PRESENTED BY STEWART SURFBOARDS”); *Webceleb*, 2012 WL 12846096, at *5 (granting summary judgment that use of WEBCELEB for a category of the People’s Choice Awards did not infringe plaintiff’s rights in the mark or an online social marketplace for music); *Novalogic*, 41 F. Supp. 3d at 901 (granting summary judgment to defendant where plaintiff did not “claim or suggest in any way that [the work] was made with the participation or endorsement of Plaintiff”); *Mil-Spec Monkey*, 74 F. Supp. 3d at 1143 (granting summary judgment to defendant where plaintiff MSM had not “put forth a single argument that Activision ha[d] affirmatively purported in any way to share a relationship with MSM”); *Harold Lloyd Entm’t*, 2015 WL 12765142, at *11 (dismissing claims that use of plaintiff’s film clip within defendant’s multimedia work was explicitly misleading where the work made no direct reference to plaintiff and the website promoting the work contained nothing that would mislead a consumer into believing that plaintiff had “sponsored or endorsed the work”); *Reflex Media*, 2018 WL 6566561, at *6 (dismissing complaint containing nothing more “than conclusory allegations” that use of an identical title for a reality dating series was explicitly misleading).

¹⁹⁹ No. CV 90-3022-RJK, 1991 WL 228716, at *1 (C.D. Cal. July 31, 1991).

videotape cases and packaging featured current pictures of the wrestlers as they were widely known to the public.²⁰⁰ The District Court for the Central District of California found that the performance titles HULK HOGAN and RANDY “MACHO MAN” SAVAGE had clear artistic relevance to the defendant’s videos featuring those named wrestlers. But the titles and images portrayed on the video boxes were explicitly misleading of the actual *content* of the videos because the videos intentionally displayed current pictures of the wrestlers, instead of pictures taken of them when the older matches depicted in the videos took place.²⁰¹ Accordingly, the interest in avoiding consumer confusion outweighed the public interest in free expression.²⁰²

Similarly, in *Warner Bros. v. Global Asylum, Inc.*, the District Court for the Central District of California found language on DVD cases a sufficient overt act to find the defendant’s actions explicitly misleading as to *source*.²⁰³ In that case, Warner Bros., on the eve of the premier of its blockbuster film *The Hobbit: An Unexpected Journey*, sought to enjoin the defendants’ release of a “mockbuster” entitled *Age of Hobbits*.²⁰⁴ Although the court’s decision improperly categorized *Rogers* as a three-prong test, with the first prong requiring that the mark have “acquired meaning beyond its source identifying function,” wrongly imparted a referential requirement, and improperly analyzed the likelihood-of-confusion factors,²⁰⁵ it is worth mentioning as the only known example of a court finding a defendant’s actions explicitly misleading as to source. The back cover of the defendant’s DVD included the language “in the tradition of Clash of the Titans and 300,” two other films from the plaintiff, which the court believed was defendant’s explicit attempt to imply a connection between its film and plaintiff.²⁰⁶

As noted in the cases discussed above, the mere use of a trademark in a creative work, without more, cannot be explicitly misleading in the Ninth Circuit. Although both the Ninth Circuit and its district courts have typically required the “more” element to be overt or explicit misstatements,²⁰⁷ a recent case has established that overt or explicit acts don’t always need to be in the form of “affirmative statement[s] of the plaintiff’s sponsorship or

²⁰⁰ *Id.*

²⁰¹ *Id.* at *4.

²⁰² *Id.*

²⁰³ 2012 WL 6951315, *5 (C.D. Cal. 2012), *aff’d*, 2013 WL 12114836, at *6 (9th Cir. 2013) (granting preliminary injunction following TRO).

²⁰⁴ *Id.* at *1-2.

²⁰⁵ *See id.* at *4-14, *15-17.

²⁰⁶ *See id.* at *12.

²⁰⁷ *See Twentieth Century Fox*, 875 F.3d at 1197.

endorsement,” but in some cases may be demonstrated through *actions*.²⁰⁸

In *Gordon v. Drape Creative*, Christopher Gordon posted a video on YouTube entitled “The Crazy Nastyass Honey Badger” featuring *National Geographic* footage of a honey badger.²⁰⁹ Gordon provided comedic narration over the video, repeatedly stating that “Honey badger don’t care” and “Honey badger don’t give a shit” as the honey badger hunted and ate its prey. The video went viral, and Gordon obtained federal trademark registrations for HONEY BADGER DON’T CARE (and other variations) covering various goods, including greeting cards.²¹⁰ When a licensing deal between the plaintiff and the defendants did not materialize, the defendants began selling their own line of greeting cards bearing the wording “HONEY BADGER DON’T CARE” with images of a honey badger, and little else.²¹¹

A court in the Central District of California granted summary judgment in favor of the defendants, finding that greeting cards were protectable artistic works and that the defendants had met both prongs of the *Rogers* balancing test, but the Ninth Circuit reversed on appeal.²¹² Although the court found no “triable issue of fact with respect to *Rogers*’s ‘artistic relevance’ prong,” the court held that it could not decide as a matter of law that the defendants’ use of the mark was not explicitly misleading.²¹³

Rejecting the district court’s “rigid requirement that, to be explicitly misleading, the defendant must make an ‘affirmative statement of the plaintiff’s sponsorship or endorsement,’” the Ninth Circuit held that this requirement for an affirmative statement was applicable only where “it was clear that consumers would not view the mark alone as identifying the source of the artistic work.”²¹⁴ Examples the court gave of cases where consumers would not view the mark alone as identifying source included: (1) most title cases, “because consumers ‘do not expect [titles] to identify’ the ‘origin’ of the work,” and (2) use of marks as elements within creative works like video games.²¹⁵

In cases where use of the mark *would* likely be viewed by consumers as source identifying,²¹⁶ however, the court believed that

²⁰⁸ *Gordon*, 909 F.3d at 269-70.

²⁰⁹ *Id.* at 261.

²¹⁰ *Id.*

²¹¹ *Id.* at 262-63.

²¹² *Id.* at 263, 271.

²¹³ *Id.* at 269, 271.

²¹⁴ *Id.* at 269-70.

²¹⁵ *Id.* at 270.

²¹⁶ *Gordon*, 909 F.3d at 270. The court believed that placement of a mark and the context in which it was used could result in a situation where consumers viewed an artistic use as

the “more relevant consideration is the degree to which the junior user uses the mark in the same way as the senior user,” and “the extent to which the junior user has added his or her own expressive content to the work beyond the mark itself.”²¹⁷ Under the facts before it, the court believed that consumers *would* expect that use of the HONEY BADGER DON’T CARE mark on greeting cards designated source, and that “defendants used the mark knowing that consumers rely on marks on the inside of cards to identify their source.”²¹⁸

The Ninth Circuit then analyzed “the degree to which the junior user uses the mark in the same way as the senior user,” and found that the parties both used HONEY BADGER DON’T CARE for directly competing greeting cards.²¹⁹ On the second issue, “the extent to which the junior user has added his or her own expressive content to the work beyond the mark itself,” the court explained that “the concern that consumers will not be ‘misled as to the source of [a] product’ is generally allayed when the mark is used only as one component of a junior user’s larger expressive creation, such that the use of the mark at most ‘implicitly suggest[s]’ an association with the mark’s owner.”²²⁰ But when a junior user uses a mark “as the centerpiece of an expressive work itself, unadorned with any artistic contribution by the junior user,” this “may reflect nothing more than an effort to ‘induce the sale of goods and services’ by confusion.”²²¹ In all of the previous Ninth Circuit cases, the allegedly infringing marks were used as only a small part of junior users’ overall artistic works.²²² But here, the court was troubled that the defendants had “not used Gordon’s mark in the creation of a song, photograph, video game, or television show, but ha[d] largely just pasted Gordon’s mark into their greeting cards” with no additional creative content.²²³

This reasoning is consistent with the Ninth Circuit’s focus in its prior rulings on whether a defendant’s actions had caused any risk of confusion, rather than simply whether there was a likelihood of confusion not caused by anything other than mere use of the mark.

source identifying, suggesting that use of the DISNEY mark at the bottom corner of a picture of Mickey Mouse could create such a situation because consumers expect use of a mark in that location and in that context to signify the source of the picture.

²¹⁷ *Id.*

²¹⁸ *Id.* at 271.

²¹⁹ *Id.* at 270-71 (noting that Gordon had introduced evidence that he also sold greeting cards; that defendants often used Gordon’s mark without any other text; and that defendants knew that “consumers rely on marks on the inside of cards to identify their source”).

²²⁰ *Id.* (quoting *Rogers*, 875 F.2d at 998-99) (alteration in original).

²²¹ *Id.* at 271.

²²² *Id.*

²²³ *Id.* at 261.

The court quoted with approval language from its decision in *Brown* that the “key” is “that the creator must *explicitly* mislead consumers, and we accordingly focus on ‘the nature of the [junior user’s] behavior’ rather than on ‘the impact of the use.’”²²⁴

Gordon is not a decision on the merits, and the court was careful to note that the plaintiff’s “evidence is not bulletproof.”²²⁵ But because the court believed that there was “at least a triable issue of fact as to whether the defendants simply used Gordon’s mark with minimal artistic expression of their own, and used it in the same way that Gordon was using it—to identify the source of humorous greeting cards in which the bottom line is ‘Honey Badger don’t care’”—the court remanded the case back to the district court for further findings on Gordon’s claims.²²⁶

As noted by the Ninth Circuit itself, *Gordon* “demonstrates *Rogers*’s outer limits.”²²⁷ In cases involving marks used in titles or as elements of creative works where consumers do not expect them to designate source, it thus appears that the Ninth Circuit will continue to require affirmative statements or actions meant to explicitly mislead consumers to overcome *Rogers*’s second prong. But in those limited situations where consumers do expect a mark in a creative work to connote source, the determination of whether the use is explicitly misleading will turn on something else—whether the mark is used for a directly competing product *and* the extent to which the junior user added his or her own expressive content or simply adopted the senior user’s mark as the centerpiece of its work.

Gordon was not the first time a court within the Ninth Circuit had recognized that the standard for determining whether a use is “explicitly misleading” may be slightly different when directly competing products are involved. In *CI Games S.A. v. Destination Films*, a case discussed above involving a dispute between the titles for a movie and a video game with similar themes, the court held that cases involving competing titles, “as contrasted with the normal case applying the *Rogers* test, which usually involves one expressive work using a non-expressive trademark,” pose an “increased risk of consumer confusion” because consumers may, by virtue of the fact that the producers of each are in the same type of business, believe the works arise from the same source.²²⁸ Therefore, the same conclusions that make sense when the plaintiff and the defendant are not in the same business are not relevant.²²⁹

²²⁴ *Id.* at 269 (quoting *Brown*, 724 F.3d at 1245-46 (alteration in original)).

²²⁵ *Id.* at 271.

²²⁶ *Id.*

²²⁷ *Id.* at 268.

²²⁸ No. 2:16-cv-05719-SVW-JC, 2016 WL 9185391, at *8-9 (C.D. Cal. Oct. 25, 2016).

²²⁹ *Id.*

In cases involving competing titles, the court held that instead of having to meet the “relatively high bar in demonstrating affirmative statements that would mislead the public as to the producer or endorser of the expressive work,” a plaintiff need only prove that a defendant selected a title with the intent to confuse consumers into thinking the products were related.²³⁰ Because the complaint contained such allegations, the court denied the motion to dismiss. But it denied the plaintiff’s motion to preliminarily enjoin release of the defendant’s movie, noting that “accusations and speculation” and “insinuations and innuendo” about the motive for the selection of the title were not sufficient to exclude the defendants from First Amendment protection.²³¹

Although *Gordon* did not involve a dispute between titles, the court suggested in *dicta* that a case involving two competing titles could be the kind where consumers expect use of a mark to identify the source of the work if the junior user’s use of the title is “identical.”²³² Giving a hypothetical example, the court theorized that a Fox television series entitled *Law & Order: Special Hip-Hop Unit* could be considered identical to NBC Universal’s use of LAW & ORDER: SPECIAL VICTIMS UNIT as its television series title.²³³ Presumably, however, a court would still have to determine whether the junior user had “added his or her own expressive content to the work beyond the mark itself.”²³⁴ Unless the subject matter and/or content of the works were very similar, the junior use of the title should be found to serve “as only one ‘element of the [work] and the [junior user’s] artistic expression,’” and not the “centerpiece” of the work itself, “unadorned with any artistic contribution by the junior user.”²³⁵ Moreover, the unique nature of the titles in this example and the fact that LAW & ORDER: SPECIAL VICTIMS UNIT is part of a series of marks for several related television shows all following the “LAW & ORDER: [DESCRIPTIVE TERM]” format are additional facts that would go to the junior user’s intent. Although consumers don’t typically view television show titles as designating source, they likely *have* become conditioned to viewing television series titles beginning with “LAW & ORDER:” as all coming from Dick Wolf and/or NBC Universal. This may also be the case in situations involving a movie title and a video game title, such as in *CI Games*, where a consumer may believe a video game and movie

²³⁰ *Id.* (“This Court now finds that intentionally creating a title that could be confused with the title of another expressive work would be ‘explicitly misleading’ for purposes of the *Rogers* test.”).

²³¹ *Id.* at *12.

²³² *Gordon*, 909 F.3d at 270.

²³³ *Id.*

²³⁴ *See id.* at 270.

²³⁵ *Id.* at 271 (alteration in original).

are from the same source. In contrast, consumers of media with less distinctive titles are unlikely to view the titles as source designating, and not assume that other artistic works with different subject matter, in different media, or in different formats would be related absent intentional acts by the junior user falsely suggesting an association.

This “title v. title” scenario was soon presented to a district court within the Ninth Circuit. In *Fierce, Inc. v. Franklin Covey Co.*, plaintiff alleged that the defendant’s book entitled *Fierce Loyalty: Cracking the Code to Customer Devotion* infringed its rights in numerous federal registrations for FIERCE and FIERCE-formative marks for corporate training materials, as well as its books titled *Fierce Conversations: Achieving Success at Work & in Life* and *Fierce Leadership, a Bold Alternative to the Worst “Best” Practices of Business Today*.²³⁶ Citing *Gordon* for the proposition that use of a mark alone may explicitly mislead consumers about a product’s source if consumers would ordinarily identify the source by the mark itself, the court held that the plaintiff had alleged facts giving rise to a reasonable inference that defendant’s title was explicitly misleading, and denied the defendant’s motion to dismiss.²³⁷ Specifically, the court found that the plaintiff and defendant each used the mark “in the same context and market,” namely “as the title of a book identifying strategies to help businesses ‘increase the engagement and loyalty from both employees and customers.’”²³⁸ Moreover, the defendant followed the same naming convention of “FIERCE _____” and presented its mark using a “color, typeface, and visual format” similar to that of the mark of the plaintiff.²³⁹ While this case, like *Gordon*, did not find that the defendant’s use was explicitly misleading, it allowed the case to proceed where there was evidence that the defendant’s motives and actions in adopting and using the mark may have been impure.

In contrast, just a few weeks later, another district court within the Ninth Circuit found that the defendant’s use of the mark MASTERMIND as an album title and performance title was not explicitly misleading, despite another musician’s prior use and registration of the mark for his own performance title and recordings.²⁴⁰ Recognizing that under *Gordon* use of the mark alone could be sufficient to explicitly mislead consumers where consumers would ordinarily identify the source by the mark itself, and apparently conceding that both the plaintiff and defendant were

²³⁶ No. C18-1449-MJP, 2019 WL 1453573 *1 (W.D. Wash., Apr. 2, 2019).

²³⁷ *Id.* at *7.

²³⁸ *Id.*

²³⁹ *Id.* Both books used an orange color scheme, more prominent use of the term FIERCE, and identical font.

²⁴⁰ *Caiz v. Roberts*, 382 F. Supp. 3d 942 (C.D. Cal. 2019).

using the mark in the same way, the court focused on whether the defendant had added his own expressive content to the work, or used the mark as the “centerpiece” of its own work.²⁴¹ Finding that the defendant used the mark as one album title out of six in his career, that he used the word in lyrics nine times in the album through his own artistic expression, and that when he used it as his nickname it was always accompanied by a clear indication of his primary moniker—Rick Ross, the court granted summary judgment to the defendant, holding that there was no evidence that the defendant’s use even implicitly suggested a connection, let alone any evidence of an overt association.²⁴²

4. “Explicitly Misleading” in the Third, Sixth, and Eleventh Circuits and District Courts Within the Seventh Circuit

The Third, Sixth, and Eleventh Circuits have all adopted the Ninth Circuit’s pre-*Gordon* general approach.²⁴³ To meet the “explicitly misleading” prong, the defendant must have engaged in some overt act to try to confuse the public, as opposed to the mere act of using the mark in cases where consumers do not expect a mark to have source-identifying significance, even if it resulted in consumer confusion.

The Third Circuit first adopted *Rogers* in *Seale v. Gramercy Pictures*,²⁴⁴ but a recent decision from a court within the Eastern District of Pennsylvania thoroughly analyzed the type of facts that would negate a finding of explicitly misleading. In *Hidden City Philadelphia v. ABC, Inc.* the plaintiff owned and operated a website titled “Hidden City Philadelphia” showcasing Philadelphia history and architecture. It brought a trademark infringement action against ABC for using the mark HIDDEN PHILADELPHIA for its local television news segment series highlighting little-known places in Philadelphia.²⁴⁵ The court found that the title was not explicitly misleading because it did not adopt the plaintiff’s exact name HIDDEN CITY PHILADELPHIA; there were no allegations that ABC had suggested the plaintiff was associated with its videos; and the videos appeared on ABC’s local affiliate’s website, featured the ABC logo, and indicated that they were presented by sponsor the Philadelphia Zoo, and dismissed the case.²⁴⁶

²⁴¹ *Id.* at 950-51.

²⁴² *Id.* at 951.

²⁴³ See *Seale*, 964 F. Supp. at 931, *aff’d*, 156 F.3d 1225 (3d Cir. 1998); *Parks*, 329 F.3d at 448; *Univ. of Ala. Bd. of Trs.*, 683 F.3d at 1278; *Eastland Music Grp.*, 2012 WL 2953188 at *3, *aff’d without reaching constitutional question*, 707 F.3d 869 (7th Cir. 2013).

²⁴⁴ 949 F. Supp. at 340.

²⁴⁵ No. 18-65, 2019 WL 1003637, at *1 (E.D. Pa. May 1, 2019).

²⁴⁶ *Id.* at *5.

Although remanding back to the district court for a determination of whether the song title ROSA PARKS was artistically relevant to the defendant's song, the Sixth Circuit in *Parks v. LaFace Records*, specifically instructed that if the district court ultimately found it to be artistically relevant, "application of the *Rogers* analysis . . . would appear to be complete" because the defendant made "no explicit statement that the work is about [Ms. Parks] in any direct sense."²⁴⁷ Giving specific examples of how the song title may have been explicitly misleading, the court noted that the defendants did not name the song "The True Life Story of Rosa Parks or Rosa Parks' Favorite Rap."²⁴⁸

And in a case involving use of colors and designs of sports uniforms in artistic depictions of scenes from University of Alabama football, the Eleventh Circuit found in *University of Alabama Board of Trustees v. New Life Art, Inc.* that there was no evidence that the defendant ever marketed an "item as 'endorsed' or 'sponsored by' the University, or otherwise explicitly stated that such items were affiliated with the University" and was therefore "entitled to full First Amendment protection."²⁴⁹

District courts within the Seventh Circuit have also required a defendant to have engaged in explicit misstatements or other overt actions to find a junior use explicitly misleading.²⁵⁰ In the two published cases, the district courts' denials of motions to dismiss were affirmed by the Seventh Circuit, but neither case reached the issue of whether *Rogers* applied.²⁵¹

As can be seen from the analysis above, the key distinction between how the Second Circuit determines whether a use is

²⁴⁷ *Parks*, 329 F.3d at 459. See also *ETW Corp.*, 332 F.3d at 932; *Moore v. Weinstein Co.*, 545 F. App'x 405, 409 (6th Cir. 2013); *Rebellion Devs*, 2013 WL 1944888, at *5-6 (finding allegations that defendant's use of the mark was a "willful attempt to capitalize on the substantial reputation and goodwill of Plaintiffs" insufficient to meet the second prong of *Rogers* because "even if members of the public are misled, such confusion is not actionable without an 'overt misrepresentation'"); *Martha Elizabeth*, 2011 WL 1750711, at *25 (denying preliminary injunction against show titled *Bitchin' Kitchen*, the court noting that neither the program's host nor the channel did anything to link its program to plaintiff).

²⁴⁸ *Parks*, 329 F.3d at 458-59. District court decisions within the Sixth Circuit include *Sporting Times*, 291 F. Supp. 3d at 817 (finding use of fictional magazine title and cover within film was not explicitly misleading when there was "no suggestion of sponsorship or partnership" with a real-life magazine with the same title, let alone an "overt misrepresentation") and *Rebellion Developments*, 2013 WL 1944888 (finding video game title did not infringe name of video game development company absent overt misrepresentations as to affiliation).

²⁴⁹ 683 F.3d 1266, 1279 (11th Cir. 2012).

²⁵⁰ *Eastland Music Grp.*, 2012 WL 2953188, at *3, *aff'd without reaching constitutional question*, 707 F.3d 869 (7th Cir. 2013). In *Fortres Grand Corporation*, the court noted that a requirement of explicitly misleading is "a high bar" requiring an "affirmative statement." 947 F. Supp. 2d at 932, *aff'd without reaching First Amendment constitutional question*, 763 F.3d 696 (7th Cir. 2014).

²⁵¹ *Id.*

explicitly misleading in competing title cases under *Twin Peaks* and how the Ninth Circuit determines whether a use is explicitly misleading under *Rogers* is the focus on the junior user's actions rather than the impact on consumers.²⁵² In the Ninth Circuit, it does not matter if there is some level of consumer confusion, provided the defendant did not do anything (aside from using the mark) to cause it, which is why the likelihood-of-confusion factors (including survey evidence) are never considered.²⁵³ In the Second Circuit, a defendant's clean hands are irrelevant in disputes between titles, provided there is a compelling level of confusion, which is determined after considering the likelihood-of-confusion factors, which could include survey evidence.

5. "Explicitly Misleading" in a District Court Within the Tenth Circuit

The Tenth Circuit has never had the occasion to consider *Rogers*, but a district court within the circuit recently held that it would apply *Rogers* to a dispute between titles of different animal nature series, but that "the *Rogers* test needs adapting to the legitimate considerations brought out in subsequent cases" and "should not be adopted as is."²⁵⁴

The case was brought by Marty Stouffer, producer of the *Wild America* nature series that aired on PBS for fourteen years. After negotiations to air the series between the plaintiff and NatGeo Channel broke down, NatGeo launched its own nature series with allegedly similar features under the title AMERICA THE WILD.²⁵⁵ In ruling on defendant's motion to dismiss under *Rogers*, the court acknowledged it had "the luxury of thirty years of court decisions applying *Rogers*, demonstrating its strength and weaknesses."²⁵⁶ Focusing heavily on *Parks*²⁵⁷ and *Gordon*,²⁵⁸ the court was troubled by treating "artistic relevance" as a threshold inquiry, believing that this could create an unwarranted distinction if a work is abstract, such as an instrumental piece without lyrics, or if the irrelevance of a title to a work could in itself be an artistic choice.²⁵⁹

²⁵² *Gordon*, 909 F.3d at 269 ("The 'key here [is] that the creator must explicitly mislead consumers,' and we accordingly focus on 'the nature of the [junior user's] behavior' rather than on 'the impact of the use.'" (quoting *Brown*, 724 F.3d at 1245-46)).

²⁵³ Even under *Gordon*, the focus is not on whether consumers are confused but rather whether defendant: (1) used the mark for a directly competing product; and (2) added his own expressive content.

²⁵⁴ *Stouffer*, 2019 WL 3935180, at *12.

²⁵⁵ *Id.* at *2.

²⁵⁶ *Id.* at *12.

²⁵⁷ 329 F.3d 437 (6th Cir. 2003).

²⁵⁸ 909 F.3d 257 (9th Cir. 2018).

²⁵⁹ *Id.* at *13.

Instead, the court held that “genuine artistic motive” of the junior user was the more relevant consideration, and that it encompassed both prongs of the *Rogers* test.²⁶⁰ To determine whether a junior user had a genuine artistic motive in selecting a mark, several questions should be considered, including whether the junior user used the mark to identify the same or similar kinds of goods or services; to what extent the junior user added his or her own expressive content; whether the timing of the junior use suggested a motive to capitalize on the popularity of the senior user’s mark; the way in which the mark is artistically related to the underlying word; whether the junior user made any statements to the public or engaged in conduct known to the public that suggests a non-artistic motive (including but not limited to “explicitly misleading” statements); and whether the junior user made any statements in private, or engaged in any conduct in private, that suggests a non-artistic motive.”²⁶¹

Recognizing that the “genuine artistic motive” test is framed in terms of the junior user’s state of mind, the court also held that to adequately protect First Amendment interests, “the objective facts may sometimes excuse further inquiry into the junior user’s subjective motives.”²⁶² It should be a rare case, the court held, “in which a junior user with a ‘pure heart’ receives First Amendment protection but a junior user with a ‘black heart’ does not.”²⁶³ This is because the “First Amendment places a thumb on the scale of expressive use, even if at the expense of sometimes allowing junior users with subjectively ‘unartistic’ motives to avoid Lanham Act liability.”²⁶⁴

If the “genuine artistic motive” test favors the junior user, the court held that the inquiry would end there with no Lanham Act liability.²⁶⁵

Because the parties could not have anticipated that the court would formulate its own application of the *Rogers* test, it denied the motion to dismiss without prejudice to allow plaintiff the opportunity to amend its complaint and the defendant to refile for dismissal.²⁶⁶

At first glance, this “reformulation” of the *Rogers* test appears to be significant. But a closer examination reveals that it simply combines the artistic relevance/explicitly misleading prongs into one, and takes into account the “motive” issues courts seemed

²⁶⁰ *Id.* at *12.

²⁶¹ *Id.* at *12-13.

²⁶² *Id.* at *13.

²⁶³ *Id.*

²⁶⁴ *Id.*

²⁶⁵ *Id.* at *14.

²⁶⁶ *Id.*

troubled by in *Warner Bros. v. Global Asylum*,²⁶⁷ *CI Games*,²⁶⁸ *Fierce*,²⁶⁹ and *Gordon*.²⁷⁰ Artists who use a mark for genuine artistic purposes and without any intent or actions meant to capitalize on the senior user's goodwill or confuse consumers into believing the work is related to the other work should still find their interests fully protected by the First Amendment in this district or the Tenth Circuit if it upholds this decision or otherwise adopts this application of *Rogers*.

C. Rogers May Be Applied on Summary Judgment or Motions to Dismiss

Nearly every case applying *Rogers* has done so on either a motion to dismiss or on summary judgment. This is because “[c]ourts are cognizant of vindicating First Amendment protections through early dispositive motions to avoid chilling speech.”²⁷¹

Determining whether a defendant has satisfied the first prong of the *Rogers* test—artistic relevance—can usually be done simply by looking at the work itself. In *Louis Vuitton Malletier SA v. Warner Bros. Entertainment*, where the plaintiff alleged that Warner Bros. impermissibly used a counterfeit LOUIS VUITTON bag in the film *Hangover 2*, the plaintiff argued that whether the use was artistically relevant was an issue of fact that required discovery, and thus was inappropriate for a motion to dismiss.²⁷² The court disagreed, however, finding it obvious that the purpose of the use was to create an artistic association with LOUIS VUITTON by a snobbish character regardless of whether the bag was genuine or counterfeit, so discovery was unnecessary and summary judgment was appropriate.²⁷³

Determining whether a mark is explicitly misleading can also typically be done early in a proceeding. The Second Circuit “has never stated that a court cannot properly apply *Rogers* (or the likelihood of confusion factors) on a motion to dismiss. In fact, the Second Circuit has suggested that granting a motion to dismiss would be appropriate ‘where the court is satisfied that the products or marks are so dissimilar that no question of fact is presented,’”²⁷⁴ and that “no amount of discovery will tilt the scales in favor of the

²⁶⁷ 2012 WL 6951315, *5 (C.D. Cal. 2012), *aff'd*, 2013 WL 12114836, at *6.

²⁶⁸ 2016 WL 9185391, at *8.

²⁶⁹ No. C18-1449-MJP, 2019 WL 1453573 *1.

²⁷⁰ 909 F.3d at 269-71.

²⁷¹ *Rebellion Devs.* 2013 WL 1944888, at *4.

²⁷² 868 F. Supp. 2d 172, 178 (S.D.N.Y. 2012).

²⁷³ *Id.*

²⁷⁴ *Medina v. Dash Films, Inc.*, No. 15-cv-2551 (KBF), 2016 WL 3906714 (S.D.N.Y. July 14, 2016) (quoting *Louis Vuitton*, 868 F. Supp. 2d at 183).

mark holder at the expense of the public's right to free expression."²⁷⁵

In the Ninth Circuit and those following its interpretation of *Rogers*, courts can typically look to the allegations in the complaint and/or the work itself to determine whether a defendant has made any overt actions or explicit misstatements.²⁷⁶ A motion to dismiss may be inappropriate only in extremely limited situations where the nature of the use is such that consumers could believe that: the use indicated source; the junior and senior users were directly competing; the junior user had used the mark with minimal additional creativity; and there are factual issues regarding a defendant's possible intent. But presumably those factual determinations would not preclude summary judgment after discovery is complete given courts' proclivity to decide such issues without a trial.

IV. CONCLUSION

In the thirty years since the landmark holding in *Rogers v. Grimaldi* created a balancing test for trademark infringement cases implicating First Amendment rights, the law has continued to evolve. A series of cases from the Second and Ninth Circuits—the most influential jurisdictions on the subject—provide a road map for how freedom of artistic expression should be weighed against trademark rights.

Although the *Rogers* case concerned a false-endorsement claim involving a celebrity's name used as a film title and the court suggested that the test may not apply in cases involving confusingly similar titles, the Second Circuit quickly held that the *Rogers* balancing approach generally applies to Lanham Act claims against all works of artistic expression, and the limiting language from *Rogers's* footnote 5 says only that in competing title cases the specific requirement for an overt act or affirmative misstatement is not required to determine whether a use is explicitly misleading.²⁷⁷ Instead, in competing title cases, the determination of "explicitly misleading" must begin with an analysis of the likelihood-of-confusion factors, and if a likelihood of confusion is found, it must be sufficiently compelling to outweigh a junior user's First Amendment rights to artistic expression.²⁷⁸

²⁷⁵ *Louis Vuitton*, 868 F. Supp. 2d at 184.

²⁷⁶ See *Stewart Surfboards*, 2011 WL 12877019, at *5; *Rebellion*, 2013 WL 1944888, at *4 (In rejecting plaintiff's argument that the *Rogers* test is not well-suited to an early dispositive motion because a court may not have had the opportunity to examine the underlying work, the court held that "The *Rogers* test is an appropriate one to apply in the early stages of litigation.")

²⁷⁷ *Cliffs Notes, Inc.*, 886 F.2d at 494.

²⁷⁸ *Twin Peaks Prods.*, 996 F.2d at 1379.

The Ninth Circuit fully adopted the *Rogers* balancing test in 2002,²⁷⁹ and has since refined its application in deciding more cases than any other jurisdiction. First, it extended *Rogers* from titles to elements within creative works, and set the standard for artistic relevance as anything “above zero.”²⁸⁰ It then directed district courts to determine the explicitly misleading prong based on the junior user’s actions and not on the impact of its use of the mark, and it also made both survey evidence and a likelihood-of-confusion analysis irrelevant.²⁸¹ Significantly, the Ninth Circuit refuted any suggestion that *Rogers* applied only to marks that had achieved cultural significance and then only when the junior use was referencing the senior use, and it extended *Rogers*’s protection to include not just the artistic work itself, but also the promotion of the work.²⁸² Finally, it had occasion to examine the “outer limits” of *Rogers* and found that in the limited cases where consumers would believe that use of a mark in an artistic context was source-identifying, courts could find an explicitly misleading use even in the absence of explicit misstatements provided that the use was directly competing and the junior user had used the mark as the centerpiece of its work without adding much, if any, original content.²⁸³

The Fifth Circuit has largely adopted the methodology of the Second Circuit, while the Third, Sixth, and Eleventh Circuits as well as district courts within the Seventh Circuit have adopted the Ninth Circuit’s approach, and do not consider likelihood-of-confusion factors at all.²⁸⁴ A district court within the Tenth Circuit recently restructured *Rogers* into a single-prong “genuine artistic motive” test, which largely resembles the test as most recently refined by the Ninth Circuit.

The past decade also has established that *Rogers* applies in both forward and reverse confusion cases because there is no requirement for the junior use to refer to the senior use. Courts have made it clear that *Rogers* issues can be decided on motions to dismiss and for summary judgment.²⁸⁵ In fact, nearly all of the cases applying *Rogers* have done so through early dispositive motions.

The universal thread in thirty years of *Rogers* is the consistency with the *Rogers* court’s original concern: that consumer interests for creativity be satisfied, and only in those limited situations where a junior user acted in bad faith and intended to create confusion or

²⁷⁹ See *Mattel*, 296 F.3d at 902.

²⁸⁰ *E.S.S. Entm’t 2000*, 547 F.3d at 1100.

²⁸¹ *Brown*, 724 F.3d at 1245-46.

²⁸² *Twentieth Century Fox*, 875 F.3d at 1196-98.

²⁸³ *Gordon*, 909 F.3d at 269-71.

²⁸⁴ See *supra* Part III.B.

²⁸⁵ See *supra* Part III.C.

trade off the goodwill of the senior user should the Lanham Act appropriately prevail.



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“DEAD COPIES” UNDER THE JAPANESE UNFAIR COMPETITION PREVENTION ACT: THE NEW MORAL RIGHT

KENNETH L. PORT*

INTRODUCTION

In 1993, the Japanese legislature, or Diet, amended the Unfair Competition Prevention Act (UCPA) to prevent the slavish copying (*moho*) of another’s product configuration (*shohinno keitai*) regardless of registration, regardless of notice of any kind, regardless of whether the configuration was distinctive in any way, and regardless of whether any consumer was confused or deceived.¹

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1. Fuseikyoso Boshiho [Unfair Competition Prevention Act], Law No. 47 of 1993, translated in 6 EHS LAW BULL. SER. No. 6895–96 (2005) [hereinafter UCPA]. In this paper, I refer to Article 2-1-3 of the amended UCPA as “the Dead Copy Statute.” Although the original UCPA predated World War II, the original UCPA largely addressed counterfeit goods. See Fuseikyoso Boshiho [Unfair Competition Prevention Act], Law No. 14 of 1934. During the Occupation of Japan, General Head Quarters (GHQ) had a large influence on shaping Japanese unfair competition policy. See Tetsuo Tomita, *Fuseikyosoboshiho Seiteikankeishiryō* [Documents on the Legislative Process of Unfair Competition Law], 1994/3 Patent Studies 50 (translated by author). In fact, even the Preamble of the San Francisco Peace Treaty, which ultimately ended the Occupation of Japan, noted the importance of conforming to international standards: “. . . in public and private trade and commerce to conform to internationally accepted fair practices.” Multilateral Treaty of Peace with Japan, Sept. 8, 1951, 3.3 U.S.T. 3169, 3171 (1952).

Even before the San Francisco Peace Treaty but at the urging of GHQ, Japan amended the UCPA in significant ways. CHIKUJO KAISETSU FUSEIKYOSOBOSHIHO [CLAUSE BY CLAUSE EXPLANATION OF THE UCPA] 5–7 (METI Intell. Prop. Policy Comm. eds., 2005) (translated by author). For instance, in order to obtain an injunction, a subjective intent to engage in unfair competition would no longer be a requirement. *Id.* This was done because even though there were multiple examples of objective intent to cause unfair competition, it was impossible to prove that someone subjectively intended to engage in unfair competition. *Id.* Additionally, in order to obtain an injunction, the prior Act required that there be “an injured party.” *Id.* This was changed to focus on the specific and likely conduct, as well as the likely resulting harm. *Id.* Also, “exportation” was added to each specific offense. *Id.* The amendments also made requirements for showing a false place of origin simpler. *Id.* The amendments made actionable conduct that caused people to be deceived as to a goods’ source. *Id.* Next, the amendments made

The Japanese refer to the concept of slavish imitation as “dead copies.” This monopoly grant lasts for three years from the date the product is first sold.²

Before 1993, product configurations were protected either under the old UCPA or the Civil Code. Although there were numerous cases that successfully claimed rights under the old UCPA, before a configuration could be protected under the old law, it had to be a “well-known” appellation of a source.³ It was perceived that if Japan was going to improve its economic condition, it needed to become an “intellectual property society.”⁴

actionable deceptive practices regarding a product’s quality, content, or volume. *Id.* The amendments also strengthened the right to demand a restoration of trust in the marketplace. *Id.* Other provisions were also added. *Id.*

Changes to the UCPA are well-documented. *See generally id.* 8–17. In 1953 the UCPA was amended to bring Japan in compliance with the Madrid Protocol, which prevented false or misleading designations of origin. *Id.* In 1965 the UCPA was amended to bring Japan in compliance with the Paris Convention and the Treaty of London. *Id.* In 1975 the UCPA was amended to make Japan compliant with the Stockholm Amendments to the Paris Convention. *Id.* In 1990 the UCPA was amended to bring Japan into compliance with what ultimately became known as the TRIPs Agreement. *Id.* In the twelve years since the 1993 amendments, the UCPA has been amended nine times. *Id.* In context, this is not that surprising a fact; the U.S. Copyright statute has been amended 25 times in the last 30 years. *See* JULIE COHEN ET AL., COPYRIGHT IN A GLOBAL INFORMATION ECONOMY 36 (2006). The common wisdom is that these changes were required to protect configurations that may ultimately be registered under the Design Law. However, in 1993 Design Law registration required three years. It now takes roughly one year. Furthermore, academics as well as practitioners opine that there have not yet been major cases where large amounts of damages have been awarded under Article 2-1-3. As such, it has not yet caught the fancy of Japanese academics or practitioners.

2. *See infra* Part V.B.

3. Noriichi Okaguchi, *Shohinkeitaimoho [Slavish Imitation of Product Configuration]*, in CHITEKZAISANKANKEISOSHOHO [INTELLECTUAL PROPERTY RELATED LITIGATION] 457 (Hon. Toshiaki Makino & Hon. Toshiaki Iimura, eds., 2004) (discussing protection of product configuration under the pre-1993 UCPA) (translated by author). Even after 1993, some elect to protect product configurations using Article 2-1-1, which requires a showing that the configuration is an appellation of source, that the configuration is well-known, and that purchasers are confused. *See, e.g.*, Miyama Kogyo, K.K. v. Flex System, K.K., 1891 HANREI JIHO 147 (Tokyo D. Ct., Feb. 15, 2005) (translated by author).

4. This societal wide movement has even been the impetus for the creation of Centers at rather unlikely universities. For example, Hiroshima University has created the “Intellectual Property Society Creativity Center.” *See* Hiroshima University, <http://home.hiroshima-u.ac.jp/chizai/> (last visited Nov. 12, 2006) (translated by author). Interestingly, though, they translate this into English as merely the “Intellectual Property Center.” Present Prime Minister Koizumi has been quoted in various contexts as seeking to create a nation “founded on intellectual property.” *See, e.g.*, Mayumi Negishi, *Japan Gets Intellectual on Property Rights*, JAPAN TIMES, Dec. 8, 2004, available at <http://search.japantimes.co.jp/cgi-bin/nb20041208a1.htm>. However, at least in the minds of the Tokyo District Court, this apparently has not yet been successful. *See* Torada v. Shimoda, 1913 HANREI JIHO 146 (Tokyo D. Ct., June 21, 2005) (translated by author). In *Torada*, the Tokyo District Court held that the trademark IP FIRM was not appropriate for registration because consumers would not necessarily know what “IP” meant. *Id.* at 153–54. The court reasoned that IP could stand for “Internet Protocol” or

Accordingly, a specific statutory prohibition of slavish imitation was included in the amendment.

Article 709 of the Civil Code provides yet another way to protect product configurations.⁵ Article 709 essentially makes the infringement of any general right a tort.⁶ In a pivotal case that became a true rallying point for advocates of the cause, the defendant slavishly imitated the plaintiff's furniture.⁷ Even though the plaintiff prevailed and damages were awarded, the court held that the Civil Code did not authorize it to issue an injunction.⁸ Injunctions are not available under the general provisions of the Japanese Civil Code; monetary damages are the appropriate remedy. Unless there is a specific provision authorizing injunctions, they are not appropriate under the Civil Code.⁹ Since most plaintiffs in dead copy cases only wanted an injunction and not damages, it became apparent that a large disconnect existed between what manufacturers wanted and what the Civil Code permitted.¹⁰

In Japan, this protection has become known as protecting a product from "dead copies." Dead copy protection in Japan goes too far. It would be unconstitutional if done in the United States.¹¹ The notion relied upon by Japanese drafters, that international harmonization makes this type of protection necessary, is simply incorrect. No such specific corollary protection

"Inkjet Printer." *Id.* Therefore, the mark did not identify for consumers that the services come from a specific source. *Id.*

5. Minpō [Civil Code], Law No. 89 of 1896, art. 709, translated in 2 EHS LAW BULL. SER. No. 2100-01 (2005) (stating that one who either intentionally or negligently damages the rights protected by law of another shall be responsible for those damages).

6. Gibson Guitar Corp. v. Fernandes, K.K., 1719 HANREI JIHO 122 (Tokyo High Ct., Feb. 24, 2000) ("Making dead copies of another's product configuration is prohibited by the Unfair Competition Prevention Law. If such conduct exceeds the scope of fair competition, it will be adjudicated to be a tort.") (translated by author).

7. Dai Nippon Printing, K.K. v. Takebayashi Mfg., K.K., 1418 HANREI JIHO 120 (Tokyo High Ct., Dec. 17, 1991) (translated by author).

8. TETSUYA WATANABE ET AL., FUSEIKYOSOBOSHIHO NO MINAOSHI NO HOKO [TRENDS IN REVISING THE UCPA] 143 (Comm. on Intell. Prop., Ministry of Economy, Trade and Industry eds., 1994) (translated by author).

9. Zentaro Kitagawa, 5 DOING BUSINESS IN JAPAN, XIII Business Liability § 1.07[2][a] (1996) ("Relief other than money is permissible . . . only where a special rule has so provided.").

10. Similarly, in another very recent case, *Yomiuri Newspaper*, the court found a violation of Article 709 of the Civil Code and ordered damages to be paid to a major Japanese newspaper, but found also that an injunction is improper under the Civil Code when the defendant copied its headlines and provided links to the articles. *Yomirui Newspaper v. Digital Alliance* (Intellectual Property High Court, Oct. 6, 2005) (translated by author), available at http://legal.lexisnexus.jp/jp/lngateway.dll?f=templates&fn=defaultHome_JP.htm&vid=Japan:10.1048/Enu. Even though a Dead Copy Statute violation was alleged, the court based its judgment on Article 709 of the Civil Code. *Id.* at 11-15; see also, Minpō [Civil Code], Law No. 89 of 1896, art. 709, translated in 2 EHS LAW BULL. SER. No. 2100-01 (2005). The court did find that the articles constituted a "product configuration," but did not find them slavishly imitated. *Yomiuri Newspaper*, at 12.

11. See *infra* notes 33-44 and accompanying text.

exists in other jurisdictions and, most certainly, no international treaty requires protection to the extent enjoyed in Japan. Dead copy protection, in fact, makes international harmonization on this point impossible because dead copy protection in the United States would be impossible, and goes much further than other Civil Law jurisdictions have gone.¹²

By granting an arbitrary, monopolistic three-year window of protection against the copying of product configurations, the Japanese extend an undeserved, statutory monopoly to holders of such product configurations. This will ultimately chill new product development and negatively affect the fragile Japanese economy. In essence, the dead copy provision of the UCPA strikes another blow to the public domain,¹³ and protects sweat of the brow, a justification for intellectual property that has long been considered spurious at best.¹⁴ In the end, the Dead Copy Statute acts like a new moral right where strict liability attaches.

12. See *infra* notes 45–50.

13. The discussion in the United States about the balance between intellectual property protection, on one hand, versus the protection of the public domain, on the other, is rich and fascinating. See, e.g., Maya Alexandri, *The International News Quasi-Property Paradigm and Trademark Incontestability*, 13 HARV. J.L. & TECH. 303 (2000); Keith Aoki, *Authors, Inventors and Trademark Owners: Private Intellectual Property and the Public Domain*, 18 COLUM. J.L. & ARTS 1, 5–34 (1994); Dan L. Burk, *Muddy Rules for Cyberspace*, 21 CARDOZO L. REV. 121 (1999); Anupam Chander & Madhavi Sunder, *The Romance of the Public Domain*, 92 CAL. L. REV. 1331 (2004); Graeme B. Dinwoodie & Rochelle Cooper Dreyfuss, *International Intellectual Property Law and the Public Domain of Science*, 7 J. INT'L ECON. L. 431 (2004); Jane C. Ginsburg, *The Right to Claim Authorship in U.S. Copyright and Trademark Law*, 41 HOUS. L. REV. 263 (2004); Leslie A. Kurtz, *The Independent Legal Lives of Fictional Characters*, 1986 WIS. L. REV. 429 (1986); Edward Lee, *The Public's Domain: The Evolution of Legal Restraints on the Government's Power to Control Public Access Through Secrecy or Intellectual Property*, 55 HASTINGS L.J. 91 (2003); Lawrence Lessig, *The Architecture of Innovation*, 51 DUKE L.J. 1783 (2002); Jessica Litman, *The Public Domain*, 39 EMORY L.J. 965 (1990); Christine Nickles, *The Conflicts Between Intellectual Property Protections when a Character Enters the Public Domain*, 7 UCLA ENT. L. REV. 133 (1999); Tyler T. Ochoa, *Origins and Meanings of the Public Domain*, 28 U. DAYTON L. REV. 215 (2002); Samuel Oddi, *The Tragicomedy of the Public Domain in Intellectual Property Law*, 25 HASTINGS COMM. & ENT. L.J. 1 (2003); Simone A. Rose, *Will Atlas Shrug? Dilution Protection for "Famous" Trademarks: Anti Competitive "Monopoly" or Earned "Property" Right?*, 47 FLA. L. REV. 653 (1995); Kurt M. Saunders, *A Crusade in the Public Domain: The Dastar Decision*, 30 RUTGERS COMPUTER & TECH. L.J. 161 (2004); Steven Wilf, *Who Authors Trademarks?*, 17 CARDOZO ARTS & ENT. L.J. 1 (1999); Margaret Ann Wilkinson, *National Treatment, National Interest and the Public Domain*, 1 U. OTTOWA L. & TECH. J. 23 (2003); James Boyle, *The Second Enclosure Movement and the Construction of the Public Domain* (2003), <http://www.law.duke.edu/pd/papers/boyle.pdf> (last visited Nov. 12, 2006). All of these authors find the expansion of intellectual property rights troublesome because of their interference with the public domain. To summarize all of these articles, a rich and free public domain may be better for a growing economy than an economy with distinct monopolies carved out.

14. See, e.g., *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 353 (1991).

I. THE STATUTE

The statute itself is quite simple and straightforward. The current version of Article 2-1-3 of the UCPA states that:

Selling, distributing, exporting or importing goods which imitate the product configuration of another (excluding functional configurations) [shall constitute an act of unfair competition].¹⁵

Article 19-1-5 of the UCPA places a three-year restriction on the assertion of the dead copy right calculated from the date of first sale of the good in Japan.¹⁶ That is, the statute contemplates prohibiting another from using a product configuration for a period of three years. This three-year period is, essentially, a head start that the first user of a product configuration receives as a statutory gift.

Although the Japanese Diet elected to use banal, generic terms that do not provide much direction at all, the 2005 amendments to the UCPA codified definitions of both "product configuration" (*shohinnokeitai*) and "imitation" (*moho*) as follows:

The term "product configuration" in this Act shall mean the shape of a good or the shape of the good combined with the design, color, luster or mass, the distinctiveness of which is perceptible by a consumer through normal use.¹⁷

The term "imitation" in this Act shall mean creating a product configuration which depends upon and is essentially identical to that configuration.¹⁸

For the first time, functional configurations are expressly excluded from protection. However, functionality has been defined using competitive need utilitarianism instead of normative functionality.¹⁹ There is still no requirement that the product configuration be well-known or famous,²⁰ and no requirement that any third party had prior notice of this claim whatsoever.

15. UCPA, Law No. 47 of 1993, amended by Law No. 87 of 2005, art. 2-1-3 (translated by author).

16. *Id.* The statute actually reads "*nihon kokunai ni oite,*" which means "within Japan." *Id.* (translated by author). That is, it appears to mean that one could make substantial sales of a configuration outside of Japan and only the importation of the article into Japan would start the clock running on the Dead Copy Statute. However, this is ameliorated slightly by the definition of "*keitai*" (offering the configuration for sale, not only actual sales of the configuration, amounts to the use of configuration for purposes of the UCPA). See *infra* Part V.A.

17. UCPA, Law No. 47 of 1993, art. 2-15-4, translated in 6 EHS LAW BULL. SER. No. 6895-96 (2005).

18. *Id.* art. 2-15-5.

19. See *infra* notes 138-42 and accompanying text.

20. Appellations of source must be well recognized for protection under Article 2-1-1 of the UCPA and famous for protection under Article 2-1-2 of the UCPA. See Kenneth L. Port, *Japanese Trademark Dilution*, 4 NW. J. OF TECH. & INTELL. PROP. 228, 234 (2006), available at <http://www.law.northwestern.edu/journals/njtip/v4/n2/5>. Article 2-1-3 makes no mention of the distinctive capacity of the product configuration.

As such, this statutory endowment operates very much like a patent without an application process or notice to third parties. For example, in the *Bears Club Case*,²¹ the Osaka District Court found a towel set consisting of a stuffed teddy bear, a towel holder, and towels, bundled together in a cute package to be a valid product configuration.²² The court found that a nearly identical copy of the towel set infringed the Dead Copy Statute even though the plaintiff had not established any distinctiveness in the configuration, even though the defendant had no specific notice of the claim, even though the plaintiff had made no registration regarding the claimed configuration, and even though no consumer was shown to be confused by the configuration.²³

Plaintiff's Configuration



Defendant's Configuration



II. AMERICAN LAW

Some commentators in Japan imply that this same type of dead copy protection is available in the United States under a "misappropriation" theory of the common law.²⁴ It is understood in the following terms in Japan:

Under the Common Law, there is the tort of misappropriation. To establish this cause of action one generally needs to show the following: 1) the plaintiff produced the thing appropriated expending much effort and money over a long period of time; 2) the defendant used the thing appropriated at little or no cost,

21. Matsui Corporation, K.K. v. Shaday, K.K., 1659 HANREI JIHO 105 (Osaka D. Ct., June 18, 1998), translated in Kenneth L. Port, *Japanese Intellectual Property Law in Translation: Representative Cases and Commentary*, 34 VAND. J. TRANSNAT'L L. 847, 869-75 (2001).

22. *Id.* at 873.

23. *Id.*

24. See WATANABE ET AL., *supra* note 8, at 144.

such that one might characterize it as "reaping where you did not sow"; and 3) the plaintiff was financially damaged by the defendant's conduct.²⁵

Although this accurately states the cause of action under the Common Law,²⁶ it is misleading. To be sure, there are several United States cases that follow this theory of misappropriation and find the defendant liable,²⁷ however, these cases are all "information" cases, not "product configuration" cases.²⁸ The Japanese have extended a legal theory that, in the United States,

25. *Id.* Interestingly enough, J. Thomas McCarthy says the following regarding the elements of misappropriation:

(1) the plaintiff has made a substantial investment of time, effort, and money in creating the thing misappropriated, such that the court can characterize that "thing" as a kind of property right; (2) the defendant has appropriated the "thing" at little or no cost, such that the court can characterize the defendant's actions as "reaping where it has not sown"; and (3) the defendant's acts have injured the plaintiff, such as by direct diversion of profits from the plaintiff to the defendant or a loss of royalties that the plaintiff charges to others to use the thing misappropriated.

J. THOMAS MCCARTHY, MCCARTHY'S DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 273 (2d ed.1995).

26. *See id.*

27. *See, e.g.,* *Int'l News Serv. v. Associated Press*, 248 U.S. 215 (1918) (stating that "hot news" is protected for a limited time); *Pittsburgh Athletic Co. v. KQV Broadcasting Co.*, 24 F. Supp 490 (W.D. Pa. 1938) (finding that defendant's unauthorized play-by-play broadcasts of baseball games constituted unfair competition with plaintiffs and were in violation of the Communications Act of 1934). *But c.f.,* *NBA v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997) (declining to follow *Int'l News Serv. v. Associated Press* and finding that the play-by-play rebroadcasts of plaintiff's games were not "hot news").

28. Thorough discussion of the American law of product configuration is beyond the scope of this article. Generally speaking, there are three forms of trade dress: product packaging, product configuration and a "tertium quid." *See Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000). According to *Wal-Mart*, product configuration is only protected if it has secondary meaning—that is, some ability to identify source in the minds of the relevant consumers. *Id.* at 215. Secondary meaning is not required under the Japanese Dead Copy Statute. For more on product configuration protection in the United States and all that it entails, see Margreth Barrett, *Consolidating the Diffuse Paths to Trade Dress Functionality: Encountering TraFFix on the Way to Sears*, 61 WASH. & LEE L. REV. 79, 136 (2004) ("*TraFFix* indicates that the policy considerations enunciated in [*Sears, Compco*, and *Bonito Boats*] should shape Lanham Act protection for product features."); Thomas F. Cotter, *Is This Conflict Really Necessary?: Resolving an Ostensible Conflict Between Patent Law and Federal Trademark Law*, 3 MARQ. INTELL. PROP. L. REV. 25 (1999); Theodore H. Davis, Jr., *Management and Protection of Brand Equity in Product Configurations*, 1998 U. ILL. L. REV. 59 (1998); Paul Heald, *The Worst Intellectual Property Opinion Ever Written: Sunbeam Products, Inc. v. The West Bend Co.: Exposing the Malign Application of the Federal Dilution Statute to Product Configurations*, 5 J. INTELL. PROP. L. 415 (1998); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1697 (1999) (stating that "doctrinal creep" is resulting in the proprietization of trademarks which will result in additional transaction costs to society); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367 (1999); Stephen K. Marsh, *Patents are Forever: Construing the Federal Trademark Dilution Act to Apply to Product Configurations in Sunbeam Products, Inc v. The West Bend Co.*, 4 J. INTELL. PROP. L. 421

is primarily used to prohibit the use of someone else's "information" (which may take different forms)²⁹ and to prohibit slavishly copying someone's product configuration.³⁰ Furthermore, the common law notion of misappropriation requires that the plaintiff be financially damaged.³¹ There is no such express requirement in the Dead Copy Statute.

Therefore, the Dead Copy Statute goes too far. To rely on American misappropriation theory to justify it is just wrong. To imply that Japan's Dead Copy Statute can rely, in any way, on the Common Law for its justification is a gross overstatement.

Additionally, the Dead Copy Statute would be unconstitutional if enacted in the United States; therefore, any harmonization is impossible. The UCPA provision fails to provide for notice of any claims arising thereunder, would likely be void for vagueness, and would obviously be preempted by the Patent Act and Article 1, Section 8, Clause 8 of the United States Constitution (the so-called Patent and Copyright Clause).³²

To be constitutional under the Due Process Clause of the 14th Amendment to the United States Constitution, statutes must provide sufficient notice of claims that may arise thereunder.³³ Product configuration claims in the United

(1997); Willajeane F. McLean, *Opening Another Can of Worms: Protecting Product Configuration as Trade Dress*, 66 U. CIN. L. REV. 119 (1997); Gary Myers, *Statutory Interpretation, Property Rights, and Boundaries: The Nature and Limits of Protection in Trademark Dilution, Trade Dress, and Product Configuration Cases*, 23 COLUM.-VLA J.L. & ARTS 241 (2000); David W. Opderbeck, *An Economic Perspective on Product Configuration Trade Dress*, 24 SETON HALL LEGIS. J. 327, 363 (2000) ("Product configuration trade dress can provide the same economic benefits as traditional trademarks."); Judith Beth Prowda, *The Trouble with Trade Dress Protection of Product Design*, 61 ALB. L. REV. 1309 (1998); Lars Smith, *Trade Distinctiveness: Solving Scalia's Tertium Quid Trade Dress Conundrum*, 2005 MICH. ST. L. REV. 243 (2005); Mark Alan Thurmon, *The Rise and Fall of Trademark Law's Functionality Doctrine*, 56 FLA. L. REV. 243 (2004); David S. Welkowitz, *Trade Dress and Patent—The Dilemma of Confusion*, 30 RUTGERS L.J. 289 (1999).

29. Rex Y. Fujichaku, *The Misappropriation Doctrine in Cyberspace: Protecting the Commercial Value of "Hot News" Information*, 20 HAW. L. REV. 421, 425 (1998) (arguing that the common law of misappropriation of databases should be allowed to "wither away").

30. See UCPA, Law No. 47 of 1993, translated in 6 EHS LAW BULL. SER. No. 6895-96 (2005).

31. MCCARTHY, *supra* note 25, at 273.

32. U.S. CONST. art. I, § 8, cl. 8; see, e.g., Barrett, *supra* note 28; Amy B. Berge, *Trade Dress Protection: What's Left for the States?*, 27 N. KY. L. REV. 1055 (2000); Margaret Chon, *Postmodern "Progress": Reconsidering the Copyright and Patent Power*, 43 DEPAUL L. REV. 97 (1993); Timothy R. Holbrook, *The Treaty Power and the Patent Clause: Are there Limits on the United States' Ability to Harmonize?*, 22 CARDOZO ARTS & ENT. L.J. 1 (2004); William Patry, *The Enumerated Powers Doctrine and Intellectual Property: An Imminent Constitutional Collision*, 67 GEO. WASH. L. REV. 359 (1999); Edward C. Walterscheid, *Divergent Evolution of the Patent Power and the Copyright Power*, 9 MARQ. INTELL. PROP. L. REV. 307 (2005).

33. *Mathews v. Eldridge*, 424 U.S. 319, 333 (1976) (stating that the essence of the Due Process requirement is that a person in jeopardy of serious loss be given the opportunity to be

States meet this notice requirement if the configuration has secondary meaning.³⁴ Under the UCPA provision, distinctiveness and secondary meaning are not required. As such, a third party will not have any notice of a plaintiff's claim to a configuration and the provision would lack constitutional justification under the Due Process Clause of the 14th Amendment.

The UCPA provision would also be void for vagueness if enacted in the United States. In *Bama Tomato Co. v. U.S. Dept. of Agriculture*,³⁵ the Eleventh Circuit held that a statute will be void if "it fails to afford a 'person of ordinary intelligence a reasonable opportunity to know what is prohibited, so that he [or she] may act accordingly.'"³⁶ Vagueness and notice are related because if the ordinary person is not able to determine what the statute states, then notice is lacking. In *Roth v. U.S.*,³⁷ the Supreme Court stated that the language must be clear enough to sufficiently and definitely warn of the "proscribed conduct when measured by common understanding and practices."³⁸

The UCPA provision does not warn of the proscribed conduct when measured by a common understanding of trade practices because no one knows which configurations fall under its vast web. This may be ameliorated somewhat by the fact that the defendant must be shown to have both subjectively and objectively intended to imitate.³⁹ However, the UCPA provision would also be inconsistent with the policy behind the Patent Act⁴⁰ and the Patent and Copyright Clause of the United States Constitution.⁴¹ This

heard); *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314–15 (1950) (explaining that a fundamental requirement of the 14th Amendment Due Process Clause is that all statutes must give notice; notice is to be calculated on the situation of the case and in such a way that it "reasonably conveys" all the information necessary to allow all interested parties the opportunity to participate).

34. *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 215 (2000) (holding that product configurations must have secondary meaning to be protected). Secondary meaning is created in a mark through use in commerce where consumers come to think of it as an appellation of source instead of the primary meaning of the term. *Int'l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1085 (7th Cir. 1988).

35. *Bama Tomato Co. v. U.S. Dept. of Agric.*, 112 F.3d 1542 (11th Cir. 1997).

36. *Id.* at 1547 (quoting *Grayned v. City of Rockford*, 408 U.S. 104, 108 (1972)).

37. 354 U.S. 476 (1957).

38. *Id.* at 491 (quoting *United States v. Petrillo*, 332 U.S. 1, 7–8 (1947)).

39. *See infra* Part V.C.

40. Pub. L. No. 593, 66 Stat. 792 (1952) (as amended and codified at 35 U.S.C. § 1-376 (2000)); *See, e.g., King Instruments Corp. v. Perego*, 65 F.3d 941, 950 (Fed. Cir. 1995) (noting that the policy behind the Patent Act is to create incentives for innovation); *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1536 (Fed. Cir. 1995) ("The patent law is directed to the public purposes of fostering technological progress, investment in research and development, capital formation, entrepreneurship, innovation, national strength, and international competitiveness.") (Newman, J., concurring).

41. U.S. CONST. art. I, § 8, cl. 8.

point was perfectly and succinctly summarized by the United States Supreme Court in *Dastar Corp. v. Twentieth Century Fox Film Corp.* as follows:

The right to copy, and to copy without attribution, once a copyright has expired, like “the right to make [an article whose patent has expired]—including the right to make it in precisely the shape it carried when patented—passes to the public.” The rights of a patentee or copyright holder are part of a “carefully crafted bargain,” under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution. Thus, in construing the Lanham Act, we have been “careful to caution against misuse or over-extension” of trademark and related protections into areas traditionally occupied by patent or copyright. “The Lanham Act,” we have said, “does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity.” Federal trademark law “has no necessary relation to invention or discovery,” but rather, by preventing competitors from copying “a source-identifying mark,” “reduces the customer’s costs of shopping and making purchasing decisions,” and “helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product.”⁴²

It is difficult to find a clearer statement of United States policy on the idea of slavish imitation. In short, if the copyright and the patent have expired (or a patent or copyright was never obtained), there is no right to prevent a third party from slavishly imitating a configuration which has no source-denoting capacity. That is, in the United States, unless a configuration is the subject of a patent, if secondary meaning is lacking, it is dedicated to the public and anyone can use it for any purpose.⁴³ As such, it is hard to understand what United States law Japan is pretending to “harmonize” when a Dead Copy Statute is adopted under the pretext of “harmonization.”⁴⁴

42. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33–34 (2003) (citations omitted).

43. *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 301 (2d Cir. 1917) (“Thus the plaintiff has the right not to lose his customers through false representations that those are his wares which in fact are not, but he may not monopolize any design or pattern, however trifling. The defendant, on the other hand, may copy the plaintiff’s goods slavishly down to the minutest detail; but he may not represent himself as the plaintiff in their sale.”).

44. Although Japanese commentators do not recognize this, one potential justification from American law could have been the Semi-Conductor Chip Protection Act of 1984. 17 U.S.C. § 901–14 (2000). In essence, this law prohibits the slavish imitation of another’s chip. In 1998, the United States Congress also passed the Vessel Hull Act. 17 U.S.C. §§ 1301–32 (Supp. IV 1999). This act, too, essentially protects boat hulls from being slavishly imitated. The Japanese literature is silent on the relevance of these two developments, and it is a rare United States scholar who believes this is any indication of a “trend” in the protection of “market entry industrial designs.” See William T. Fryer, III, *The Evolution of Market Entry Industrial Design Protection: An International Comparative Analysis*, 21 EURO. INTEL. PROP. REV. 618, 618–23 (1999). On the other hand, the United States Congress seems prepared to continue this expansion as the Senate

III. GERMAN LAW

The claim that Germany has a perfectly analogous cause of action to the Dead Copy Statute is also misleading.⁴⁵ Although it is true that Civil Law jurisdictions generally are more sympathetic to the notion of protecting against imitations without a showing of confusion,⁴⁶ "'slavish imitation' (*sklavische Nachahmung*) require[s] there to be confusion as to origin in one way or another."⁴⁷

In Germany, imitations of another's product that result in confusion are prohibited (*Herkunftstauschung*); however, under such a theory, such use of a product configuration must actually cause confusion and be recognized by the public⁴⁸—two significant elements that are lacking in Japan's Dead Copy theory. Under this German theory, technical innovations have been protected when it is proven that they are capable of indicating origin.⁴⁹

The author of the only English study I could locate concludes as follows:

German jurisdiction stresses that . . . direct adoption is not unlawful per se, but only in certain cases because of the "special features" of the product, if imitation is very easy (especially by electronic means, and also for databases), when otherwise incentives for development would be stifled or when imitation was undertaken systematically and for a whole range of goods.⁵⁰

This does not sound much like the Japanese Dead Copy statutory monopoly at all.

Therefore, just as the reliance on the United States common law tort of misappropriation, reliance on German law as justification for the Dead Copy provision of the UCPA is simply unfounded.

IV. INTERNATIONAL LAW

The Paris Convention was enacted in 1883 and has since provided the basis for most international laws regarding industrial property.⁵¹ From its inception, it has been the lynchpin of international industrial property (patents and trademarks).

Therefore, it is of some note that, at least in the United Kingdom, the Paris Convention has been held to *not* require trade dress protection for product

has recently passed a bill that makes it clear that either the hull or the deck of a boat is subject to its provisions. S. 1785, 109th Cong. (2005).

45. See, e.g., WATANABE ET AL., *supra* note 8, at 143.

46. Christopher Heath, *The System of Unfair Competition Prevention in Japan* 121 (2001).

47. *Id.*

48. *Id.*

49. *Id.* at 122.

50. *Id.*

51. Convention of Paris for the Protection of Industrial Property, arts. 2(1), 3, Mar. 20, 1883, 13 U.S.T. 25.

designs.⁵² In *Philips Electronics N.V. v. Remington Consumer Products, Ltd.*, the court held that the Paris Convention did not require trade dress protection for product designs in Article 6bis, because the drafters of the Paris Convention could not have been thinking about product configuration when it drafted 6bis.⁵³ Another potential international source, and one referred to in Japanese literature on the subject,⁵⁴ is the World Intellectual Property Organization's so-called "Model Laws."⁵⁵ These laws are drafted from time to time to encourage harmonization. However, it is pertinent to note that the Model Laws apparently relied upon by the Japanese do not actually contain any provision regarding "slavish imitation." The Commentary to the 1996 Model Law on unfair competition reads as follows:

The Model Provisions do not contain a specific provision against so-called "slavish imitation" because, at least for the time being, it has not been possible to establish generally accepted conditions for such protection that would justify introducing it in addition to protection by patent law.⁵⁶

That is, it was impossible for Japan to have accurately relied upon WIPO Model Laws three years before it was declared that, to date, no agreement could be reached by the member states regarding the level of protection, independent of patent law, that product configurations should enjoy. Although the Japanese apparently relied upon these Model Laws when enacting their Dead Copy Statute, nothing in the Model Laws required or implied that countries give product configuration this level of protection.

Although it did not exist in 1993, and therefore cannot be said to have had any impact on the development of Japanese law, the European Union currently does have a rather expansive system by which claimants of product configuration might enjoy some protection. Although not binding on Japan in any way because Japan is, obviously, not (yet) a member of the European Union, the EU Design Regulation provides for the protection of product configuration in two ways.⁵⁷ First, if the configuration claimant registers the design with the Office for Harmonization of the Internal Market (OHIM) in

52. *Philips Electronics N.V. v. Remington Consumer Prods., Ltd.*, 1998 R.P.C. 283 (Eng. Ch.).

53. *Id.*

54. WATANABE ET AL., *supra* note 8.

55. Paul Salmon, *Cooperation Between the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO)*, 17 ST. JOHN'S J. LEGAL COMMENT. 429, 431 (2003).

56. MODEL PROVISIONS ON PROTECTION OF UNFAIR COMPETITION 14 (World Intell. Prop. Org. eds. 1996), reprinted 1997 (WIPO Publication 832(E)).

57. Council Regulation 6/2002 on Community Designs, 2002 O.J. (L3) 1 [hereinafter *EU Design Regulation*]. "Design" is defined as the "appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation." *Id.* art. 3.

Alicante, Spain, the protection lasts for twenty-five years.⁵⁸ A second possibility, and one that sounds quite familiar, is that a configuration claimant who does not register the design can obtain three years of protection from the date of first sale of the product in the EU.⁵⁹ The right for unregistered designs came into effect on March 6, 2002.⁶⁰

However, there is at least one significant difference between the EU scheme and the scheme in Japan. Under the EU regime, designs are protected only if they are new and have an "individual character." This means that the overall impression of the design on the informed user must create a different impression than any prior design.⁶¹ There is no such similar requirement under the Japanese regime. As such, it makes any analogy to the Japanese situation obsequious.

Therefore, despite the persistent Japanese insistence that international law requires or encourages the Dead Copy Statute level of protection from slavish imitation, in fact, there are no actual mandatory requirements that Japan must pass and maintain the Dead Copy Statute. Today, the EU has adopted a system of protecting designs that is analogous to Japan's Dead Copy Statute, but it differs significantly in the way the protected configurations are defined.

V. JAPANESE LAW ON "DEAD COPIES"

The Japanese Dead Copy Statute is intended to provide the first manufacturer a good lead time in the market place.⁶² The rationale is that there should be a reward for expending the time, money, and effort necessary to bring a unique product to market. It should not just be dedicated to the public domain upon its initial sale. Some view this as gap filler because it takes up to a year in order to obtain a registration under the Design Law. During pendency of the Design Law application, sales can be freely made without concern of imitation.⁶³

In the Japanese cause of action, there are essentially six elements. These elements are: 1) the good is a prescribed product configuration (*shohin no keitai*); 2) protection lasts for three years from the date of first sale; 3) the configuration was imitated (*moho*) as defined in the statute; 4) the

58. *Id.* art. 12.

59. *Id.* art. 11; see also, Dana Beldiman, *Protecting the Form But Not the Function: Is U.S. Law Ready for a New Model?*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 529, 570 (2004).

60. John Richards, *European Design Regime* (2003), <http://www.ladas.com/Patents/PatentPractice/EUDesignRegulation/EUDesignRegime01.html> (last visited Nov. 12, 2006).

61. Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, available at <http://europa.eu.int/scadplus/leg/en/lvb/l26033.htm>; Okaguchi, *supra* note 3, at 457.

62. See Jerry Reichman, *Legal Hybrids Between the Patent and Copyright Paradigms*, 94 COLUM. L. REV. 2432 (1994).

63. YOSHIYUKI TAMURA, FUSEIKYOSHO GAISETSU (UNFAIR COMPETITION LAW) 322-24 (2d ed. 2003) (translated by author).

configuration is something that is commonly used with such goods; 5) the configuration can be considered a “good” (*shohin*); and 6) the configuration imitated is that of another person.⁶⁴ The configuration would be protected if the imitation damaged the original user’s business or was likely to damage that business.⁶⁵

There is very little debate about the normative value of Dead Copy protection, and the lack of a normative debate is odd given that Japan is rapidly becoming an “intellectual property society.”⁶⁶ That is, there is very little debate about where the outer edge of intellectual property should lie. There is almost no debate about the significance to the society or the economy.⁶⁷

The first articulated objection to the Dead Copy Statute postulates that sometimes courts require something more than mere slavish imitation.⁶⁸ Sometimes courts require parties to show that there was specific intent to engage in unfair competition.⁶⁹ This is exemplified in a situation where the copier is able to sell at substantially lower prices than the imitated plaintiff. By avoiding the cost of conceptualizing and developing the configuration, the copier saves a substantial amount of time and money. In such a case, simply empowering the plaintiff to enjoin the copier who, by way of his conduct, destroys the incentive that the plaintiff originally possessed to be the first on the market. In such circumstances, an injunction ought to be sufficient to prevent and deter infringements.⁷⁰

However, this issue dances around the underlying problem without properly identifying it. Low cost products should be rewarded. Artificial, statutorily supported monopolies drive consumer costs up. As such, Japanese consumers pay more for protected product configurations than, for example, Americans who do not have to pay for protected configurations.⁷¹ Protecting owners of configuration to this extent chills innovation by enabling owners to rely, for three years, on a once successful product configuration that someone

64. Okaguchi, *supra* note 3, at 457, 469.

65. *Id.*

66. *See supra* note 4 and accompanying text.

67. What does exist is rather superficial. *See, e.g.,* WATANABE ET AL., *supra* note 8, at 138–39. Although preventing all copying forever would harm the incentive to innovate, using someone’s product configuration when they made no investment in its development either in time, money, or thought should be considered “unfair.” As such, the Dead Copy Statute creates the appropriate balance between these two needs of society.

68. *See* TAMURA, *supra* note 63, at 301.

69. *Id.*

70. *Id.*

71. *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 301 (2d Cir. 1917) (“Thus the plaintiff has the right not to lose his customers through false representations that those are his wares which in fact are not, but he may not monopolize any design or pattern, however trifling. The defendant, on the other hand, may copy the plaintiff’s goods slavishly down to the minutest detail; but he may not represent himself as the plaintiff in their sale.”).

wanted to buy or copy. However, this basic inquiry remains conspicuously absent from Japanese literature.

The next issue postulates that actual, specific, head-to-head competition in the marketplace is not a technical requirement for protection under the Dead Copy Statute.⁷² If competition were a requirement and one put a configuration into the stream of commerce in Osaka, slavishly copying it in Tokyo would not be actionable. Additionally, designing a licensing scheme that would account for all of this would be extremely difficult. If party A started selling a configuration in Tokyo, and party B started selling it in Osaka, who would have the rights to it in Fukuoka? To be workable, the rights contemplated under the Dead Copy Statute must be nationwide in scope, and clearly nationwide protection is too broad.

The final concern is that services are not protected under the Dead Copy Statute. This gap in protection can lead to some bizarre results. For example, should someone copy the configuration of dishes used at a restaurant or costumes worn by the service staff, which otherwise satisfy the Dead Copy Statute, relief might be had under the Statute. But if someone slavishly imitates the service that very same restaurant is offering, no relief can be had. This is because product configuration, by definition, can never be a service.⁷³

If the purpose of the law is to provide an incentive to innovation, what possibly could be the difference between services and product configuration?

A. "Keitai"

I translate *keitai* as "configuration." This term is commonly translated as "form"⁷⁴ or "shape."⁷⁵ One way or the other, *keitai* as used in Article 2-1-3 of the UCPA is defined as something far broader than either term found in any Japanese dictionary. *Keitai* in the Dead Copy Statute includes not only an item's actual shape, but also its design, coloration, mass, and luster.⁷⁶ That is, *keitai* refers to a good's overall external appearance, not just its shape.⁷⁷

72. TAMURA, *supra* note 63, at 301 (translated by author).

73. *Id.* at 303 n.1.

74. THE GREAT JAPANESE DICTIONARY 654 (Tadao Umesao, et al. eds., 1989) (translated by author).

75. KENYUSHA'S NEW POCKET JAPANESE-ENGLISH DICTIONARY 520 (1964). This translation is the common, non-legal translation.

76. TSUNEYUKI YAMAMOTO, YOSETSU FUSEIKYOSOBOSHIHO [OUTLINE OF THE UNFAIR COMPETITION PREVENTION ACT] 136 (2002) (translated by author); *see* SHIGEIHIKO KANEI ET AL., FUSEIKYOSOBOSHIHO KOMENTARU [UNFAIR COMPETITION PREVENTION LAW AND COMMENTARY] 61 (2004) (translated by author).

77. KANEI ET AL., *supra* note 76, at 61; *see also* K.K. Milane-Tomoda v. Lovely Queen, K.K. (Intellectual Property High Court, Dec. 15, 2005) (a product configuration includes not only the external appearance of a good, but also includes the configuration necessary for the dismantling and reshaping a good), *available at* [http://legal.lexisnexis.jp/jp/Ingateway.dll?f=templates&fn=defaultHome_JP.htm&vid=Japan:10.1048/Enu](http://legal.lexisnexis.jp/jp/Ingateway.dll?f=templates&fn=defaultHome_JP.htm&vid=Japan:10.1048/Enu;); MINORU TAKEDA,

The *Wire Brush Set Case*⁷⁸ was one of several cases which provided the language for the change in the Dead Copy Statute in the 2005 Amendments. In that case, the Osaka District Court determined that “product configuration” includes a good’s shape, design, color, luster, and overall external appearance.⁷⁹ The court also found that, in addition to the actual shape and design of the brush itself, the packaging of a hair brush set should be included in the definition of product configuration.⁸⁰

Both three-dimensional and two-dimensional product configuration are included in this definition.⁸¹ The configuration need not give the claimant any specific economic advantage.⁸² The key is that effort must have been expended in the form of time, labor, or money in the creation of the configuration.⁸³

The only real restriction on the concept of “*keitai*” (configuration) is that it cannot amount to the idea or concept of a configuration, only the physically manifested configuration itself.⁸⁴ Simply stated, the claimant must establish that it is protecting the manifestation of the configuration, not the idea of the configuration. This, at least, provides some restriction to the dead copy right. As we will see below, this is not the only place where the dead copy right sounds, looks, and feels like a copyright.

The Japanese government has created many “councils” to advise the Diet on particular matters. The “Industrial Structure Council” (*sangyokozo shingikai*) is one such council with a committee on intellectual property policy (*chitekizaisan seisakubuka*) that has studied the matter rather closely and reports as follows:

CHITEKIZAISANKEN SHINGAIYORON [INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS] 43 (2003) (translated by author).

78. *Basheen, K.K. v. Eko Metal, K.K.*, 1826 HANREI JIHO 132 (Osaka D. Ct., Apr. 9, 2002) (translated by author).

79. *Id.*

80. *Id.* However, there is some academic debate as to whether packaging (*hoso*) alone should be separately protected. The preponderance of opinion is that when the packaging is not an integral portion of the overall configuration of the product, it should not be protected. See TAMURA, *supra* note 63, at 298; see also *J. T. Hockins, Ltd. v. Osaka Chem. Indus., K.K.*, 28 MUTAIZAISAN HANREISHU 140 (Osaka D. Ct., Mar. 29, 1996) (translated by author) (holding that product configuration includes the shape, design, and color of a product, but not the container or product explanation brochures attached to the goods, in this case sandals).

81. See KANEI ET AL., *supra* note 76, at 62.

82. TAMURA, *supra* note 63, at 298 (translated by author).

83. *Id.* This is yet another significant difference from either the common law tort of misappropriation or the German notion of fair competition.

84. *K.K. Sunlemon v. K.K. Oike*, 1610 HANREI JIHO 112 (Tokyo D. Ct., June 27, 1997) (translated by author) (“‘Product Configuration’ as contemplated under Article 2-1-3 of the UCPA refers to the physical manifestation of a product. It does not include the idea or concept behind the product.”); TAMURA, *supra* note 63, at 298.

The creation of new things based on the fruit of a firstcomer's efforts is generally conducive to a socially healthy and long-lasting growth. Preventing imitation is inconsistent with freedom of competition and economic growth. On the other hand, allowing all copying defeats the incentives of the firstcomer. Balancing the incentives provided to the firstcomer to create socially healthy and long-lasting growth and prevent imitations is to be determined based on the prevailing social and economic conditions. From this point of view, in the form of attaching intellectual property rights to specific objects, standardized restrictions are fixed in response to copying. From the point of view of identifying specific acts of unfair competition, the Unfair Competition Prevention Act provides for a civil system (injunctions and damages). Through this system, fair competition is maintained. Recently, because copying has become so much easier and the life cycle of products has become increasingly shorter, the merit of being on the market first with any given product has been reduced and the competition between firstcomers and imitators has become intense. As such, the will to develop individual products and exploit markets has been hindered. If this situation is neglected, the competitive conditions will collapse. As such, there is a need to place "dead copies" into the [scheme of intellectual property protection].⁸⁵

That is, this right to prevent dead copies appears to be very similar to the right to "hot news" as set down in *International News Service v. Associated Press*⁸⁶ some ninety years ago, but never again really followed to the fullest extent envisioned there.⁸⁷ That is, through the definition of "keitai," the Japanese Diet has managed to make product configuration, whether three dimensional or two, whether the color, shape, or even luster of the object, "hot news" as contemplated in *International News Service v. Associated Press*. In the name of harmonization, the Japanese protect the very same "sweat of the

85. YAMAMOTO, *supra* note 76, at 111 (quoting SANGYO KOZO SHINGIKAI CHITEKI ZAISAN SEISAKU BUKAI HOKOKUSHO [REPORT OF THE INTELLECTUAL PROPERTY POLICY COMMITTEE OF THE INDUSTRIAL STRUCTURE COUNCIL] 115 (1992)) (translated by author).

86. *Int'l News Serv. v. Associated Press*, 248 U.S. 215 (1918).

87. In fact, in *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279 (2d Cir. 1929), Judge Learned Hand, in private communications with the other judges on that panel, had the following to say about the "hot news" doctrine:

I confess that the Associated Press Case is somewhat of a stumbling block, but I do not believe that the five justices who united in Pitney, J.'s opinion meant to lay down a general rule that a man is entitled to "property" in the form of whatever he makes with his labor and money, so as to prevent others from copying it. To do so would be to short-circuit the Patent Office and throw upon courts the winnowing out of all such designs that might be presented. While I agree that on principle it is hard to distinguish, and that the language applies, I cannot suppose that any principle of such far-reaching consequence was intended. It will make patent cases an exception; it will give to State courts jurisdiction over inventions; it will overthrow the practice of centuries.

Kenneth L. Port, *Learned Hand's Trademark Jurisprudence: Legal Positivism and the Myth of the Prophet*, 27 PAC. L. J. 221, 238 (1996).

brow” that has long been discounted as justification for intellectual property protection in the United States.⁸⁸ The intellectual property committee of the Industrial Structure Council was clearly aware of *International News Service v. Associated Press*, but it is not clear that the Council was aware of the subsequent ninety years of American jurisprudence on the topic of slavish copying.⁸⁹

B. Three Years Priority

The term of protection is three calendar years to the day from the date of first sale (*saishoni hanbai saretahi*).⁹⁰ Therefore, if a good is “first sold” on December 3, 1995, the term of protection would be through December 2, 1998.⁹¹ Three years was determined to be the appropriate amount of time because the Design Law allows for six years of protection, and it was perceived that any such Dead Copy Protection should be shorter than the shortest existing intellectual property protection.⁹² The Japanese Government commissioned a survey of the Japanese Design Protection Association to study the life cycle of designs in Japan.⁹³ According to the results of this survey, the life cycle of most designs in Japan is under three years,⁹⁴ and so three years became the magic number.⁹⁵

The date of first sale is interpreted very broadly. Therefore, sale in Japan or abroad constitutes a “sale” (*hanbai*),⁹⁶ and the sale of just one article constitutes a sale for purposes of this statute.⁹⁷ The statute does not differentiate or discriminate against non-Japanese. In fact, even the shipping

88. See, e.g., *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 353 (1991).

89. It is axiomatic in United States jurisprudence that so long as a configuration is not subject to patent protection and does not identify source, it may be copied without restraint. “Our natural inclination to disapprove of such conduct must give way to the public policy favoring competition, even by slavish copying . . .” *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 824 (3rd Cir. 1981); see also *Thomas & Betts Corp. v. Panduit Corp.*, 65 F.3d 654 (7th Cir. 1995); *Second Earth Enter. Inc. v. Allstar Prod. Mktg. Co.*, 717 F. Supp. 302 (E.D. Pa. 1989); *Standard Terry Mills, Inc. v. Shen Mfg. Co.*, 622 F. Supp. 791 (E.D. Pa. 1985); *U.S. Golf Ass'n v. St. Andrews Sys.*, 219 U.S.P.Q. 143 (D.N.J. 1982).

90. UCPA, Law No. 47 of 1993, art. 19-5, translated in 6 EHS LAW BULL. SER. No. 6895-96 (2005).

91. This manner of calculation is dictated by Articles 138 and 143 of the Japanese Civil Code.

92. YAMAMOTO, *supra* note 76, at 120.

93. *Id.*

94. *Id.*

95. See generally TAMURA, *supra* note 63, at 310-13.

96. CHIKUJO KAISETSU FUSEIKYOSOBHOSHIHO [CLAUSE BY CLAUSE EXPLANATION OF THE UNFAIR COMPETITION PREVENTION ACT] 53 (2005).

97. *Id.* at 54 n.42; see also [Parties Not Provided], 181 HANREI TIMES 83 (Osaka High Ct., Oct. 31, 1962) (holding that even one sale of pyrometer constituted a “sale” for purposes of the Unfair Competition Prevention Act; this case predated the Dead Copy Statute).

of samples would start the clock running under the theory that this is the first date anyone could confirm the specific nature of the configuration—the date the public would be exposed to the configuration.⁹⁸ Likewise, the publication of brochures or other pamphlets where specific products were offered for sale would also amount to the “date of first sale,” even though no money exchanged hands.⁹⁹ The key to calculating the first sale date is to determine when the plaintiff has commercialized (*shohinka*) the good. This commercialization may take many different forms.¹⁰⁰

For example, as a container for a rose-shaped chocolate for Valentine’s Day, one company manufactured and sold a heart-shaped cup.¹⁰¹ A company, Nagoya Match, K.K., ordered some 315,000 cups.¹⁰² The court held that this order, placed with specific knowledge of what the product looked like, commenced the running of the three-year period.¹⁰³ In this case, the defendant’s use of a very similar cup commenced within three years of the literal sales of goods, but more than three years after this first order was placed.¹⁰⁴ Accordingly, the court held that the three-year period had tolled and denied the claim for an injunction.¹⁰⁵

Similarly, if alterations are made to the good after the first date of sale, these alterations will not restart the clock. In the *Unit Systems Case*,¹⁰⁶ the manufacturer of a piping system for air conditioners claimed a date of first sale in August of 1997, some five years after its original good first made it to the market.¹⁰⁷ The court held that the date of first sale for these revised goods was August of 1997, but the date of the first sale of the original good was March of 1992.¹⁰⁸ As such, not only did it predate the effectiveness date of the amendments to the UCPA, it also far exceeded the three years of protection afforded by the statute.¹⁰⁹

Therefore, three years from the first sale of the configuration is to be interpreted very broadly. The clock will commence immediately upon the public becoming exposed to the configuration in any form, be it in specific sales, marketing or other brochures and pamphlets, or through any kind of

98. YAMAMOTO, *supra* note 76, at 118.

99. *Id.* at 121.

100. *Id.*

101. K.K. J. Seven v. K.K. Best Co., 26 MUTAIZAISAN HANREISHU 1323, 1325 (Kobe D. Ct., Dec. 8, 1994).

102. *Id.* at 1326.

103. *Id.* at 1330.

104. *Id.* at 1326.

105. *Id.* at 1330.

106. Kyoritsu Air Tech., K.K. v. Air Conditioning Star, K.K., 1718 HANREI JIHO 120 (Tokyo High Ct., Feb. 17, 2000).

107. *Id.* at 121–22.

108. *Id.* at 126.

109. *Id.* at 129.

advertising. It would be a rather diligent plaintiff that could take full advantage of the full three-year period of protection.

C. *Slavish Imitation (moho)*

Another element of this cause of action is that a configuration actually is imitated or copied. The Japanese use a particular word for copy or imitate: *moho*. It means more than just “copied;” it means “slavish imitation.”¹¹⁰ Slavish imitation means using an exact replica of the configuration or an important portion of that configuration.¹¹¹ It does not merely mean “copied.”

Determining if a configuration was slavishly imitated is a factually intensive inquiry. There must be a subjective as well as an objective intent to slavishly imitate.¹¹² First, there must be objective facts in the record to show that the defendant did in fact slavishly imitate the plaintiff’s configuration. This is satisfied if the slavish imitation is done completely (*doitsu*) or substantially (*jishhitsu-teki*).¹¹³ Therefore, even if the color of the defendant’s product is slightly different, or the dimensions are not precisely the same, so long as the defendant’s configuration is substantially the same as the plaintiff’s, it will be deemed a slavish imitation.¹¹⁴

This is rather paradoxical. On one hand, the meaning of “*moho*” is to slavishly imitate. On the other hand, a substantially similar copy will be deemed to be a slavish imitation. This may be the definition of an oxymoron. It is technically not possible that something is a substantially similar slavishly imitated object. It is either slavishly imitated or it is not. There should be no substantial similarity with which to be concerned. If that were supposed to be the test, the Japanese Diet would have presumptively used a term other than “*moho*.” They could have used a host of other terms that would allow for a “substantial” similarity to be the test of slavish imitation, but clearly they did not. It is equally clear that courts and commentators have grafted the notion of substantial similarity of Dead Copies onto the Dead Copy Statute.

This ability to call substantial similar product configurations “slavish imitations” is yet another manner in which the Dead Copy Statute might be abused to stifle legitimate competition.

The Diet used the word “*moho*” for a reason. They felt that entities needed a head start. They felt that providing this head start, would motivate entities to

110. YAMAMOTO, *supra* note 76, at 126.

111. *Id.*

112. *Id.*

113. *Id.*; see also, K.K. K. & T. v. Yasutake, 1613 HANREI JIHO 134 (Tokyo D. Ct., Mar. 7, 1997).

114. YAMAMOTO, *supra* note 76, at 126.

innovate. By protecting the configurations of entities for three years, it was felt that these entities would recognize a significant incentive to innovate.¹¹⁵

At the same time, a balance had to be struck. If the right was too narrow, it would chill the very innovation it was intended to promote.¹¹⁶ If the right was too broad, competition would become difficult and entities would simply not enter the game. This dilemma was the reason for using the word "*moho*" in the first place. There are multiple other words that could have been used. In Trademark Law, when referring to the concept of "similarity", the Japanese Diet uses the term "*ruiji*." In Copyright Law, the Diet chose the term "*doitsu*." In Design Law, they chose the term "*ruiji*."¹¹⁷ It is only in the context of the Dead Copy Statute that the Diet elected to use the term "*moho*." Presumably, the choice is of some significance. That is, "*moho*" was supposed to have a distinctive meaning for the Dead Copy Statute. To say that a configuration that is substantially similar to another satisfies the expectations of using the term "*moho*" is disingenuous at best.

One way or another, there also needs to be subjective evidence that the defendant intended to slavishly imitate the plaintiff's configuration. If the defendant's configuration is the result of the actual expenditure of time, money, and actual innovation, it cannot be slavish imitation even if the result is a configuration that is the same or substantially the same as the plaintiff's.¹¹⁸

115. See TAMURA, *supra* note 63, at 301.

116. See, e.g., YAMAMOTO, *supra* note 76, at 127.

117. *But cf.*, *id.* at 129–30 (noting that Takada says "*doitsu*" and "*ruiji*" are the same thing).

118. K.K. Genyo v. Miyuki Technologies Yugen Kaisha, 1644 HANREI JIHO 153 (Tokyo High Ct., Feb. 26, 1998) (finding that defendant's key chain that was shaped as a very similar dragon carrying a sword did not infringe because it was nearly twice the size of the plaintiff's); see also K.K. Simree v. K.K. Belluna, 1822 HANREI JIHO 138 (Tokyo D. Ct., Nov. 27, 2002) (regarding the configuration of women's clothing); K.K. Western Arms v. K.K. Anges Seiki Hanbai, 1815 HANREI JIHO 123 (Tokyo High Ct., Jan. 31, 2002) (stating that the configuration of air guns is protected); Yubisha Sangyo, K.K. v. Leather Products, K.K., 1770 HANREI JIHO 136 (Tokyo High Ct., Sept. 26, 2001) (finding a small women's shoulder bag to be a valid product configuration and infringed); Citizen Watch, K.K. v. Yugen Kaisha Timely Bass, 1692 HANREI JIHO 129, 132 (Tokyo D. Ct., June 29, 1999) (finding that a watch face was infringed where time was told by two rotating concentric discs rather than by a digital display or hands).

For examples of cases where the Dead Copy Statute was determined to not be infringed, see K.K. Basheen v. Eiko Metals, K.K., 1826 HANREI JIHO 132 (Osaka D. Ct., Apr. 9, 2003) (finding that the configuration of defendant's packaging and a hair brush were one and the same and therefore appropriate subject matter for UCPA 2-1-3, but finding no infringement); K.K. I-Face v. Yugen Kaisha Bit Gang, 1828 HANREI JIHO 121 (Tokyo D. Ct., Jan. 28, 2003) (denying the protection of schedule managing software); Yugen Gaisha Harada Golf v. Citizen Mfg., K.K., 1677 HANREI JIHO 127 (Tokyo D. Ct., Jan. 28, 1999) (finding that a golf bag was not infringed); K.K. Sunlemon v. K.K. Oike, 1610 HANREI JIHO 112 (Tokyo D. Ct., June 27, 1997) (finding that fasteners shaped like animals were not infringed); J.T. Hawkins, Ltd. v. Osaka Chem. Indus., K.K., 28 MUTAIZISAN HANREISHU 140 (Osaka D. Ct., Mar. 29, 1996) (finding that explanation attached to a sandal was not imitated).

In other words, as another exception, the Dead Copy Statute recognizes independent creation as an affirmative defense.¹¹⁹ However, if the configurations are nearly identical, it will be presumed that it would be extremely unlikely that the development was truly independent, and therefore, it may be subject to the provisions of the Dead Copy Statute.¹²⁰

One of the most cited cases regarding “*moho*” is the *Dragon Sword Case*.¹²¹ In the words of the Tokyo High Court:

“Imitation” [*moho*] for purposes of Article 2-1-3 of the Unfair Competition Prevention Act means producing and offering for sale products whose configuration is identical or substantially identical to another’s. Objectively, this means that when viewing the products produced by another, one would have to say that the products are the same or substantially the same. Subjectively, this means that [the infringer] knows it is the product configuration of another and that the product is objectively recognized as the same or substantially the same as that of another.¹²²

That is, subjectively and objectively, the configurations must be identical. Yet, the court provides some leniency when it finds that a “substantially” identical configuration infringes just the same as an exact imitation.

In the *Dragon Sword Case*, the High Court reversed the lower court’s finding of infringement.¹²³ The product at issue was a key chain that consisted of a sword with a dragon wrapped around it.¹²⁴ The defendant’s dragon was wrapped more times around the sword and was nearly twice the dimensions of the plaintiff’s.¹²⁵ The plaintiff’s key chain had a jewel embedded in what would be the handle of the sword.¹²⁶ The High Court found that these differences made the defendant’s key chain not “substantially” identical to the plaintiff’s key chain.¹²⁷ The key chains are represented below. Obviously, they are quite similar. It appears that Japanese courts are very careful when applying the Dead Copy Statute. Perhaps they are aware of the economic destructive capacity of the Dead Copy Statute.

By looking at this litany of cases, it is reasonable to conclude that the Dead Copy Statute has not been a significant aspect to Japanese intellectual property protection because there are no cases that address truly remarkable innovations. This does not mean that the potential for such cases is not there, just that the potential has yet to be realized.

119. YAMAMOTO, *supra* note 76, at 127, 129.

120. *Id.* at 129. As in copyright law, if access is proven, copying might be presumed. *Id.*

121. K.K. Genyo v. Miyuki Technologies Yugen Kaisha, 1644 HANREI JIHO 153 (Tokyo High Ct., Feb. 26, 1998).

122. *Id.* at 155 (translated by author).

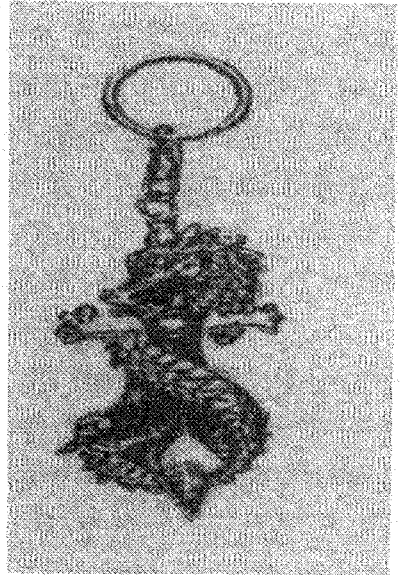
123. *Id.* at 154.

124. *Id.*

125. *Id.* at 154–55.

126. K.K. Genyo, 1644 HANREI JIHO at 155.

127. *Id.*

Plaintiff's Configuration**Defendant's Configuration***D. Configuration Commonly Used with Such Goods*

A "configuration commonly used with such goods" is viewed as an exception to the provisions of the Dead Copy Statute.¹²⁸ That is, when a configuration consists of a good that is commonly used by others in association with the sale of the product at hand, such a configuration will not be protected under the Dead Copy Statute.¹²⁹ There are two perceived types of exceptions under this provision. The first is that the configuration is trite or commonplace (*arifureta*).¹³⁰ The other is that the configuration is functional (*kinoteki*).¹³¹

In a case that is sure to drastically narrow the definition of a "configuration commonly used with such goods" and drastically expand the reach of the Dead Copy Statute, the Intellectual Property High Court¹³² found the following

128. See K.K. K. & T. v. Yasutake, 1613 HANREI JIHO 134 (Tokyo D. Ct., Mar. 7 1997).

129. See KANEI ET AL., *supra* note 76, at 71.

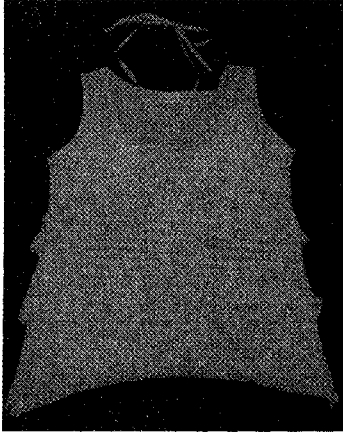
130. YAMAMOTO, *supra* note 76, at 123.

131. *Id.*

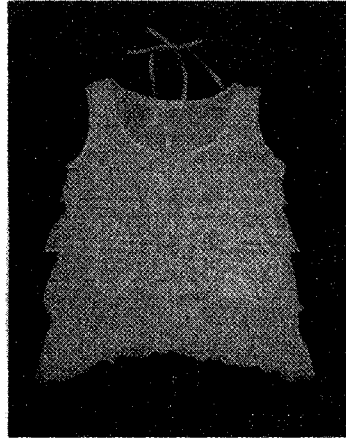
132. Although it has a circuitous history, the Intellectual Property High Court was established on April 1, 2005. See Intellectual Property High Court: History, <http://www.ip.courts.go.jp/eng/aboutus/history.html> (last visited Nov. 12, 2006). It is charged with hearing appeals of only intellectual property law cases that arise out of one of the four Tokyo District Courts or two Osaka District Courts that specialize in intellectual property law cases. See *id.* What amounts to

configuration, in the form of a shirt worn by young women, to be not functional, not trite, and therefore protectable.¹³³

Plaintiff's Shirt



Defendant's Shirt



The defendant claimed that the shirt was of an inevitable design given that it was a sleeveless top and that it was merely a combination of two different designs that were on the market long before the plaintiff began selling shirts.¹³⁴ The court stated that even though this design might be a combination of other designs, “it cannot be said that the plaintiff’s configuration lacks personality.”¹³⁵

Additionally, the defendant argued that the configuration in question was “trite.”¹³⁶ In response to this argument, the court held:

Article 2-1-3 of the UCPA is a provision aimed at preventing the imitation of a firstcomer’s contribution [*kaihatsu rieki*]. As such, the product configuration

“intellectual property” is determined by the statute under which rights are claimed in any given case. *See* Intellectual Property High Court: Jurisdiction, <http://www.ip.courts.go.jp/eng/aboutus/jurisdiction.html> (last visited Nov. 12, 2006). If rights are claimed under any one of the intellectual property law statutes, the case is initially heard by one of the specialized district courts, then the specialized high court, and finally the Supreme Court. *See id.* For a fuller treatment of the history of these courts by the Japanese Patent Office in English, *see id.* *See also* John Kakinuki & Ryota Charles Goto, *Getting Technical—Japan’s New Intellectual Property High Court*, 165 *PATENT WORLD* 15 (2004).

133. *K.K. Young Fashion Research Center v. K.K. Vent International* (Intellectual Prop. High Ct., Dec. 5, 2005), available at <http://courtdomino2.courts.go.jp/chizai.nsf/Listview01/B3DD56C8F981C672492570D00005FA55/?OpenDocument> (translated by author). The court held in favor of the original plaintiff, but awarded only 334,750 yen in damages, including 100,000 yen in attorney’s fees (approximately \$2,900). *See id.*

134. *Id.*

135. *Id.*

136. *Id.*

protected thereunder refers to the overall product [*shohinzentai*] and does not require that the configuration be novel [*dokusokuteki*]. Therefore, judging this configuration considering the totality of the configuration instead of on a piecemeal basis as the defendant argues for, it cannot be said that the configuration is trite.¹³⁷

Trite or not, it seems that the shirt in question here is completely functional. Functionality, for these purposes, is defined as "a configuration chosen to inevitably or naturally realize the benefit or utility of the product."¹³⁸ However, in reasoning that might be deemed trite, the court found that the configuration at issue here (the shape of a girl's shirt) is not the *common* shape of this good as *commonly* used in this industry.¹³⁹ In other words, it was possible for the defendant to compete fairly without adopting an exact copy of the plaintiff's design, and therefore, the design was not functional.¹⁴⁰ That is, where the configuration is needed to compete, the configuration is considered functional.¹⁴¹ There is no room in Article 2-1-3 of the UCPA to deny protection of a configuration based on its *normative*¹⁴² functionality, only its *competitive*¹⁴³ functionality.

Similarly in a case regarding the NuBra,¹⁴⁴ the plaintiff claimed that the defendant had copied the shape of its bras.¹⁴⁵ The MAGICUPS, SWIVELIFT, STAYKUPS, CLEARLY NATURAL and EXTREME PLUNGE were all allegedly copied by the defendant.¹⁴⁶ The court found no copying, but did hold

137. *Id.*

138. YAMAMOTO, *supra* note 76, at 123.

139. K.K. Young Fashion Research Center v. K.K. Vent International, *available at* <http://courtdomino2.courts.go.jp/chizai.nsf/Listview01/B3DD56C8F981C672492570D00005FA55/?OpenDocument> (Intellectual Prop. High Ct., Dec. 5, 2005) (translated by author).

140. YAMAMOTO, *supra* note 76, at 123.

141. *K.K. Young Fashion Research Center* (Dec. 5, 2005).

142. For a United States case, see *In re Morton-Norwich Prod., Inc.*, a case before the Trademark Trial and Appeal Board regarding the appropriateness of registering the Fantastic bottle configuration. 671 F.2d 1332, 1340 (C.C.P.A 1982). The court held that competitive need is only one element in the larger question of utility. *Id.*

143. It seems as if this would closely approximate the standard used today in the United States. See *Traffix Devices v. Mktg. Displays*, 532 U.S. 23, 33 (2001) (stating that the primary test for determining whether a product feature is functional is whether the feature is "essential to the use or purpose of the device or [whether] it affects the cost or quality of the device."); see also Sheldon W. Halpern, *A High Likelihood of Confusion: Wal-Mart, Traffix, Moseley and Dastar—The Supreme Court's New Trademark Jurisprudence*, 61 N.Y.U. ANN. SURV. AM. L. 237, 258 (2005).

144. *Gold Flag, K.K. v. K.K. Peach John*, 1927 HANREI JIHO 134 (Osaka D. Ct., Sept. 8, 2005).

145. *Id.*

146. *Id.*

that even though the bras at issue were described in the Patent Communiqué,¹⁴⁷ this alone was insufficient to render them a Configuration Commonly Used with Such Goods.¹⁴⁸ The court held that even though the bras were described in various Patent Communiqués, the point of Article 2-1-3 of the UCPA is to prevent free-riding by second-comers on the innovations of the firstcomer.¹⁴⁹ Therefore, the judgment regarding copying must be based on tangible products.¹⁵⁰ Mere descriptions of the products in the Patent Communiqué are insufficient.¹⁵¹ For the above reasons, the bras at issue were not “configurations commonly used with such goods.”¹⁵²

Of course, it is important to recognize that for purposes of “first sale,” the mere publication of the configuration in a pamphlet or sales brochure is enough to start the clock running on the three-year period of protection.¹⁵³ However, the court apparently held that these types of publications would not be sufficiently tangible products with which comparisons could be made.¹⁵⁴ Therefore, publications might be used to start the three-year clock running.¹⁵⁵ Publications could not be used as a basis for comparison to determine if the configuration is either copied or if it would fit into the exceptions and not be protectable at all.¹⁵⁶

In the end, this exception is satisfied and the Dead Copy Statute will not apply if, when compared to goods of the same type, there is nothing distinctive about the configuration and it only represents the form or function of the configuration.¹⁵⁷

E. Goods (*shohin*)

One might think that the word “goods” (*shohin*) would not require a specific definition. However, as it turns out, a definition is primarily necessary to differentiate “goods” from “services” (*yakueki*), because the Dead Copy

147. A Patent Communiqué is an official publication of the Japanese Patent Office regarding pending and published patent applications, available at <http://www.jippi.or.jp/koho/> (translated by author).

148. *Gold Flag, K.K.*, 1927 HANREI JIHO 134.

149. *Id.*

150. *Id.*

151. *Id.*

152. *Id.*

153. *See supra* Part V.B.

154. *Gold Flag, K.K.*, 1927 HANREI JIHO 134.

155. *Id.*

156. *See id.*

157. *See K.K. Young Fashion Research Center v. K.K. Vent International* (Intellectual Prop. High Ct., Dec. 5, 2005), available at <http://courtdomino2.courts.go.jp/chizai.nsf/Listview01/B3DD56C8F981C672492570D00005FA55/?OpenDocument> (translated by author).

Statute applies to goods, but not to services.¹⁵⁸ Therefore, a "good" is defined as a chattel that is put in the stream of commerce for the purpose of making a commercial sale.¹⁵⁹ This means that the good must be a three dimensional product: abstract industrial property rights are not included.¹⁶⁰ This fact did not stop the Intellectual Property High Court from very recently finding the headlines of newspaper articles to be "goods" for purposes of the UCPA and granting relief based on the Civil Code.¹⁶¹

However, it is now rather clear that the Dead Copy Statute will *not* apply to pure databases.¹⁶² This conclusion is not entirely expected. Some commentators have argued that there is room for the Dead Copy Statute to protect things such as databases¹⁶³ or that the Dead Copy Statute should protect databases when they are marketed on a CD or other tangible form.¹⁶⁴ This amounts to a significant departure from the original intent of the Dead Copy Statute. The original intent of the Dead Copy Statute was to provide a period of protection so that those people considering Design Law protection could be adequately protected in the market while their design application is pending.¹⁶⁵ This is why the Dead Copy Statute only applies to goods and not services and why a three-year window of protection was needed (originally it took up to three years to obtain a Design Law registration).¹⁶⁶ As none of these objectives are satisfied by extending Dead Copy protection to databases, it would be unreasonable for such an extension to take place. Therefore, "good"

158. KANEI ET AL., *supra* note 76, at 60 (translated by author); *see also* TAMURA, *supra* note 63, at 303 n.1; Charles R. McManis, *Database Protection in the Digital Information Age*, 7 ROGER WILLIAMS U. L. REV. 7, 20–21 (2001). *But see* Tsubasa System, K.K. v. K.K. System Japan, 1774 HANREI JIHO 132 (Tokyo D. Ct., May 25, 2001) (translated by author) (finding that the defendant's use of the plaintiff's database regarding automobiles was a tort, "an unlawful infringement of plaintiff's legally protected business operations," under Article 709 of the Civil Code and ordering defendant to pay \$8 million in damages).

159. YAMAMOTO, *supra* note 76, at 55 (translated by author). Regarding the definition of "goods" for purposes of Article 2-1-1 of the UCPA, a provision closely related to the Dead Copy Statute, *see* K.K. Mochisawa v. Yamanochi, 1505 HANREI JIHO 136 (Tokyo High Ct., Dec. 24, 1993); Ito v. K.K. Kyobashi Iwada Bokei, 1057 HANREI JIHO 43 (Tokyo High Ct., Apr. 28, 1982).

160. YAMAMOTO, *supra* note 76, at 55.

161. Yomiuri Newspaper v. Digital Alliance (Intellectual Prop. High Ct., Oct. 6, 2005) (relying, however, on Article 709 of the Civil Code to support an injunction and damages), *available at* http://legal.lexisnexis.jp/jp/Ingateway.dll?f=templates&fn=defaultHome_JP.htm&vid=Japan:10.1048/Enu.

162. That is, databases that lack originality.

163. YAMAMOTO, *supra* note 76, at 117.

164. McManis, *supra* note 158, at 21.

165. *See supra* note 1 and accompanying text.

166. This, at least, is the common wisdom. At least since 2002, the pendency period for Design Law applications has been 8 months. *See* JPO Annual Report 2005, *available at* http://www.jpo.go.jp/shiryuu_e/toushin_e/kenkyukai_e/pdf/ar2005/ar2005_part05.pdf.

as used in the Dead Copy Statute should mean three-dimensional goods or two-dimensional designs for actual products.

F. Configuration of Another Person

The words “competition” (*kyoso*) and “confusion” (*kondo*) are conspicuously absent from the Dead Copy Statute. In fact, even the word “intent” (*ito*) is nowhere to be found in the Dead Copy Statute.¹⁶⁷ This would imply that they are irrelevant.

In other portions of the UCPA, such as Articles 2-1-1 and 2-1-2, which immediately precede the Dead Copy Statute, these terms are included (except for “intent”). Since they are absent from the Dead Copy Statute, normal statutory construction would also imply that they are irrelevant—that the Dead Copy Statute could be applied to competitors or non-competitors equally, irregardless of an intent to imitate or deceive.

Although competition is presumed to be a requisite element of each provision in the UCPA,¹⁶⁸ the only literal intimation that exists in the language of the Dead Copy Statute itself is the use of the term “*tanin no*” (another person’s) configuration.¹⁶⁹ Accordingly, the literal language of the Dead Copy Statute would permit its use against non-competitors. However, because the statute refers to the configuration “of another person,” it impliedly relates only to competitors.¹⁷⁰ Of course, this taxes the imagination a bit. One can easily envision “another person” with whom there is no competition. However, if one slavishly imitates the product of another, then presumably the target market for that product would be the same or similar to that of the original product. This, however, is not expressly stated and is only presumed by the Diet.

Regardless of the clear statutory omission, “another person” has been limited by Japanese courts to mean “the person who develops a product, commercializes it, and places it in the stream of commerce.”¹⁷¹ The imitator would presumably be in competition with the original, thus necessitating the imitation.

The requirement of competition should be clearly stated in the statute. The statute should be further amended to make it clear that the Dead Copy Statute should only apply in competitive situations. Failing to limit the Dead Copy

167. However, as noted in the material regarding imitation, intent is a judicially created requirement. See TAMURA, *supra* note 63, at 301.

168. YAMAMOTO, *supra* note 76, at 55.

169. UCPA, Law No. 47 of 1993, art. 2-1-3, *translated in* 6 EHS LAW BULL. SER. No. 6895–96 (2005).

170. *Id.*

171. Kono, K.K. v. Teihara, 1760 HANREI JIHO 138 (Tokyo D. Ct., Aug. 31, 2001) (translated by author); see also Basheen, K.K. v. Eko Metal, K.K., 1826 HANREI JIHO 132 (Osaka D. Ct., Apr. 9, 2002).

Statute to truly competitive situations potentially broadens the statute far beyond what was originally intended. If a three-year window is needed to give entities a leg up in the marketplace or a head start over their competition, then there seems to be a specific need to make certain that the parties are in competition in the first place. If there is no competition, one of the basic foundations of the Dead Copy Statute is not met and therefore no cause of action should arise.

VI. ANOTHER BITE OUT OF THE PUBLIC DOMAIN

It is now pretty well established that trademark or trademark-like monopolies are not positive things for an economy.¹⁷² The Dead Copy Statute establishes an unnatural, statutory monopoly for a period of three years.¹⁷³ We generally believe that all of intellectual property is an artificial monopoly.¹⁷⁴ If intellectual property assets were priced at marginal cost, return on investment would never be realized because the cost of creation is so high.¹⁷⁵ Therefore, governments create artificial monopolies to encourage innovation.¹⁷⁶ That is, the Dead Copy Statute will result in a monopoly control over each individual configuration, causing demand for that configuration to drop as prices for that configuration rise.¹⁷⁷ Free competition is the major loser with the Dead Copy Statute.

The Dead Copy Statute appears in the UCPA, but it really acts entirely as a *sui generis* law because it has no association with appellations of source or distinctiveness of any kind and it cannot be said to act like anything related to the Trademark Law,¹⁷⁸ Unfair Competition Law,¹⁷⁹ or intellectual property law

172. Glynn S. Lunney, Jr., *The Trade Dress Emperor's New Clothes: Why Trade Dress Does Not Belong on the Principal Register*, 51 HASTINGS L.J. 1131 (2000); Lunney, *supra* note 28.

173. UCPA, Law No. 47 of 1993, art. 19-5, *translated in* 6 EHS LAW BULL. SER. No. 6895-96 (2005).

174. Adam Mossoff, *Is Copyright Property?*, 42 SAN DIEGO L. REV. 29, 39 (2005).

175. Mark Klock, *Unconscionability and Price Discrimination*, 69 TENN. L. REV. 317, 368-69 (2002).

176. *Id.*

177. Lunney, *supra* note 28, at 367-68.

178. *See* Trademark Law, Law No. 68 of 1996, art. 1 ("By protecting trademarks, this law aims to maintain the goodwill of the businesses of trademark users and thereby to contribute to the growth and development of business and to protect the interest of the consumer."). Granting rights to prevent the slavish imitation of configuration that has no source denoting function does not meet this explicit objective of the Trademark Law. *See* KENNETH L. PORT, JAPANESE TRADEMARK JURISPRUDENCE 26 (1998).

179. *See* UCPA, Law No. 47 of 1993, art. 1, *translated in* 6 EHS LAW BULL. SER. No. 6895-96 (2005) ("The objective of this law is to contribute to the robust development of the Japanese national economy by preventing unfair competition and providing damages to aggrieved parties therefrom in order that fair competition among entrepreneurs be maintained and Japan's commitment to international agreements regarding unfair competition are observed."). Providing mini-monopolies for three years to the first party who places a product configuration into the

in general.¹⁸⁰ As competition is only a presumed element of the cause of action, it cannot be said that it is directly related to “unfair” competition either. As such, it is best conceptualized as a stand alone, *sui generis* law.

This cannot be good for the Japanese economy. Removing all product design from the marketplace of ideas for three years after the initial sale of that article will lead to less competition and unnatural higher prices. At a time when the Japanese economy is fragile at best,¹⁸¹ this cannot have overall positive results for the Japanese economy.

It is axiomatic in intellectual property law that as monopoly or monopoly-like rights expand, rents go up and competition goes down.¹⁸² The Japanese see this as an effective trade-off to encourage innovation. They see it as a gap-filler so that those creators of works that will ultimately be protected by the Design Law can be protected while their Design Law application is pending.

However, there is a flaw in the Japanese rationale for the Dead Copy Statute. For a period of three years, the first user of a configuration is granted the right to charge monopoly rents regarding that configuration. During this monopoly period, an intelligent or sophisticated user will take advantage of that three-year period to add a source denoting function to the configuration.¹⁸³ Once that source denoting function is added to the trade dress, it will become

stream of commerce with no explicit requirement that there be any competition and with no requirements that there be any notice, registration or distinctiveness does not contribute to the “robust development” of the Japanese economy.

180. Mitsuo Matsushita, *A Japanese Perspective on Intellectual Property Rights and the GATT*, 1992 COLUM. BUS. L. REV. 81, 86 (1992).

181. From the 1950s until the 1970s, great prosperity was recognized in Japan. Mitsuru Misawa, *Laws and Regulations on Problem Loans in Japan: Is Application of International Accounting Standards Possible?*, 18 COLUM. J. ASIAN L. 1, 2–5 (2004). In the 1970s, stagnation set in. *Id.* By 1980, the attempts to revive the economy resulted in a “bubble” economy where land was grossly overvalued. *Id.* By 1990, land prices dropped drastically. Arthur E. Wilmarth, Jr., *The Transformation of the U.S. Financial Services Industry, 1975-2000: Competition, Consolidation, and Increased Risks*, 2002 U. ILL. L. REV. 215, 451–53 (2002). In some places in Tokyo, land dropped 50% in value in a few years. *Id.* This was a problem because Japanese banks had secured massive amounts of loans with real estate that was now worth far less than when the loans were made. *Id.* at 451–52. The result was that Japanese banks were left holding massive amounts of nonperforming loans and had no new capital to lend. *Id.* at 452. In most countries, this would result in bread lines. However, the Japanese engaged in wholesale reforms to overcome this great economic as well as social crisis.

182. Ernesto M. Hizon, *Virtual Reality and Reality: The East Asian NICs and the Global Trading System*, 5 ANN. SURV. INT’L & COMP. L. 81, 140 (1999).

183. Technically, because use is not required for a trademark registration in Japan, one could even file the trademark application prior to a mark having a source denoting function; however, this is rather unlikely. Once the configuration comes to represent the first comer in the market place, a trademark application would likely be filed. The configuration owner is thus granted a three-year head start on its attempts to create a strong trademark capable of sustaining an attack.

appropriate subject matter for a regular trademark registration.¹⁸⁴ Once registered, that first user of the configuration, now the owner of a broad Japanese trademark registration, will have the ability to exclude all others from using that configuration on confusingly similar goods (not just slavishly imitated goods) for as long as that first user maintains the registration.¹⁸⁵ Under the Japanese regime, one can obtain rights in classifications of goods where no use is made.¹⁸⁶ Although any such registration is subject to cancellation if it is not used for a period of three years,¹⁸⁷ it is quite common for Japanese competitors to broadly register under a variety of classifications where no use is had or is expected so that the unsuspecting second comer becomes technically liable for infringing the very mark it had been using. This could very well be in perpetuity.¹⁸⁸

Additionally, a Japanese trademark registration itself is far stronger and much less susceptible to challenge than a registration in the United States.¹⁸⁹ Therefore, this trademark registration is a very broad property right.¹⁹⁰ That is, what begins as an innocent, three-year head start (to encourage innovation of configurations and to allow for configurations to be used and not kept secret while the Design Law application is pending) can easily transform into a broad monopoly of indefinite duration. This cannot be a positive thing for the fragile Japanese economy.

184. Trademark Law, Law No. 68 of 1996, arts. 2-1, 3, 4. The Japanese actually refer to trade dress registrations as "*ritai shohyo*" or three dimensional marks. The Japanese Patent Office keeps no statistics as to how many three dimensional marks might be registered. To be sure, it is not an insignificant amount.

185. Trademark Law, Law No. 68 of 1996, arts. 37, 25 ("The registrant possesses the exclusive right to use the registered trademark on or in connection with the Identified Goods or Services.").

186. Trademark Law, Law No. 68 of 1996, art. 18 ("The trademark right shall subsist upon registration of the trademark application."); Trademark Law, Law No. 68 of 1996, art. 8 (providing that the first in time to file the application will be deemed the "Applicant"). And, of course, the Trademark Law extends to the protection of service marks. See PORT, *supra* note 178, at 26 (explaining that the Japanese trademark law does not define services but rather allows for marks to be registered as used on or in connection with services); see also SHOEN ONO, SHOHOHOGAISASTU [EXPLANATION OF TRADEMARK LAW] 159 (1999).

187. Trademark Law, Law No. 68 of 1996, art. 50-1.

188. Trademark Law, Law No. 68 of 1996, art. 19 (providing that trademarks are renewable in ten year terms without limitation). Because the right to register product configuration is quite new, starting in 1997, a very limited number of registrations for product configurations have been registered.

189. PORT, *supra* note 178, at 112.

190. See *id.* at 75-79 (reviewing cases regarding the protection of three dimensional trademarks under Article 2-1-1 of the UCPA and concluding that "the possibilities for protection seem nearly endless").

More importantly, the Trademark Law was amended, effective April 1, 1997.¹⁹¹ With this amendment, for the first time, configurations were recognized as possible trademarks. For the first time, three-dimensional trade dress became appropriate subject matter for registration as a trademark. Even if the justification was accurate for the Dead Copy Statute in 1993 (and I argue that it was not), it is, to be sure, no longer accurate post-April 1, 1997. Today, product configuration is protectable as a trademark, registrable as a trademark, and can be protected to the full extent of trademark law.¹⁹²

The Dead Copy Statute was drafted in 1993, some three years before the amendments to the Trademark Law were drafted.¹⁹³ At that time, product configurations were only protected if they had become well-known “Good[s] or other Appellation[s]” under the old Unfair Competition Prevention Act.¹⁹⁴ If they failed to qualify as well-known, there was no protection.

Between 1993 and 1997, the Dead Copy Statute was the only means by which one might protect product configuration that was not a well-known appellation of source. Today, one merely needs to register that configuration as a trademark and take full advantage of the Trademark Law. There is really no longer any need for the Dead Copy Statute and it ought to be repealed.

VII. THE NEW MORAL RIGHT

The Dead Copy Statute in Japan operates like moral rights under the Civil Law System. Many Civil Law countries protect moral rights.¹⁹⁵ Moral rights generally include the right of attribution, the right of integrity, and the right of withdrawal.¹⁹⁶ These rights are usually inalienable¹⁹⁷ and are usually reserved for the individual,¹⁹⁸ not the corporation.¹⁹⁹ In Japan, however, the notion that

191. Trademark Law, Law No. 68 of 1996.

192. Trademark Law, Law No. 68 of 1996, art. 4-1-18.

193. Trademark Law, Law No. 68 of 1996.

194. UCPA, Law No. 47 of 1993, art. 2, *translated in* 6 EHS LAW BULL. SER. No. 6895-96 (2005).

195. Roberta Rosenthal Kwall, *Copyright and the Moral Right: Is an American Marriage Possible?*, 38 VAND. L. REV. 1, 97, 98 (1985) (claiming that in 1985 there were 35 countries that protected the moral right). Moral rights are given statutory protection under the Copyright Law. See CHOSAKUKENHO [COPYRIGHT LAW], Law No. 48 of 1970, arts. 59-60.

196. MCCARTHY, *supra* note 25, at 280.

197. Adolf Dietz, *Alai Congress: Antwerp 1993 The Moral Right of the Author: Moral Rights and the Civil Law Countries*, 19 COLUM.-VLA J.L. & ARTS 199, 207 (1995).

198. 1 JOHN H. MERRYMAN & ALBERT E. ELSEN, *LAW, ETHICS, AND THE VISUAL ARTS* 145 (2d ed., Univ. of Pa. Press 1987) (“The primary justification for the protection of moral rights is the idea that the work of art is an extension of the artist’s personality, an expression of his most innermost being.”).

199. This article is not intended to be a dispositive dissertation on moral rights. For a general discussion of moral rights, see MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT*, § 8D.01[A] (2006); MARSHALL LEAFFER, *UNDERSTANDING COPYRIGHT* 376-80

moral rights are somehow reserved for individuals seems to go unrecognized.²⁰⁰ The hurdle of maintaining moral rights as personal rights has been long crossed. As such, the notion of creating rights that look and feel like moral rights and where a corporation is the principle benefactor is not a conceptually difficult task. Because moral rights are already exercised by corporations, creating one more right for the benefit of corporations is not a hard stretch to make.

Therefore, the best way to understand the Dead Copy Statute in Japan is to perceive of it as a moral right that corporations enjoy. As it is not one of the generally enumerated moral rights, to me, this is a "new moral right." To pretend this has to do with unfair competition is misleading, to say the least.

The Dead Copy Statute operates like a moral right because it seems to protect the personality of the corporation. The corporation mingles itself with the product configuration and therefore, on a natural rights sort of orientation, is protected regardless of any source denoting capacity of the configuration. That is, the corporate "self"²⁰¹ is extended to include any and all configurations which the corporation is the first to put into the stream of commerce (and which are not functional, etc.).

Therefore, the Dead Copy Statute creates a moral right that is capable of being exercised by the corporate owner of the relevant configuration. This may give other benefits to the corporation (such as a head start in creating trademark protection), but that is all ancillary to the mere fact of the protection of the configuration. The Japanese believe that the personality of the corporation, in the form of the configuration, must be protected to encourage innovation. Although this is the justification that is given, it is entirely unpersuasive. A more persuasive argument is that the personality of the corporation needs to be protected as a natural right and the best way to accomplish this is by protecting manifestations of the corporate self in the form of the configurations it places into the stream of commerce.

CONCLUSION

The Japanese Dead Copy Statute goes too far. It attempts to protect the developers of product configuration for three years from the date of first sale,

(4th ed. 2005); David B. Jordan, *Square Pegs and Round Holes: Domestic Intellectual Property Law and Native American Economic and Cultural Policy: Can it Fit?*, 25 AM. INDIAN L. REV. 93 (2001); Eilhjung Lee, *Toward an American Moral Rights in Copyright*, 58 WASH. & LEE L. REV. 795 (2001); Sheldon W. Halpern, *Of Moral Right and Moral Righteousness*, 1 MARQ. INTELL. PROP. L. REV. 65 (1997).

200. See, e.g., Konami, K.K. v. Ichiro Komami, 1696 HANREI JIHO 145 (Tokyo D. Ct., Aug. 30, 1999).

201. Although regarding individuals and not corporations, this argument is made by Arthur Katz. See Arthur S. Katz, *The Doctrine of Moral Right and American Copyright Law—A Proposal*, 24 S. CAL. L. REV. 375, 401 (1951).

but because there is no requirement that the configuration be distinctive, that registration be had, that notice be given, or that confusion be proved, it operates as a *sui generis* monopoly on product configurations. The Japanese claim that the Dead Copy Statute is somehow justified or necessary because of German, American, and even international law. However, these claims are spurious because there is no such broad requirement in any of these enacted laws. Therefore, the claim that the Dead Copy Statute is necessary for harmonization is also erroneous. In fact, the mere existence of the Dead Copy Statute makes harmonization very difficult.

Dead Copy protection in the United States would be unconstitutional. It goes against the most basic concepts of free and open competition. It flies in the face of the basic American notion that anything not protected by copyright, patent, or trademark is free for all to copy.

There is a fundamental difference between the United States and Japan (and perhaps other countries) in the manner in which each country conceptualizes the need to protect the developer of some configuration in order to encourage them to produce more. In the United States, we call this a patent; in Japan, they call it a monopoly.

The Dead Copy Statute is justified by the Japanese on the ground that it improves innovation. However, it has been shown that the nature of the configurations protected are not innovative, creative, or even all that interesting. If innovation were being encouraged by the Dead Copy Statute, one would expect the configurations to represent that. In fact, the Dead Copy Statute is merely being used as another method to further the competitive goals of individual corporations.

The only acceptable explanation of the Dead Copy Statute is that it operates as a personal right, much like the moral right in Civil Law legal systems. Of course, the huge distinction is that this personal right is also available to corporations and in every society other than Japan, moral rights are enjoyed only by individuals, not corporations. Strict liability attaches to violations of this right just like strict liability applies to violations of the moral right. As the Dead Copy Statute is inconsistent with economic realities and the Trademark Law now provides protection for product configurations, the Dead Copy Statute ought to be repealed.

17 USC 111: Limitations on exclusive rights: Secondary transmissions of broadcast programming by cable

Text contains those laws in effect on February 8, 2021

From Title 17-COPYRIGHTS

CHAPTER 1-SUBJECT MATTER AND SCOPE OF COPYRIGHT

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§111. Limitations on exclusive rights: Secondary transmissions of broadcast programming by cable

(a) CERTAIN SECONDARY TRANSMISSIONS EXEMPTED.-The secondary transmission of a performance or display of a work embodied in a primary transmission is not an infringement of copyright if-

(1) the secondary transmission is not made by a cable system, and consists entirely of the relaying, by the management of a hotel, apartment house, or similar establishment, of signals transmitted by a broadcast station licensed by the Federal Communications Commission, within the local service area of such station, to the private lodgings of guests or residents of such establishment, and no direct charge is made to see or hear the secondary transmission; or

(2) the secondary transmission is made solely for the purpose and under the conditions specified by paragraph (2) of section 110; or

(3) the secondary transmission is made by any carrier who has no direct or indirect control over the content or selection of the primary transmission or over the particular recipients of the secondary transmission, and whose activities with respect to the secondary transmission consist solely of providing wires, cables, or other communications channels for the use of others: *Provided*, That the provisions of this paragraph extend only to the activities of said carrier with respect to secondary transmissions and do not exempt from liability the activities of others with respect to their own primary or secondary transmissions;

(4) the secondary transmission is made by a satellite carrier pursuant to a statutory license under section 119 or section 122;

(5) the secondary transmission is not made by a cable system but is made by a governmental body, or other nonprofit organization, without any purpose of direct or indirect commercial advantage, and without charge to the recipients of the secondary transmission other than assessments necessary to defray the actual and reasonable costs of maintaining and operating the secondary transmission service.

(b) SECONDARY TRANSMISSION OF PRIMARY TRANSMISSION TO CONTROLLED GROUP.-Notwithstanding the provisions of subsections (a) and (c), the secondary transmission to the public of a performance or display of a work embodied in a primary transmission is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 through 506, if the primary transmission is not made for reception by the public at large but is controlled and limited to reception by particular members of the public: *Provided, however*, That such secondary transmission is not actionable as an act of infringement if-

(1) the primary transmission is made by a broadcast station licensed by the Federal Communications Commission; and

(2) the carriage of the signals comprising the secondary transmission is required under the rules, regulations, or authorizations of the Federal Communications Commission; and

(3) the signal of the primary transmitter is not altered or changed in any way by the secondary transmitter.

(c) SECONDARY TRANSMISSIONS BY CABLE SYSTEMS.-

(1) Subject to the provisions of paragraphs (2), (3), and (4) of this subsection and section 114(d), secondary transmissions to the public by a cable system of a performance or display of a work embodied in a primary transmission made by a broadcast station licensed by the Federal Communications Commission or by an appropriate governmental authority of Canada or Mexico shall be subject to statutory licensing upon compliance with the requirements of subsection (d) where the carriage of the signals comprising the secondary transmission is permissible under the rules, regulations, or authorizations of the Federal Communications Commission.

(2) Notwithstanding the provisions of paragraph (1) of this subsection, the willful or repeated secondary transmission to the public by a cable system of a primary transmission made by a broadcast station licensed by the Federal Communications Commission or by an appropriate governmental authority of Canada or Mexico and embodying a performance or display of a work is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 through 506, in the following cases:

(A) where the carriage of the signals comprising the secondary transmission is not permissible under the rules, regulations, or authorizations of the Federal Communications Commission; or

(B) where the cable system has not deposited the statement of account and royalty fee required by subsection (d).

(3) Notwithstanding the provisions of paragraph (1) of this subsection and subject to the provisions of subsection (e) of this section, the secondary transmission to the public by a cable system of a performance or display of a work embodied in a primary transmission made by a broadcast station licensed by the Federal Communications Commission or by an appropriate governmental authority of Canada or Mexico is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 through 506 and section 510, if the content of the particular program in which the performance or display is embodied, or any commercial advertising or station announcements transmitted by the primary transmitter during, or immediately before or after, the transmission of such program, is in any way willfully altered by the cable system through changes, deletions, or additions, except for the alteration, deletion, or substitution of commercial advertisements performed by those engaged in television commercial advertising market research: *Provided*, That the research company has obtained the prior consent of the advertiser who has purchased the original commercial advertisement, the television station broadcasting that commercial advertisement, and the cable system performing the secondary transmission: *And provided further*, That such commercial alteration, deletion, or substitution is not performed for the purpose of deriving income from the sale of that commercial time.

(4) Notwithstanding the provisions of paragraph (1) of this subsection, the secondary transmission to the public by a cable system of a performance or display of a work embodied in a primary transmission made by a broadcast station licensed by an appropriate governmental authority of Canada or Mexico is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 through 506, if (A) with respect to Canadian signals, the community of the cable system is located more than 150 miles from the United States-Canadian border and is also located south of the forty-second parallel of latitude, or (B) with respect to Mexican signals, the secondary transmission is made by a cable system which received the primary transmission by means other than direct interception of a free space radio wave emitted by such broadcast television station, unless prior to April 15, 1976, such cable system was actually carrying, or was specifically authorized to carry, the signal of such foreign station on the system pursuant to the rules, regulations, or authorizations of the Federal Communications Commission.

(d) STATUTORY LICENSE FOR SECONDARY TRANSMISSIONS BY CABLE SYSTEMS.-

(1) STATEMENT OF ACCOUNT AND ROYALTY FEES.-Subject to paragraph (5), a cable system whose secondary transmissions have been subject to statutory licensing under subsection (c) shall, on a semiannual basis, deposit with the Register of Copyrights, in accordance with requirements that the Register shall prescribe by regulation the following:

(A) A statement of account, covering the six months next preceding, specifying the number of channels on which the cable system made secondary transmissions to its subscribers, the names and locations of all primary transmitters whose transmissions were further transmitted by the cable system, the total number of subscribers, the gross amounts paid to the cable system for the basic service of providing secondary transmissions of primary broadcast transmitters, and such other data as the Register of Copyrights may from time to time prescribe by regulation. In determining the total number of subscribers and the gross amounts paid to the cable system for the basic service of providing secondary transmissions of primary broadcast transmitters, the system shall not include subscribers and amounts collected from subscribers receiving secondary transmissions pursuant to section 119. Such statement shall also include a special statement of account covering any non-network television programming that was carried by the cable system in whole or in part beyond the local service area of the primary transmitter, under rules, regulations, or authorizations of the Federal Communications Commission permitting the substitution or addition of signals under certain circumstances, together with logs showing the times, dates, stations, and programs involved in such substituted or added carriage.

(B) Except in the case of a cable system whose royalty fee is specified in subparagraph (E) or (F), a total royalty fee payable to copyright owners pursuant to paragraph (3) for the period covered by the statement, computed on the basis of specified percentages of the gross receipts from subscribers to the cable service during such period for the basic service of providing secondary transmissions of primary broadcast transmitters, as follows:

(i) 1.064 percent of such gross receipts for the privilege of further transmitting, beyond the local service area of such primary transmitter, any non-network programming of a primary transmitter in whole or in part, such amount to be applied against the fee, if any, payable pursuant to clauses (ii) through (iv);

(ii) 1.064 percent of such gross receipts for the first distant signal equivalent;

(iii) 0.701 percent of such gross receipts for each of the second, third, and fourth distant signal equivalents;

and

(iv) 0.330 percent of such gross receipts for the fifth distant signal equivalent and each distant signal equivalent thereafter.

(C) In computing amounts under clauses (ii) through (iv) of subparagraph (B)-

(i) any fraction of a distant signal equivalent shall be computed at its fractional value;

(ii) in the case of any cable system located partly within and partly outside of the local service area of a primary transmitter, gross receipts shall be limited to those gross receipts derived from subscribers located outside of the local service area of such primary transmitter; and

(iii) if a cable system provides a secondary transmission of a primary transmitter to some but not all communities served by that cable system-

(I) the gross receipts and the distant signal equivalent values for such secondary transmission shall be derived solely on the basis of the subscribers in those communities where the cable system provides such secondary transmission; and

(II) the total royalty fee for the period paid by such system shall not be less than the royalty fee calculated under subparagraph (B)(i) multiplied by the gross receipts from all subscribers to the system.

(D) A cable system that, on a statement submitted before the date of the enactment of the Satellite Television Extension and Localism Act of 2010, computed its royalty fee consistent with the methodology under subparagraph (C)(iii), or that amends a statement filed before such date of enactment to compute the royalty fee due using such methodology, shall not be subject to an action for infringement, or eligible for any royalty refund or offset, arising out of its use of such methodology on such statement.

(E) If the actual gross receipts paid by subscribers to a cable system for the period covered by the statement for the basic service of providing secondary transmissions of primary broadcast transmitters are \$263,800 or less-

(i) gross receipts of the cable system for the purpose of this paragraph shall be computed by subtracting from such actual gross receipts the amount by which \$263,800 exceeds such actual gross receipts, except that in no case shall a cable system's gross receipts be reduced to less than \$10,400; and

(ii) the royalty fee payable under this paragraph to copyright owners pursuant to paragraph (3) shall be 0.5 percent, regardless of the number of distant signal equivalents, if any.

(F) If the actual gross receipts paid by subscribers to a cable system for the period covered by the statement for the basic service of providing secondary transmissions of primary broadcast transmitters are more than \$263,800 but less than \$527,600, the royalty fee payable under this paragraph to copyright owners pursuant to paragraph (3) shall be-

(i) 0.5 percent of any gross receipts up to \$263,800, regardless of the number of distant signal equivalents, if any; and

(ii) 1 percent of any gross receipts in excess of \$263,800, but less than \$527,600, regardless of the number of distant signal equivalents, if any.

(G) A filing fee, as determined by the Register of Copyrights pursuant to section 708(a).

(2) HANDLING OF FEES.-The Register of Copyrights shall receive all fees (including the filing fee specified in paragraph (1)(G)) deposited under this section and, after deducting the reasonable costs incurred by the Copyright Office under this section, shall deposit the balance in the Treasury of the United States, in such manner as the Secretary of the Treasury directs. All funds held by the Secretary of the Treasury shall be invested in interest-bearing United States securities for later distribution with interest by the Librarian of Congress upon authorization by the Copyright Royalty Judges.

(3) DISTRIBUTION OF ROYALTY FEES TO COPYRIGHT OWNERS.-The royalty fees thus deposited shall, in accordance with the procedures provided by paragraph (4), be distributed to those among the following copyright owners who claim that their works were the subject of secondary transmissions by cable systems during the relevant semiannual period:

(A) Any such owner whose work was included in a secondary transmission made by a cable system of a non-network television program in whole or in part beyond the local service area of the primary transmitter.

(B) Any such owner whose work was included in a secondary transmission identified in a special statement of account deposited under paragraph (1)(A).

(C) Any such owner whose work was included in non-network programming consisting exclusively of aural signals carried by a cable system in whole or in part beyond the local service area of the primary transmitter of such programs.

(4) PROCEDURES FOR ROYALTY FEE DISTRIBUTION.-The royalty fees thus deposited shall be distributed in accordance with the following procedures:

(A) During the month of July in each year, every person claiming to be entitled to statutory license fees for secondary transmissions shall file a claim with the Copyright Royalty Judges, in accordance with requirements that the Copyright Royalty Judges shall prescribe by regulation. Notwithstanding any provisions of the antitrust laws, for purposes of this clause any claimants may agree among themselves as to the proportionate division of

statutory licensing fees among them, may lump their claims together and file them jointly or as a single claim, or may designate a common agent to receive payment on their behalf.

(B) After the first day of August of each year, the Copyright Royalty Judges shall determine whether there exists a controversy concerning the distribution of royalty fees. If the Copyright Royalty Judges determine that no such controversy exists, the Copyright Royalty Judges shall authorize the Librarian of Congress to proceed to distribute such fees to the copyright owners entitled to receive them, or to their designated agents, subject to the deduction of reasonable administrative costs under this section. If the Copyright Royalty Judges find the existence of a controversy, the Copyright Royalty Judges shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty fees.

(C) During the pendency of any proceeding under this subsection, the Copyright Royalty Judges shall have the discretion to authorize the Librarian of Congress to proceed to distribute any amounts that are not in controversy.

(5) 3.75 PERCENT RATE AND SYNDICATED EXCLUSIVITY SURCHARGE NOT APPLICABLE TO MULTICAST STREAMS.-The royalty rates specified in sections 256.2(c) and 256.2(d) of title 37, Code of Federal Regulations (commonly referred to as the "3.75 percent rate" and the "syndicated exclusivity surcharge", respectively), as in effect on the date of the enactment of the Satellite Television Extension and Localism Act of 2010, as such rates may be adjusted, or such sections redesignated, thereafter by the Copyright Royalty Judges, shall not apply to the secondary transmission of a multicast stream.

(6) VERIFICATION OF ACCOUNTS AND FEE PAYMENTS.-The Register of Copyrights shall issue regulations to provide for the confidential verification by copyright owners whose works were embodied in the secondary transmissions of primary transmissions pursuant to this section of the information reported on the semiannual statements of account filed under this subsection for accounting periods beginning on or after January 1, 2010, in order that the auditor designated under subparagraph (A) is able to confirm the correctness of the calculations and royalty payments reported therein. The regulations shall-

(A) establish procedures for the designation of a qualified independent auditor-

(i) with exclusive authority to request verification of such a statement of account on behalf of all copyright owners whose works were the subject of secondary transmissions of primary transmissions by the cable system (that deposited the statement) during the accounting period covered by the statement; and

(ii) who is not an officer, employee, or agent of any such copyright owner for any purpose other than such audit;

(B) establish procedures for safeguarding all non-public financial and business information provided under this paragraph;

(C)(i) require a consultation period for the independent auditor to review its conclusions with a designee of the cable system;

(ii) establish a mechanism for the cable system to remedy any errors identified in the auditor's report and to cure any underpayment identified; and

(iii) provide an opportunity to remedy any disputed facts or conclusions;

(D) limit the frequency of requests for verification for a particular cable system and the number of audits that a multiple system operator can be required to undergo in a single year; and

(E) permit requests for verification of a statement of account to be made only within 3 years after the last day of the year in which the statement of account is filed.

(7) ACCEPTANCE OF ADDITIONAL DEPOSITS.-Any royalty fee payments received by the Copyright Office from cable systems for the secondary transmission of primary transmissions that are in addition to the payments calculated and deposited in accordance with this subsection shall be deemed to have been deposited for the particular accounting period for which they are received and shall be distributed as specified under this subsection.

(e) NONSIMULTANEOUS SECONDARY TRANSMISSIONS BY CABLE SYSTEMS.-

(1) Notwithstanding those provisions of the ¹ subsection (f)(2) relating to nonsimultaneous secondary transmissions by a cable system, any such transmissions are actionable as an act of infringement under section 501, and are fully subject to the remedies provided by sections 502 through 506 and section 510, unless-

(A) the program on the videotape is transmitted no more than one time to the cable system's subscribers;

(B) the copyrighted program, episode, or motion picture videotape, including the commercials contained within such program, episode, or picture, is transmitted without deletion or editing;

(C) an owner or officer of the cable system (i) prevents the duplication of the videotape while in the possession of the system, (ii) prevents unauthorized duplication while in the possession of the facility making the videotape for the system if the system owns or controls the facility, or takes reasonable precautions to prevent such duplication if it does not own or control the facility, (iii) takes adequate precautions to prevent duplication while the tape is being transported, and (iv) subject to paragraph (2), erases or destroys, or causes the erasure or destruction of, the videotape;

(D) within forty-five days after the end of each calendar quarter, an owner or officer of the cable system executes an affidavit attesting (i) to the steps and precautions taken to prevent duplication of the videotape, and (ii) subject to paragraph (2), to the erasure or destruction of all videotapes made or used during such quarter;

(E) such owner or officer places or causes each such affidavit, and affidavits received pursuant to paragraph (2)(C), to be placed in a file, open to public inspection, at such system's main office in the community where the transmission is made or in the nearest community where such system maintains an office; and

(F) the nonsimultaneous transmission is one that the cable system would be authorized to transmit under the rules, regulations, and authorizations of the Federal Communications Commission in effect at the time of the nonsimultaneous transmission if the transmission had been made simultaneously, except that this subparagraph shall not apply to inadvertent or accidental transmissions.

(2) If a cable system transfers to any person a videotape of a program nonsimultaneously transmitted by it, such transfer is actionable as an act of infringement under section 501, and is fully subject to the remedies provided by sections 502 through 506, except that, pursuant to a written, nonprofit contract providing for the equitable sharing of the costs of such videotape and its transfer, a videotape nonsimultaneously transmitted by it, in accordance with paragraph (1), may be transferred by one cable system in Alaska to another system in Alaska, by one cable system in Hawaii permitted to make such nonsimultaneous transmissions to another such cable system in Hawaii, or by one cable system in Guam, the Northern Mariana Islands, the Federated States of Micronesia, the Republic of Palau, or the Republic of the Marshall Islands, to another cable system in any of those five entities, if-

(A) each such contract is available for public inspection in the offices of the cable systems involved, and a copy of such contract is filed, within thirty days after such contract is entered into, with the Copyright Office (which Office shall make each such contract available for public inspection);

(B) the cable system to which the videotape is transferred complies with paragraph (1)(A), (B), (C)(i), (iii), and (iv), and (D) through (F); and

(C) such system provides a copy of the affidavit required to be made in accordance with paragraph (1)(D) to each cable system making a previous nonsimultaneous transmission of the same videotape.

(3) This subsection shall not be construed to supersede the exclusivity protection provisions of any existing agreement, or any such agreement hereafter entered into, between a cable system and a television broadcast station in the area in which the cable system is located, or a network with which such station is affiliated.

(4) As used in this subsection, the term "videotape" means the reproduction of the images and sounds of a program or programs broadcast by a television broadcast station licensed by the Federal Communications Commission, regardless of the nature of the material objects, such as tapes or films, in which the reproduction is embodied.

(f) DEFINITIONS.-As used in this section, the following terms mean the following:

(1) PRIMARY TRANSMISSION.-A "primary transmission" is a transmission made to the public by a transmitting facility whose signals are being received and further transmitted by a secondary transmission service, regardless of where or when the performance or display was first transmitted. In the case of a television broadcast station, the primary stream and any multicast streams transmitted by the station constitute primary transmissions.

(2) SECONDARY TRANSMISSION.-A "secondary transmission" is the further transmitting of a primary transmission simultaneously with the primary transmission, or nonsimultaneously with the primary transmission if by a cable system not located in whole or in part within the boundary of the forty-eight contiguous States, Hawaii, or Puerto Rico: *Provided, however*, That a nonsimultaneous further transmission by a cable system located in Hawaii of a primary transmission shall be deemed to be a secondary transmission if the carriage of the television broadcast signal comprising such further transmission is permissible under the rules, regulations, or authorizations of the Federal Communications Commission.

(3) CABLE SYSTEM.-A "cable system" is a facility, located in any State, territory, trust territory, or possession of the United States, that in whole or in part receives signals transmitted or programs broadcast by one or more television broadcast stations licensed by the Federal Communications Commission, and makes secondary transmissions of such signals or programs by wires, cables, microwave, or other communications channels to subscribing members of the public who pay for such service. For purposes of determining the royalty fee under subsection (d)(1), two or more cable systems in contiguous communities under common ownership or control or operating from one headend shall be considered as one system.

(4) LOCAL SERVICE AREA OF A PRIMARY TRANSMITTER.-The "local service area of a primary transmitter", in the case of both the primary stream and any multicast streams transmitted by a primary transmitter that is a television broadcast station, comprises the area where such primary transmitter could have insisted upon its signal being retransmitted by a cable system pursuant to the rules, regulations, and authorizations of the Federal Communications Commission in effect on April 15, 1976, or such station's television market as defined in section 76.55(e) of title 47, Code of Federal Regulations (as in effect on September 18, 1993), or any modifications to such television market made, on or after September 18, 1993, pursuant to section 76.55(e) or 76.59 of title 47, Code of Federal Regulations, or within the noise-limited contour as defined in 73.622(e)(1) of title 47, Code of Federal Regulations, or in the case of a television broadcast station licensed by an appropriate governmental authority of Canada or Mexico, the area in which it would be entitled to insist upon its signal being retransmitted if it were a television broadcast station subject to such rules, regulations, and authorizations. In the case of a low power television station, as defined by the rules and regulations of the Federal Communications Commission, the "local service area of a primary transmitter" comprises the designated market area, as defined in section 122(j)(2)(C), that

encompasses the community of license of such station and any community that is located outside such designated market area that is either wholly or partially within 35 miles of the transmitter site or, in the case of such a station located in a standard metropolitan statistical area which has one of the 50 largest populations of all standard metropolitan statistical areas (based on the 1980 decennial census of population taken by the Secretary of Commerce), wholly or partially within 20 miles of such transmitter site. The "local service area of a primary transmitter", in the case of a radio broadcast station, comprises the primary service area of such station, pursuant to the rules and regulations of the Federal Communications Commission.

(5) DISTANT SIGNAL EQUIVALENT.-

(A) IN GENERAL.-Except as provided under subparagraph (B), a "distant signal equivalent"-

(i) is the value assigned to the secondary transmission of any non-network television programming carried by a cable system in whole or in part beyond the local service area of the primary transmitter of such programming; and

(ii) is computed by assigning a value of one to each primary stream and to each multicast stream (other than a simulcast) that is an independent station, and by assigning a value of one-quarter to each primary stream and to each multicast stream (other than a simulcast) that is a network station or a noncommercial educational station.

(B) EXCEPTIONS.-The values for independent, network, and noncommercial educational stations specified in subparagraph (A) are subject to the following:

(i) Where the rules and regulations of the Federal Communications Commission require a cable system to omit the further transmission of a particular program and such rules and regulations also permit the substitution of another program embodying a performance or display of a work in place of the omitted transmission, or where such rules and regulations in effect on the date of the enactment of the Copyright Act of 1976 ² permit a cable system, at its election, to effect such omission and substitution of a nonlive program or to carry additional programs not transmitted by primary transmitters within whose local service area the cable system is located, no value shall be assigned for the substituted or additional program.

(ii) Where the rules, regulations, or authorizations of the Federal Communications Commission in effect on the date of the enactment of the Copyright Act of 1976 ² permit a cable system, at its election, to omit the further transmission of a particular program and such rules, regulations, or authorizations also permit the substitution of another program embodying a performance or display of a work in place of the omitted transmission, the value assigned for the substituted or additional program shall be, in the case of a live program, the value of one full distant signal equivalent multiplied by a fraction that has as its numerator the number of days in the year in which such substitution occurs and as its denominator the number of days in the year.

(iii) In the case of the secondary transmission of a primary transmitter that is a television broadcast station pursuant to the late-night or specialty programming rules of the Federal Communications Commission, or the secondary transmission of a primary transmitter that is a television broadcast station on a part-time basis where full-time carriage is not possible because the cable system lacks the activated channel capacity to retransmit on a full-time basis all signals that it is authorized to carry, the values for independent, network, and noncommercial educational stations set forth in subparagraph (A), as the case may be, shall be multiplied by a fraction that is equal to the ratio of the broadcast hours of such primary transmitter retransmitted by the cable system to the total broadcast hours of the primary transmitter.

(iv) No value shall be assigned for the secondary transmission of the primary stream or any multicast streams of a primary transmitter that is a television broadcast station in any community that is within the local service area of the primary transmitter.

(6) NETWORK STATION.-

(A) TREATMENT OF PRIMARY STREAM.-The term "network station" shall be applied to a primary stream of a television broadcast station that is owned or operated by, or affiliated with, one or more of the television networks in the United States providing nationwide transmissions, and that transmits a substantial part of the programming supplied by such networks for a substantial part of the primary stream's typical broadcast day.

(B) TREATMENT OF MULTICAST STREAMS.-The term "network station" shall be applied to a multicast stream on which a television broadcast station transmits all or substantially all of the programming of an interconnected program service that-

(i) is owned or operated by, or affiliated with, one or more of the television networks described in subparagraph (A); and

(ii) offers programming on a regular basis for 15 or more hours per week to at least 25 of the affiliated television licensees of the interconnected program service in 10 or more States.

(7) INDEPENDENT STATION.-The term "independent station" shall be applied to the primary stream or a multicast stream of a television broadcast station that is not a network station or a noncommercial educational station.

(8) NONCOMMERCIAL EDUCATIONAL STATION.-The term "noncommercial educational station" shall be applied to the primary stream or a multicast stream of a television broadcast station that is a noncommercial educational broadcast station as defined in section 397 of the Communications Act of 1934, as in effect on the date of the enactment of the Satellite Television Extension and Localism Act of 2010.

(9) PRIMARY STREAM.-A "primary stream" is-

(A) the single digital stream of programming that, before June 12, 2009, was substantially duplicating the programming transmitted by the television broadcast station as an analog signal; or

(B) if there is no stream described in subparagraph (A), then the single digital stream of programming transmitted by the television broadcast station for the longest period of time.

(10) PRIMARY TRANSMITTER.-A "primary transmitter" is a television or radio broadcast station licensed by the Federal Communications Commission, or by an appropriate governmental authority of Canada or Mexico, that makes primary transmissions to the public.

(11) MULTICAST STREAM.-A "multicast stream" is a digital stream of programming that is transmitted by a television broadcast station and is not the station's primary stream.

(12) SIMULCAST.-A "simulcast" is a multicast stream of a television broadcast station that duplicates the programming transmitted by the primary stream or another multicast stream of such station.

(13) SUBSCRIBER; SUBSCRIBE.-

(A) SUBSCRIBER.-The term "subscriber" means a person or entity that receives a secondary transmission service from a cable system and pays a fee for the service, directly or indirectly, to the cable system.

(B) SUBSCRIBE.-The term "subscribe" means to elect to become a subscriber.

(Pub. L. 94-553, title I, §101, Oct. 19, 1976, 90 Stat. 2550 ; Pub. L. 99-397, §§1, 2(a), (b), Aug. 27, 1986, 100 Stat. 848 ; Pub. L. 100-667, title II, §202(1), Nov. 16, 1988, 102 Stat. 3949 ; Pub. L. 101-318, §3(a), July 3, 1990, 104 Stat. 288 ; Pub. L. 103-198, §6(a), Dec. 17, 1993, 107 Stat. 2311 ; Pub. L. 103-369, §3, Oct. 18, 1994, 108 Stat. 3480 ; Pub. L. 104-39, §5(b), Nov. 1, 1995, 109 Stat. 348 ; Pub. L. 106-113, div. B, §1000(a)(9) [title I, §1011(a)(1), (2), (b) (1)], Nov. 29, 1999, 113 Stat. 1536 , 1501A-543; Pub. L. 108-419, §5(a), Nov. 30, 2004, 118 Stat. 2361 ; Pub. L. 108-447, div. J, title IX [title I, §107(b)], Dec. 8, 2004, 118 Stat. 3406 ; Pub. L. 109-303, §4(a), Oct. 6, 2006, 120 Stat. 1481 ; Pub. L. 110-229, title VIII, §807, May 8, 2008, 122 Stat. 874 ; Pub. L. 110-403, title II, §209(a)(2), Oct. 13, 2008, 122 Stat. 4264 ; Pub. L. 111-175, title I, §104(a)(1), (b), (c), (e), (g), May 27, 2010, 124 Stat. 1231 , 1235, 1238; Pub. L. 113-200, title II, §§201(1), 203, Dec. 4, 2014, 128 Stat. 2066 , 2067.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94-1476

Introduction and General Summary. The complex and economically important problem of "secondary transmissions" is considered in section 111. For the most part, the section is directed at the operation of cable television systems and the terms and conditions of their liability for the retransmission of copyrighted works. However, other forms of secondary transmissions are also considered, including apartment house and hotel systems, wired instructional systems, common carriers, nonprofit "boosters" and translators, and secondary transmissions of primary transmissions to controlled groups.

Cable television systems are commercial subscription services that pick up broadcasts of programs originated by others and retransmit them to paying subscribers. A typical system consists of a central antenna which receives and amplifies television signals and a network of cables through which the signals are transmitted to the receiving sets of individual subscribers. In addition to an installation charge, the subscribers pay a monthly charge for the basic service averaging about six dollars. A large number of these systems provide automated programming. A growing number of CATV systems also originate programs, such as movies and sports, and charge additional fees for this service (pay-cable).

The number of cable systems has grown very rapidly since their introduction in 1950, and now total about 3,450 operating systems, servicing 7,700 communities. Systems currently in operation reach about 10.8 million homes. It is reported that the 1975 total subscriber revenues of the cable industry were approximately \$770 million.

Pursuant to two decisions of the Supreme Court (*Fortnightly Corp. v. United Artist Television, Inc.*, 392 U.S. 390 (1968) [88 S.Ct. 2084, 20 L.Ed.2d 1176, rehearing denied 89 S.Ct. 65, 393 U.S. 902, 21 L.Ed.2d 190], and *Teleprompter Corp. v. CBS, Inc.*, 415 U.S. 394 (1974)) [94 S.Ct. 1129, 39 L.Ed.2d 415], under the 1909 copyright law, the cable television industry has not been paying copyright royalties for its retransmission of over-the-air broadcast signals. Both decisions urged the Congress, however, to consider and determine the scope and extent of such liability in the pending revision bill.

The difficult problem of determining the copyright liability of cable television systems has been before the Congress since 1965. In 1967, this Committee sought to address and resolve the issues in H.R. 2512, an early version of the general revision bill (see H.R. Rep. No. 83, 90th Cong., 1st Sess.). However, largely because of the cable-copyright impasse, the bill died in the Senate.

The history of the attempts to find a solution to the problem since 1967 has been explored thoroughly in the voluminous hearings and testimony on the general revision bill, and has also been succinctly summarized by the Register of Copyrights in her Second Supplementary Report, Chapter V.

The Committee now has before it the Senate bill which contains a series of detailed and complex provisions which attempt to resolve the question of the copyright liability of cable television systems. After

extensive consideration of the Senate bill, the arguments made during and after the hearings, and of the issues involved, this Committee has also concluded that there is no simple answer to the cable-copyright controversy. In particular, any statutory scheme that imposes copyright liability on cable television systems must take account of the intricate and complicated rules and regulations adopted by the Federal Communications Commission to govern the cable television industry. While the Committee has carefully avoided including in the bill any provisions which would interfere with the FCC's rules or which might be characterized as affecting "communications policy", the Committee has been cognizant of the interplay between the copyright and the communications elements of the legislation.

We would, therefore, caution the Federal Communications Commission, and others who make determinations concerning communications policy, not to rely upon any action of this Committee as a basis for any significant changes in the delicate balance of regulation in areas where the Congress has not resolved the issue. Specifically, we would urge the Federal Communications Commission to understand that it was not the intent of this bill to touch on issues such as pay cable regulation or increased use of imported distant signals. These matters are ones of communications policy and should be left to the appropriate committees in the Congress for resolution.

In general, the Committee believes that cable systems are commercial enterprises whose basic retransmission operations are based on the carriage of copyrighted program material and that copyright royalties should be paid by cable operators to the creators of such programs. The Committee recognizes, however, that it would be impractical and unduly burdensome to require every cable system to negotiate with every copyright owner whose work was retransmitted by a cable system. Accordingly, the Committee has determined to maintain the basic principle of the Senate bill to establish a compulsory copyright license for the retransmission of those over-the-air broadcast signals that a cable system is authorized to carry pursuant to the rules and regulations of the FCC.

The compulsory license is conditioned, however, on certain requirements and limitations. These include compliance with reporting requirements, payment of the royalty fees established in the bill, a ban on the substitution or deletion of commercial advertising, and geographic limits on the compulsory license for copyrighted programs broadcast by Canadian or Mexican stations. Failure to comply with these requirements and limitations subjects a cable system to a suit for copyright infringement and the remedies provided under the bill for such actions.

In setting a royalty fee schedule for the compulsory license, the Committee determined that the initial schedule should be established in the bill. It recognized, however, that adjustments to the schedule would be required from time to time. Accordingly, the Copyright Royalty Commission, established in chapter 8 [§801 et seq. of this title], is empowered to make the adjustments in the initial rates, at specified times, based on standards and conditions set forth in the bill.

In setting an initial fee schedule, the Senate bill based the royalty fee on a sliding scale related to the gross receipts of a cable system for providing the basic retransmission service and rejected a statutory scheme that would distinguish between "local" and "distant" signals. The Committee determined, however, that there was no evidence that the retransmission of "local" broadcast signals by a cable operator threatens the existing market for copyright program owners. Similarly, the retransmission of network programming, including network programming which is broadcast in "distant" markets, does not injure the copyright owner. The copyright owner contracts with the network on the basis of his programming reaching all markets served by the network and is compensated accordingly.

By contrast, their retransmission of distant non-network programming by cable systems causes damage to the copyright owner by distributing the program in an area beyond which it has been licensed. Such retransmission adversely affects the ability of the copyright owner to exploit the work in the distant market. It is also of direct benefit to the cable system by enhancing its ability to attract subscribers and increase revenues. For these reasons, the Committee has concluded that the copyright liability of cable television systems under the compulsory license should be limited to the retransmission of distant non-network programming.

In implementing this conclusion, the Committee generally followed a proposal submitted by the cable and motion picture industries, the two industries most directly affected by the establishment of copyright royalties for cable television systems. Under the proposal, the royalty fee is determined by a two step computation. First, a value called a "distant signal equivalent" is assigned to all "distant" signals. Distant signals are defined as signals retransmitted by a cable system, in whole or in part, outside the local service area of the primary transmitter. Different values are assigned to independent, network, and educational stations because of the different amounts of viewing of non-network programming carried by such stations. For example, the viewing of non-network programs on network stations is considered to approximate 25 percent. These values are then combined and a scale of percentages is applied to the cumulative total.

The Committee also considered various proposals to exempt certain categories of cable systems from royalty payments altogether. The Committee determined that the approach of the Senate bill to require

some payment by every cable system is sound, but established separate fee schedules for cable systems whose gross receipts for the basic retransmission service do not exceed either \$80,000 or \$160,000 semiannually. It is the Committee's view that the fee schedules adopted for these systems are now appropriate, based on their relative size and the services performed.

All the royalty payments required under the bill are paid on a semiannual basis to the Register of Copyrights. Each year they are distributed by the Copyright Royalty Commission to those copyright owners who may validly claim that their works were the subject of distant non-network retransmissions by cable systems.

Based on current estimates supplied to the Committee, the total royalty fees paid under the initial schedule established in the bill should approximate \$8.7 million. Compared with the present number of cable television subscribers, calculated at 10.8 million, copyright payments under the bill would therefore approximate 81 cents per subscriber per year. The Committee believes that such payments are modest and will not retard the orderly development of the cable television industry or the service it provides to its subscribers.

Analysis of Provisions. Throughout section 111, the operative terms are "primary transmission" and "secondary transmission." These terms are defined in subsection (f) entirely in relation to each other. In any particular case, the "primary" transmitter is the one whose signals are being picked up and further transmitted by a "secondary" transmitter which in turn, is someone engaged in "the further transmitting of a primary transmission simultaneously with the primary transmission." With one exception provided in subsection (f) and limited by subsection (e), the section does not cover or permit a cable system, or indeed any person, to tape or otherwise record a program off-the-air and later to transmit the program from the tape or record to the public. The one exception involves cable systems located outside the continental United States, but not including cable systems in Puerto Rico, or, with limited exceptions, Hawaii. These systems are permitted to record and retransmit programs under the compulsory license, subject to the restrictive conditions of subsection (e), because off-the-air signals are generally not available in the offshore areas.

General Exemptions. Certain secondary transmissions are given a general exemption under clause (1) of section 111(a). The first of these applies to secondary transmissions consisting "entirely of the relaying, by the management of a hotel, apartment house, or similar establishment" of a transmission to the private lodgings of guests or residents and provided "no direct charge is made to see or hear the secondary transmission."

The exemption would not apply if the secondary transmission consists of anything other than the mere relay of ordinary broadcasts. The cutting out of advertising, the running in of new commercials, or any other change in the signal relayed would subject the secondary transmitter to full liability. Moreover, the term "private lodgings" is limited to rooms used as living quarters or for private parties, and does not include dining rooms, meeting halls, theatres, ballrooms, or similar places that are outside of a normal circle of a family and its social acquaintances. No special exception is needed to make clear that the mere placing of an ordinary radio or television set in a private hotel room does not constitute an infringement.

Secondary Transmissions of Instructional Broadcasts. Clause (2) of section 111(a) is intended to make clear that an instructional transmission within the scope of section 110(2) is exempt whether it is a "primary transmission" or a "secondary transmission."

Carriers. The general exemption under section 111 extends to secondary transmitters that act solely as passive carriers. Under clause (3), a carrier is exempt if it "has no direct or indirect control over the content or selection of the primary transmission or over the particular recipients of the secondary transmission." For this purpose its activities must "consist solely of providing wires, cables, or other communications channels for the use of others."

Clause (4) would exempt the activities of secondary transmitters that operate on a completely nonprofit basis. The operations of nonprofit "translators" or "boosters," which do nothing more than amplify broadcast signals and retransmit them to everyone in an area for free reception, would be exempt if there is no "purpose of direct or indirect commercial advantage," and if there is no charge to the recipients "other than assessments necessary to defray the actual and reasonable costs of maintaining and operating the secondary transmission service." This exemption does not apply to a cable television system.

Secondary Transmissions of Primary Transmissions to Controlled Group. Notwithstanding the provisions of subsections (a) and (c), the secondary transmission to the public of a primary transmission embodying a performance or display is actionable as an act of infringement if the primary transmission is not made for reception by the public at large but is controlled and limited to reception by particular members of the public. Examples of transmissions not intended for the general public are background music services such as MUZAK, closed circuit broadcasts to theatres, pay television (STV) or pay-cable.

The Senate bill contains a provision, however, stating that the secondary transmission does not constitute an act of infringement if the carriage of the signals comprising the secondary transmission is required under the rules and regulations of the FCC. The exclusive purpose of this provision is to exempt a cable system from copyright liability if the FCC should require cable systems to carry to their subscribers a "scrambled" pay signal of a subscription television station.

The Committee is concerned, however, that the Senate bill is not clearly limited to the situation where a cable system is required by the FCC to carry a "scrambled" pay television signal. The Committee believes that the provision should not include any authority or permission to "unscramble" the signal. Further, the Senate bill does not make clear that the exception would not apply if the primary transmission is made by a cable system or cable system network transmitting its own originated program, e.g., pay-cable. For these reasons, the subsection was amended to provide that the exception would only apply if (1) the primary transmission to a controlled group is made by a broadcast station licensed by the FCC; (2) the carriage of the signal is required by FCC rules and regulations; and (3) the signal of the primary transmitter is not altered or changed in any way by the secondary transmitter.

Compulsory License. Section 111(c) establishes the compulsory license for cable systems generally. It provides that, subject to the provisions of clauses (2), (3) and (4), the secondary transmission to the public by a cable system of a primary transmission made by a broadcast station licensed by the FCC or by an appropriate governmental authority of Canada or Mexico is subject to compulsory licensing upon compliance with the provisions of subsection (d) where the carriage of the signals comprising the secondary transmission is permissible under the rules and regulations of the FCC. The compulsory license applies, therefore, to the carriage of over-the-air broadcast signals and is inapplicable to the secondary transmission of any nonbroadcast primary transmission such as a program originated by a cable system or a cable network. The latter would be subject to full copyright liability under other sections of the legislation.

Limitations on the Compulsory License. Sections 111(c)(2), (3) and (4) establish limitations on the scope of the compulsory license, and provide that failure to comply with these limitations subjects a cable system to a suit for infringement and all the remedies provided in the legislation for such actions.

Section 111(c)(2) provides that the "willful or repeated" carriage of signals not permissible under the rules and regulations of the FCC subjects a cable system to full copyright liability. The words "willful or repeated" are used to prevent a cable system from being subjected to severe penalties for innocent or casual acts ("Repeated" does not mean merely "more than once," of course; rather, it denotes a degree of aggravated negligence which borders on willfulness. Such a condition would not exist in the case of an innocent mistake as to what signals or programs may properly be carried under the FCC's complicated rules). Section 111(c)(2) also provides that a cable system is subject to full copyright liability where the cable system has not recorded the notice, deposited the statement of account, or paid the royalty fee required by subsection (d). The Committee does not intend, however, that a good faith error by the cable system in computing the amount due would subject it to full liability as an infringer. The Committee expects that in most instances of this type the parties would be able to work out the problem without resort to the courts.

Commercial Substitution. Section 111(c)(3) provides that a cable system is fully subject to the remedies provided in this legislation for copyright infringement if the cable system willfully alters, through changes, deletions, or additions, the content of a particular program or any commercial advertising or station announcements transmitted by the primary transmitter during, or immediately before or after, the transmission of the program. In the Committee's view, any willful deletion, substitution, or insertion of commercial advertisements of any nature by a cable system or changes in the program content of the primary transmission, significantly alters the basic nature of the cable retransmission service, and makes its function similar to that of a broadcaster. Further, the placement of substitute advertising in a program by a cable system on a "local" signal harms the advertiser and, in turn, the copyright owner, whose compensation for the work is directly related to the size of the audience that the advertiser's message is calculated to reach. On a "distant" signal, the placement of substitute advertising harms the local broadcaster in the distant market because the cable system is then competing for local advertising dollars without having comparable program costs. The Committee has therefore attempted broadly to proscribe the availability of the compulsory license if a cable system substitutes commercial messages. Included in the prohibition are commercial messages and station announcements not only during, but also immediately before or after the program, so as to insure a continuous ban on commercial substitution from one program to another. In one situation, however, the Committee has permitted such substitution when the commercials are inserted by those engaged in television commercial advertising market research. This exception is limited to those situations where the research company has obtained the consent of the advertiser who purchased the original commercial advertisement, the television station whose signal is retransmitted, and the cable system, and provided further that no income is derived from the sale of such commercial time.

Canadian and Mexican Signals. Section 111(c)(4) provides limitations on the compulsory license with respect to foreign signals carried by cable systems from Canada or Mexico. Under the Senate bill, the carriage of any foreign signals by a cable system would have been subject to full copyright liability, because the compulsory license was limited to the retransmission of broadcast stations licensed by the FCC. The Committee recognized, however, that cable systems primarily along the northern and southern border have received authorization from the FCC to carry broadcast signals of certain Canadian and Mexican stations.

In the Committee's view, the authorization by the FCC to a cable system to carry a foreign signal does not resolve the copyright question of the royalty payment that should be made for copyrighted programs originating in the foreign country. The latter raises important international questions of the protection to be accorded foreign copyrighted works in the United States. While the Committee has established a general compulsory licensing scheme for the retransmission of copyrighted works of U.S. nationals, a broad compulsory license scheme for all foreign works does not appear warranted or justified. Thus, for example, if in the future the signal of a British, French, or Japanese station were retransmitted in the United States by a cable system, full copyright liability would apply.

With respect to Canadian and Mexican signals, the Committee found that a special situation exists regarding the carriage of these signals by U.S. cable systems on the northern and southern borders, respectively. The Committee determined, therefore, that with respect to Canadian signals the compulsory license would apply in an area located 150 miles from the U.S.-Canadian border, or south from the border to the 42nd parallel of latitude, whichever distance is greater. Thus the cities of Detroit, Pittsburgh, Cleveland, Green Bay and Seattle would be included within the compulsory license area, while cities such as New York, Philadelphia, Chicago, and San Francisco would be located outside the area.

With respect to Mexican signals, the Commission determined that the compulsory license would apply only in the area in which such signals may be received by a U.S. cable system by means of direct interception of a free space radio wave. Thus, full copyright liability would apply if a cable system were required to use any equipment or device other than a receiving antenna to bring the signal to the community of the cable system.

Further, to take account of those cable systems that are presently carrying or are specifically authorized to carry Canadian or Mexican signals, pursuant to FCC rules and regulations, and whether or not within the zones established, the Committee determined to grant a compulsory license for the carriage of those specific signals on those cable systems as in effect on April 15, 1976.

The Committee wishes to stress that cable systems operating within these zones are fully subject to the payment of royalty fees under the compulsory license for those foreign signals retransmitted. The copyright owners of the works transmitted may appear before the Copyright Royalty Commission and, pursuant to the provisions of this legislation, file claims to their fair share of the royalties collected. Outside the zones, however, full copyright liability would apply as would all the remedies of the legislation for any act of infringement.

Requirements for a Compulsory License. The compulsory license provided for in section 111(c) is contingent upon fulfillment of the requirements set forth in section 111(d). Subsection (d)(1) directs that at least one month before the commencement of operations, or within 180 days after the enactment of this act [Oct. 19, 1976], whichever is later, a cable system must record in the Copyright Office a notice, including a statement giving the identity and address of the person who owns or operates the secondary transmission service or who has power to exercise primary control over it, together with the name and location of the primary transmitter whose signals are regularly carried by the cable system. Signals "regularly carried" by the system mean those signals which the Federal Communications Commission has specifically authorized the cable system to carry, and which are actually carried by the system on a regular basis. It is also required that whenever the ownership or control or regular signal carriage complement of the system changes, the cable system must within 30 days record any such changes in the Copyright Office. Cable systems must also record such further information as the Register of Copyrights shall prescribe by regulation.

Subsection (d)(2) directs cable systems whose secondary transmissions have been subject to compulsory licensing under subsection (c) to deposit with the Register of Copyrights a semi-annual statement of account. The dates for filing such statements of account and the six-month period which they are to cover are to be determined by the Register of Copyrights after consultation with the Copyright Royalty Commission. In addition to other such information that the Register may prescribe by regulation, the statements of account are to specify the number of channels on which the cable system made secondary transmissions to its subscribers, the names and locations of all primary transmitters whose transmissions were carried by the system, the total number of subscribers to the system, and the gross amounts paid to the system for the basic service of providing secondary transmissions. If any non-network television programming was retransmitted by the cable system beyond the local service area of the primary transmitter, pursuant to the rules of the Federal Communications Commission, which under

certain circumstances permit the substitution or addition of television signals not regularly carried, the cable system must deposit a special statement of account listing the times, dates, stations and programs involved in such substituted or added carriage.

Copyright Royalty Payments. Subsection (d)(2)(B), (C) and (D) require cable systems to deposit royalty fee payments for the period covered by the statements of account. These payments are to be computed on the basis of specified percentages of the gross receipts from cable subscribers during the period covered by the statement. For purposes of computing royalty payments, only receipts for the basic service of providing secondary transmissions of primary broadcast transmitters are to be considered. Other receipts from subscribers, such as those for pay-cable services or installation charges, are not included in gross receipts.

Subsection (d)(2)(B) provides that, except in the case of a cable system that comes within the gross receipts limitations of subclauses (C) and (D), the royalty fee is computed in the following manner:

Every cable system pays .675 of 1 percent of its gross receipts for the privilege of retransmitting distant non-network programming, such amount to be applied against the fee, if any, payable under the computation for "distant signal equivalents." The latter are determined by adding together the values assigned to the actual number of distant television stations carried by a cable system. The purpose of this initial rate, applicable to all cable systems in this class, is to establish a basic payment, whether or not a particular cable system elects to transmit distant non-network programming. It is not a payment for the retransmission of purely "local" signals, as is evident from the provision that it applies to and is deductible from the fee payable for any "distant signal equivalents."

The remaining provisions of subclause (B) establish the following rates for "distant signal equivalents:":

The rate from zero to one distant signal equivalent is .675 of 1 percent of gross subscriber revenues. An additional .425 of 1 percent of gross subscriber revenues is to be paid for each of the second, third and fourth distant signal equivalents that are carried. A further payment of .2 of 1 percent of gross subscriber revenues is to be made for each distant signal equivalent after the fourth. Any fraction of a distant signal equivalent is to be computed at its fractional value and where a cable system is located partly within and partly without the local service area of a primary transmitter, the gross receipts subject to the percentage payment are limited to those gross receipts derived from subscribers located without the local service area of such primary transmitter.

Pursuant to the foregoing formula, copyright payments as a percentage of gross receipts increase as the number of distant television signals carried by a cable system increases. Because many smaller cable systems carry a large number of distant signals, especially those located in areas where over-the-air television service is sparse, and because smaller cable systems may be less able to shoulder the burden of copyright payments than larger systems, the Committee decided to give special consideration to cable systems with semi-annual gross subscriber receipts of less than \$160,000 (\$320,000 annually). The royalty fee schedules for cable systems in this category are specified in subclauses (C) and (D).

In lieu of the payments required in subclause (B), systems earning less than \$80,000, semi-annually, are to pay a royalty fee of .5 of 1 percent of gross receipts. Gross receipts under this provision are computed, however, by subtracting from actual gross receipts collected during the payment period the amount by which \$80,000 exceeds such actual gross receipts. Thus, if the actual gross receipts of the cable system for the period covered are \$60,000, the fee is determined by subtracting \$20,000 (the amount by which \$80,000 exceeds actual gross receipts) from \$60,000 and applying .5 of 1 percent to the \$40,000 result. However, gross receipts in no case are to be reduced to less than \$3,000.

Under subclause (D), cable systems with semi-annual gross subscriber receipts of between \$80,000 and \$160,000 are to pay royalty fees of .5 of 1 percent of such actual gross receipts up to \$80,000, and 1 percent of any actual gross receipts in excess of \$80,000. The royalty fee payments under both subclauses (C) and (D) are to be determined without regard to the number of distant signal equivalents, if any, carried by the subject cable systems.

Copyright Royalty Distribution. Section 111(d)(3) provides that the royalty fees paid by cable systems under the compulsory license shall be received by the Register of Copyrights and, after deducting the reasonable costs incurred by the Copyright Office, deposited in the Treasury of the United States. The fees are distributed subsequently, pursuant to the determination of the Copyright Royalty Commission under chapter 8 [§801 et seq. of this title].

The copyright owners entitled to participate in the distribution of the royalty fees paid by cable systems under the compulsory license are specified in section 111(d)(4). Consistent with the Committee's view that copyright royalty fees should be made only for the retransmission of distant non-network programming, the claimants are limited to (1) copyright owners whose works were included in a secondary transmission made by a cable system of a distant non-network television program; (2) any copyright owner whose work is included in a secondary transmission identified in a special statement of account deposited under section 111(d)(2)(A); and (3) any copyright owner whose work was included in

distant non-network programming consisting exclusively of aural signals. Thus, no royalty fees may be claimed or distributed to copyright owners for the retransmission of either "local" or "network" programs.

The Committee recognizes that the bill does not include specific provisions to guide the Copyright Royalty Commission in determining the appropriate division among competing copyright owners of the royalty fees collected from cable systems under Section 111. The Committee concluded that it would not be appropriate to specify particular, limiting standards for distribution. Rather, the Committee believes that the Copyright Royalty Commission should consider all pertinent data and considerations presented by the claimants.

Should disputes arise, however, between the different classes of copyright claimants, the Committee believes that the Copyright Royalty Commission should consider that with respect to the copyright owners of "live" programs identified by the special statement of account deposited under Section 111(d)(2)(A), a special payment is provided in Section 111(f).

Section 111(d)(5) sets forth the procedure for the distribution of the royalty fees paid by cable systems. During the month of July of each year, every person claiming to be entitled to compulsory license fees must file a claim with the Copyright Royalty Commission, in accordance with such provisions as the Commission shall establish. In particular, the Commission may establish the relevant period covered by such claims after giving adequate time for copyright owners to review and consider the statements of account filed by cable systems. Notwithstanding any provisions of the antitrust laws, the claimants may agree among themselves as to the division and distribution of such fees. After the first day of August of each year, the Copyright Royalty Commission shall determine whether a controversy exists concerning the distribution of royalty fees. If no controversy exists, the Commission, after deducting its reasonable administrative costs, shall distribute the fees to the copyright owners entitled or their agents. If the Commission finds the existence of a controversy, it shall, pursuant to the provisions of chapter 8 [§801 et seq. of this title], conduct a proceeding to determine the distribution of royalty fees.

Off-Shore Taping by Cable Systems. Section 111(e) establishes the conditions and limitation upon which certain cable systems located outside the continental United States, and specified in subsection (f), may make tapes of copyrighted programs and retransmit the taped programs to their subscribers upon payment of the compulsory license fee. These conditions and limitations include compliance with detailed transmission, record keeping, and other requirements. Their purpose is to control carefully the use of any tapes made pursuant to the limited recording and retransmission authority established in subsection (f), and to insure that the limited objective of assimilating offshore cable systems to systems within the United States for purposes of the compulsory license is not exceeded. Any secondary transmission by a cable system entitled to the benefits of the taping authorization that does not comply with the requirements of section 111(e) is an act of infringement and is fully subject to all the remedies provided in the legislation for such actions.

Definitions. Section 111(f) contains a series of definitions. These definitions are found in subsection (f) rather than in section 101 because of their particular application to secondary transmissions by cable systems.

Primary and Secondary Transmissions. The definitions of "primary transmission" and "secondary transmission" have been discussed above. The definition of "secondary transmission" also contains a provision permitting the nonsimultaneous retransmission of a primary transmission if by a cable system "not located in whole or in part within the boundary of the forty-eight contiguous states, Hawaii or Puerto Rico." Under a proviso, however, a cable system in Hawaii may make a nonsimultaneous retransmission of a primary transmission if the carriage of the television broadcast signal comprising such further transmission is permissible under the rules, regulations or authorizations of the FCC.

The effect of this definition is to permit certain cable systems in offshore areas, but not including cable systems in the offshore area of Puerto Rico and to a limited extent only in Hawaii, to tape programs and retransmit them to subscribers under the compulsory license. Puerto Rico was excluded based upon a communication the Committee received from the Governor of Puerto Rico stating that the particular television broadcasting problems which the definition seeks to solve for cable systems in other noncontiguous areas do not exist in Puerto Rico. He therefore requested that Puerto Rico be excluded from the scope of the definition. All cable systems covered by the definition are subject to the conditions and limitations for nonsimultaneous transmissions established in section 111(e).

Cable System. The definition of a "cable system" establishes that it is a facility that in whole or in part receives signals of one or more television broadcast stations licensed by the FCC and makes secondary transmissions of such signals to subscribing members of the public who pay for such service. A closed circuit wire system that only originates programs and does not carry television broadcast signals would not come within the definition. Further, the definition provides that, in determining the applicable royalty fee and system classification under subsection (d)(2)(B), (C), or (D) cable systems in contiguous communities under common ownership or control or operating from one headend are considered as one system.

Local Service Area of a Primary Transmitter. The definition of "local service area of a primary transmitter" establishes the difference between "local" and "distant" signals and therefore the line between signals which are subject to payment under the compulsory license and those that are not. It provides that the local service area of a television broadcast station is the area in which the station is entitled to insist upon its signal being retransmitted by a cable system pursuant to FCC rules and regulations. Under FCC rules and regulations this so-called "must carry" area is defined based on the market size and position of cable systems in 47 C.F.R. §§76.57, 76.59, 76.61 and 76.63. The definition is limited, however, to the FCC rules in effect on April 15, 1976. The purpose of this limitation is to insure that any subsequent rule amendments by the FCC that either increase or decrease the size of the local service area for its purposes do not change the definition for copyright purposes. The Committee believes that any such change for copyright purposes, which would materially affect the royalty fee payments provided in the legislation, should only be made by an amendment to the statute.

The "local service area of a primary transmitter" of a Canadian or Mexican television station is defined as the area in which such station would be entitled to insist upon its signals being retransmitted if it were a television broadcast station subject to FCC rules and regulations. Since the FCC does not permit a television station licensed in a foreign country to assert a claim to carriage by a U.S. cable system, the local service area of such foreign station is considered to be the same area as if it were a U.S. station.

The local service area for a radio broadcast station is defined to mean "the primary service area of such station pursuant to the rules and regulations of the Federal Communications Commission." The term "primary service area" is defined precisely by the FCC with regard to AM stations in Section 73.11(a) of the FCC's rules. In the case of FM stations, "primary service area" is regarded by the FCC as the area included within the field strength contours specified in Section 73.311 of its rules.

Distant Signal Equivalent. The definition of a "distant signal equivalent" is central to the computation of the royalty fees payable under the compulsory license. It is the value assigned to the secondary transmission of any non-network television programming carried by a cable system, in whole or in part, beyond the local service area of the primary transmitter of such programming. It is computed by assigning a value of one (1) to each distant independent station and a value of one-quarter ($\frac{1}{4}$) to each distant network station and distant noncommercial educational station carried by a cable system, pursuant to the rules and regulations of the FCC. Thus, a cable system carrying two distant independent stations, two distant network stations and one distant noncommercial educational station would have a total of 2.75 distant signal equivalents.

The values assigned to independent, network and noncommercial educational stations are subject, however, to certain exceptions and limitations. Two of these relate to the mandatory and discretionary program deletion and substitution rules of the FCC. Where the FCC rules require a cable system to omit certain programs (e.g., the syndicated program exclusivity rules) and also permit the substitution of another program in place of the omitted program, no additional value is assigned for the substituted or additional program. Further, where the FCC rules on the date of enactment of this legislation permit a cable system, at its discretion, to make such deletions or substitutions or to carry additional programs not transmitted by primary transmitters within whose local service area the cable system is located, no additional value is assigned for the substituted or additional programs. However, the latter discretionary exception is subject to a condition that if the substituted or additional program is a "live" program (e.g., a sports event), then an additional value is assigned to the carriage of the distant signal computed as a fraction of one distant signal equivalent. The fraction is determined by assigning to the numerator the number of days in the year on which the "live" substitution occurs, and by assigning to the denominator the number of days in the year. Further, the discretionary exception is limited to those FCC rules in effect on the date of enactment of this legislation [Oct. 19, 1976]. If subsequent FCC rule amendments or individual authorizations enlarge the discretionary ability of cable systems to delete and substitute programs, such deletions and substitutions would be counted at the full value assigned the particular type of station provided above.

Two further exceptions pertain to the late-night or specialty programming rules of the FCC or to a station carried on a part-time basis where full-time carriage is not possible because the cable system lacks the activated channel capacity to retransmit on a full-time basis all signals which it is authorized to carry. In this event, the values for independent, network and noncommercial, educational stations set forth above, as the case may be, are determined by multiplying each by a fraction which is equal to the ratio of the broadcast hours of such station carried by the cable system to the total broadcast hours of the station.

Network Station. A "network station" is defined as a television broadcast station that is owned or operated by, or affiliated with, one or more of the U.S. television networks providing nationwide transmissions and that transmits a substantial part of the programming supplied by such networks for a substantial part of that station's typical broadcast day. To qualify as a network station, all the conditions of the definition must be met. Thus, the retransmission of a Canadian station affiliated with a Canadian

network would not qualify under the definition. Further, a station affiliated with a regional network would not qualify, since a regional network would not provide nationwide transmissions. However, a station affiliated with a network providing nationwide transmissions that also occasionally carries regional programs would qualify as a "network station," if the station transmits a substantial part of the programming supplied by the network for a substantial part of the station's typical broadcast day.

Independent Station. An "independent station" is defined as a commercial television broadcast station other than a network station. Any commercial station that does not fall within the definition of "network station" is classified as an "independent station."

Noncommercial Educational Station. A "noncommercial educational station" is defined as a television station that is a noncommercial educational broadcast station within the meaning of section 397 of title 47 [47 U.S.C. 397].

EDITORIAL NOTES

REFERENCES IN TEXT

The date of the enactment of the Satellite Television Extension and Localism Act of 2010, referred to in subsecs. (d)(1)(D), (5) and (f)(8), is the date of the enactment of Pub. L. 111–175, which shall be deemed to refer to Feb. 27, 2010, see section 307(a) of Pub. L. 111–175, set out as an Effective Date of 2010 Amendment note below.

The date of the enactment of the Copyright Act of 1976, referred to in subsec. (f)(5)(B)(i), (ii), probably means the date of the enactment of Pub. L. 94–553, which was approved Oct. 19, 1976.

Section 397 of the Communications Act of 1934, referred to in subsec. (f)(8), is classified to section 397 of Title 47, Telecommunications.

AMENDMENTS

2014-Subsec. (d)(3). Pub. L. 113–200, §201(1), substituted "paragraph" for "clause" in introductory provisions and in subpar. (B).

Subsec. (f)(4). Pub. L. 113–200, §203, in second sentence, inserted "as defined by the rules and regulations of the Federal Communications Commission," after "television station," and substituted "comprises the designated market area, as defined in section 122(j)(2)(C), that encompasses the community of license of such station and any community that is located outside such designated market area that is either wholly or partially within 35 miles of the transmitter site or," for "comprises the area within 35 miles of the transmitter site, except that" and "wholly or partially within 20 miles of such transmitter site" for "the number of miles shall be 20 miles".

2010-Pub. L. 111–175, §104(a)(1), inserted "of broadcast programming by cable" after "transmissions" in section catchline.

Subsec. (a)(2), (3). Pub. L. 111–175, §104(g)(1)(A), substituted "paragraph" for "clause".

Subsec. (a)(4). Pub. L. 111–175, §104(b), substituted "or section 122;" for "; or".

Subsec. (c)(1). Pub. L. 111–175, §104(g)(1)(B), substituted "paragraphs" for "clauses".

Subsec. (c)(2) to (4). Pub. L. 111–175, §104(g)(1)(A), substituted "paragraph" for "clause".

Subsec. (d)(1). Pub. L. 111–175, §104(c)(1)(A), inserted heading and, in introductory provisions, substituted "Subject to paragraph (5), a cable system whose secondary" for "A cable system whose secondary" and "by regulation the following:" for "by regulation-".

Subsec. (d)(1)(A). Pub. L. 111–175, §104(c)(1)(B), (g)(2), substituted "A statement of account" for "a statement of account", "non-network" for "nonnetwork", and "carriage." for "carriage; and" at end.

Subsec. (d)(1)(B) to (G). Pub. L. 111–175, §104(c)(1)(C), added subpars. (B) to (G) and struck out former subpars. (B) to (D) which established fee schedules for certain royalty fees to be paid by cable systems based upon the gross receipts received from subscribers.

Subsec. (d)(2). Pub. L. 111–175, §104(c)(2), inserted heading and inserted "(including the filing fee specified in paragraph (1)(G))" after "shall receive all fees".

Subsec. (d)(3). Pub. L. 111–175, §104(c)(3)(A), inserted heading.

Subsec. (d)(3)(A). Pub. L. 111–175, §104(c)(3)(B), (g)(2), substituted "Any such" for "any such", "non-network" for "nonnetwork", and a period for "; and".

Subsec. (d)(3)(B). Pub. L. 111–175, §104(c)(3)(C), substituted "Any such" for "any such" and a period for the semicolon at end.

Subsec. (d)(3)(C). Pub. L. 111–175, §104(c)(3)(D), (g)(2), substituted "Any such" for "any such" and "non-network" for "nonnetwork".

Subsec. (d)(4). Pub. L. 111–175, §104(c)(4), inserted heading.

Subsec. (d)(5) to (7). Pub. L. 111–175, §104(c)(5), added pars. (5) to (7).

Subsec. (e)(1). Pub. L. 111–175, §104(g)(3), substituted "subsection (f)(2)" for "second paragraph of subsection (f)" in introductory provisions.

Subsec. (e)(1)(A) to (C). Pub. L. 111–175, §104(g)(4)(A)–(C), struck out "and" at end.

Subsec. (e)(1)(C)(iv). Pub. L. 111–175, §104(g)(1)(A), substituted "paragraph" for "clause".

Subsec. (e)(1)(D). Pub. L. 111–175, §104(g)(4)(D), struck out "and" at end.

Subsec. (e)(1)(D)(ii), (E). Pub. L. 111–175, §104(g)(1)(A), substituted "paragraph" for "clause".

Subsec. (e)(1)(F). Pub. L. 111–175, §104(g)(1)(C), substituted "subparagraph" for "subclause".

Subsec. (e)(2). Pub. L. 111–175, §104(g)(1)(A), (6), in introductory provisions, substituted "paragraph" for "clause" and "five entities" for "three territories".

Subsec. (e)(2)(A). Pub. L. 111–175, §104(g)(4)(E), struck out "and" at end.

Subsec. (e)(2)(B), (C). Pub. L. 111–175, §104(g)(1)(A), substituted "paragraph" for "clause".

Subsec. (e)(4). Pub. L. 111–175, §104(g)(5)(A), struck out ", and each of its variant forms," before "means the reproduction".

Subsec. (f). Pub. L. 111–175, §104(g)(5)(B), struck out "and their variant forms" after "terms" in introductory provisions.

Pub. L. 111–175, §104(e)(5) to (8), designated undesignated par. which defined "distant signal equivalent" as par. (5), inserted par. (5) heading, and amended text generally, added pars. (6) to (8), and struck out last three undesignated pars. which defined "network station", "independent station", and "noncommercial educational station", respectively.

Pub. L. 111–175, §104(e)(4)(C), which directed amendment of "the fourth undesignated paragraph, in the first sentence" by striking out "as defined by the rules and regulations of the Federal Communications Commission," was executed by striking out such phrase after "television station," in the second sentence of par. (4), to reflect the probable intent of Congress.

Pub. L. 111–175, §104(e)(1) to (4)(B), added par. (1) and struck out first undesignated par. which defined "primary transmission", designated second undesignated par. as par. (2), inserted par. (2) heading, and substituted "a cable system" for "a 'cable system' ", designated third undesignated par. as par. (3), inserted par. (3) heading, and substituted "territory, trust territory, or possession of the United States" for "Territory, Trust Territory, or Possession", and designated fourth undesignated par. as par. (4), inserted par. (4) heading, and substituted "The 'local service area of a primary transmitter', in the case of both the primary stream and any multicast streams transmitted by a primary transmitter that is a television broadcast station, comprises the area where such primary transmitter could have insisted" for "The 'local service area of a primary transmitter', in the case of a television broadcast station, comprises the area in which such station is entitled to insist" and "76.59 of title 47, Code of Federal Regulations, or within the noise-limited contour as defined in 73.622(e)(1) of title 47, Code of Federal Regulations" for "76.59 of title 47 of the Code of Federal Regulations".

Subsec. (f)(9) to (13). Pub. L. 111–175, §104(e)(9), added pars. (9) to (13).

2008-Subsec. (b). Pub. L. 110–403, §209(a)(2)(A), struck out "and 509" after "506" in introductory provisions.

Subsec. (c)(2). Pub. L. 110–403, §209(a)(2)(B)(i), struck out "and 509" after "506" in introductory provisions.

Subsec. (c)(3). Pub. L. 110–403, §209(a)(2)(B)(ii), substituted "section 510" for "sections 509 and 510".

Subsec. (c)(4). Pub. L. 110–403, §209(a)(2)(B)(iii), struck out "and section 509" after "506".

Subsec. (e)(1). Pub. L. 110–403, §209(a)(2)(C)(i), substituted "section 510" for "sections 509 and 510" in introductory provisions.

Subsec. (e)(2). Pub. L. 110–403, §209(a)(2)(C)(ii), struck out "and 509" after "506" in introductory provisions.

Pub. L. 110–229 substituted "the Federated States of Micronesia, the Republic of Palau, or the Republic of the Marshall Islands" for "or the Trust Territory of the Pacific Islands" in introductory provisions.

2006-Subsec. (d)(2). Pub. L. 109–303, §4(a)(1), substituted "upon authorization by the Copyright Royalty Judges." for "in the event no controversy over distribution exists, or by the Copyright Royalty Judges. in the event a controversy over such distribution exists."

Subsec. (d)(4)(B). Pub. L. 109–303, §4(a)(2)(A), substituted second sentence for former second sentence which read as follows: "If the Copyright Royalty Judges determine that no such controversy exists, the Librarian shall, after deducting reasonable administrative costs under this section, distribute such fees to the copyright owners entitled to such fees, or to their designated agents." and "find" for "finds" in last sentence.

Subsec. (d)(4)(C). Pub. L. 109–303, §4(a)(2)(B), added subpar. (C) and struck out former subpar. (C) which read as follows: "During the pendency of any proceeding under this subsection, the Copyright Royalty Judges shall withhold from distribution an amount sufficient to satisfy all claims with respect to which a controversy exists, but shall have discretion to proceed to distribute any amounts that are not in controversy."

2004-Subsec. (a)(4). Pub. L. 108-447 struck out "for private home viewing" after "satellite carrier".
Subsec. (d)(1)(A). Pub. L. 108-447 struck out "for private home viewing" after "secondary transmissions".

Subsec. (d)(2). Pub. L. 108-419, §5(a)(1), substituted "the Copyright Royalty Judges." for "a copyright arbitration royalty panel".

Subsec. (d)(4)(A). Pub. L. 108-419, §5(a)(2)(A), substituted "Copyright Royalty Judges" for "Librarian of Congress" in two places.

Subsec. (d)(4)(B). Pub. L. 108-419, §5(a)(2)(B), substituted, in first sentence, "Copyright Royalty Judges shall" for "Librarian of Congress shall, upon the recommendation of the Register of Copyrights," in second sentence, "Copyright Royalty Judges determine" for "Librarian determines", and, in third sentence, "Copyright Royalty Judges" for "Librarian" in two places and "conduct a proceeding" for "convene a copyright arbitration royalty panel".

Subsec. (d)(4)(C). Pub. L. 108-419, §5(a)(2)(C), substituted "Copyright Royalty Judges" for "Librarian of Congress".

1999-Subsecs. (a), (b). Pub. L. 106-113, §1000(a)(9) [title I, §1011(b)(1)(A), (B)], substituted "performance or display of a work embodied in a primary transmission" for "primary transmission embodying a performance or display of a work" in introductory provisions.

Subsec. (c)(1). Pub. L. 106-113, §1000(a)(9) [title I, §1011(a)(2), (b)(1)(C)(i)], inserted "a performance or display of a work embodied in" after "by a cable system of", struck out "and embodying a performance or display of a work" after "governmental authority of Canada or Mexico", and substituted "statutory" for "compulsory".

Subsec. (c)(3), (4). Pub. L. 106-113, §1000(a)(9) [title I, §1011(b)(1)(C)(ii)], substituted "a performance or display of a work embodied in a primary transmission" for "a primary transmission" and struck out "and embodying a performance or display of a work" after "governmental authority of Canada or Mexico".

Subsec. (d). Pub. L. 106-113, §1000(a)(9) [title I, §1011(a)(2)], which directed substitution of "statutory" for "compulsory", was executed by substituting "Statutory" for "Compulsory" in heading to reflect probable intent of Congress.

Subsec. (d)(1). Pub. L. 106-113, §1000(a)(9) [title I, §1011(a)(2)], substituted "statutory" for "compulsory" in introductory provisions.

Subsec. (d)(1)(B)(i), (3)(C). Pub. L. 106-113, §1000(a)(9) [title I, §1011(a)(1)], substituted "programming" for "programing".

Subsec. (d)(4)(A). Pub. L. 106-113, §1000(a)(9) [title I, §1011(a)(2)], substituted "statutory" for "compulsory" in two places.

Subsec. (f). Pub. L. 106-113, §1000(a)(9) [title I, §1011(a)(1)], substituted "programming" for "programing" wherever appearing.

1995-Subsec. (c)(1). Pub. L. 104-39 inserted "and section 114(d)" after "of this subsection".

1994-Subsec. (f). Pub. L. 103-369, §3(b), in fourth undesignated par. defining local service area of a primary transmitter, inserted "or such station's television market as defined in section 76.55(e) of title 47, Code of Federal Regulations (as in effect on September 18, 1993), or any modifications to such television market made, on or after September 18, 1993, pursuant to section 76.55(e) or 76.59 of title 47 of the Code of Federal Regulations," after "April 15, 1976,".

Pub. L. 103-369, §3(a), inserted "microwave," after "wires, cables," in third undesignated par., defining cable system.

1993-Subsec. (d)(1). Pub. L. 103-198, §6(a)(1), struck out ", after consultation with the Copyright Royalty Tribunal (if and when the Tribunal has been constituted)," after "Register shall" in introductory provisions.

Subsec. (d)(1)(A). Pub. L. 103-198, §6(a)(2), struck out ", after consultation with the Copyright Royalty Tribunal (if and when the Tribunal has been constituted)," after "Register of Copyrights may".

Subsec. (d)(2). Pub. L. 103-198, §6(a)(3), substituted "All funds held by the Secretary of the Treasury shall be invested in interest-bearing United States securities for later distribution with interest by the Librarian of Congress in the event no controversy over distribution exists, or by a copyright arbitration royalty panel in the event a controversy over such distribution exists." for "All funds held by the Secretary of the Treasury shall be invested in interest-bearing United States securities for later distribution with interest by the Copyright Royalty Tribunal as provided by this title. The Register shall submit to the Copyright Royalty Tribunal, on a semiannual basis, a compilation of all statements of account covering the relevant six-month period provided by clause (1) of this subsection."

Subsec. (d)(4)(A). Pub. L. 103-198, §6(a)(4), substituted "Librarian of Congress" for "Copyright Royalty Tribunal" before "claim with the" and for "Tribunal" before "requirements that the".

Subsec. (d)(4)(B). Pub. L. 103-198, §6(a)(5), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: "After the first day of August of each year, the Copyright Royalty Tribunal shall determine whether there exists a controversy concerning the distribution of royalty fees. If the Tribunal determines that no such controversy exists, it shall, after deducting its reasonable administrative

costs under this section, distribute such fees to the copyright owners entitled, or to their designated agents. If the Tribunal finds the existence of a controversy, it shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty fees."

Subsec. (d)(4)(C). Pub. L. 103-198, §6(a)(6), substituted "Librarian of Congress" for "Copyright Royalty Tribunal".

1990-Subsec. (c)(2)(B). Pub. L. 101-318, §3(a)(1), struck out "recorded the notice specified by subsection (d) and" after "where the cable system has not".

Subsec. (d)(2). Pub. L. 101-318, §3(a)(2)(A), substituted "clause (1)" for "paragraph (1)".

Subsec. (d)(3). Pub. L. 101-318, §3(a)(2)(B), substituted "clause (4)" for "clause (5)" in introductory provisions.

Subsec. (d)(3)(B). Pub. L. 101-318, §3(a)(2)(C), substituted "clause (1)(A)" for "clause (2)(A)".

1988-Subsec. (a)(4), (5). Pub. L. 100-667, §202(1)(A), added par. (4) and redesignated former par. (4) as (5).

Subsec. (d)(1)(A). Pub. L. 100-667, §202(1)(B), inserted provision that determination of total number of subscribers and gross amounts paid to cable system for basic service of providing secondary transmissions of primary broadcast transmitters not include subscribers and amounts collected from subscribers receiving secondary transmissions for private home viewing under section 119.

1986-Subsec. (d). Pub. L. 99-397, §2(a)(1), (4), (5), substituted "paragraph (1)" for "clause (2)" in par. (3), struck out par. (1) which related to recordation of notice with Copyright Office by cable systems in order for secondary transmissions to be subject to compulsory licensing, and redesignated pars. (2) to (5) as (1) to (4), respectively.

Pub. L. 99-397, §2(a)(2), (3), which directed the amendment of subsec. (d) by substituting "paragraph (4)" for "clause (5)" in pars. (2) and (2)(B) could not be executed because pars. (2) and (2)(B) did not contain references to "clause (5)". See 1990 Amendment note above.

Subsec. (f). Pub. L. 99-397, §2(b), substituted "subsection (d)(1)" for "subsection (d)(2)" in third undesignated par., defining a cable system.

Pub. L. 99-397, §1, inserted provision in fourth undesignated par., defining "local service area of a primary transmitter", to cover that term in relation to low power television stations.

STATUTORY NOTES AND RELATED SUBSIDIARIES

EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-175, title I, §104(d), May 27, 2010, 124 Stat. 1235, provided that: "The royalty fee rates established in section 111(d)(1)(B) of title 17, United States Code, as amended by subsection (c)(1)(C) of this section, shall take effect commencing with the first accounting period occurring in 2010."

Pub. L. 111-175, title I, §104(h), May 27, 2010, 124 Stat. 1238, provided that:

"(1) IN GENERAL.-Subject to paragraphs (2) and (3), the amendments made by this section [amending this section and section 804 of this title], to the extent such amendments assign a distant signal equivalent value to the secondary transmission of the multicast stream of a primary transmitter, shall take effect on the date of the enactment of this Act [deemed to refer to Feb. 27, 2010, see section 307(a) of Pub. L. 111-175, set out as a note below].

"(2) DELAYED APPLICABILITY.-

"(A) SECONDARY TRANSMISSIONS OF A MULTICAST STREAM BEYOND THE LOCAL SERVICE AREA OF ITS PRIMARY TRANSMITTER BEFORE 2010 ACT.-In any case in which a cable system was making secondary transmissions of a multicast stream beyond the local service area of its primary transmitter before the date of the enactment of this Act, a distant signal equivalent value (referred to in paragraph (1)) shall not be assigned to secondary transmissions of such multicast stream that are made on or before June 30, 2010.

"(B) MULTICAST STREAMS SUBJECT TO PREEXISTING WRITTEN AGREEMENTS FOR THE SECONDARY TRANSMISSION OF SUCH STREAMS.-In any case in which the secondary transmission of a multicast stream of a primary transmitter is the subject of a written agreement entered into on or before June 30, 2009, between a cable system or an association representing the cable system and a primary transmitter or an association representing the primary transmitter, a distant signal equivalent value (referred to in paragraph (1)) shall not be assigned to secondary transmissions of such multicast stream beyond the local service area of its primary transmitter that are made on or before the date on which such written agreement expires.

"(C) NO REFUNDS OR OFFSETS FOR PRIOR STATEMENTS OF ACCOUNT.-A cable system that has reported secondary transmissions of a multicast stream beyond the local service area of its primary transmitter on a statement of account deposited under section 111 of title 17, United States Code, before the date of

the enactment of this Act shall not be entitled to any refund, or offset, of royalty fees paid on account of such secondary transmissions of such multicast stream.

"(3) DEFINITIONS.-In this subsection, the terms 'cable system', 'secondary transmission', 'multicast stream', and 'local service area of a primary transmitter' have the meanings given those terms in section 111(f) of title 17, United States Code, as amended by this section."

Pub. L. 111-175, [title III, §307, May 27, 2010](#), 124 Stat. 1257, provided that:

"(a) EFFECTIVE DATE.-Unless specifically provided otherwise, this Act [see Short Title of 2010 Amendment note set out under section 101 of this title], and the amendments made by this Act, shall take effect on February 27, 2010, and with the exception of the reference in subsection (b), all references to the date of enactment of this Act shall be deemed to refer to February 27, 2010, unless otherwise specified.

"(b) NONINFRINGEMENT OF COPYRIGHT.-The secondary transmission of a performance or display of a work embodied in a primary transmission is not an infringement of copyright if it was made by a satellite carrier on or after February 27, 2010, and prior to enactment of this Act [May 27, 2010], and was in compliance with the law as in existence on February 27, 2010."

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-303, [§6, Oct. 6, 2006](#), 120 Stat. 1483, provided that:

"(a) IN GENERAL.-Except as provided under subsection (b), this Act [see Short Title of 2006 Amendment note set out under section 101 of this title] and the amendments made by this Act shall be effective as if included in the Copyright Royalty and Distribution Reform Act of 2004 [Pub. L. 108-419].

"(b) PARTIAL DISTRIBUTION OF ROYALTY FEES.-Section 5 [amending section 801 of this title] shall take effect on the date of enactment of this Act [Oct. 6, 2006]."

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-419 effective 6 months after Nov. 30, 2004, subject to transition provisions, see section 6 of Pub. L. 108-419, set out as an Effective Date; Transition Provisions note under section 801 of this title.

EFFECTIVE DATE OF 1995 AMENDMENT

Amendment by Pub. L. 104-39 effective 3 months after Nov. 1, 1995, see section 6 of Pub. L. 104-39, set out as a note under section 101 of this title.

EFFECTIVE DATE OF 1994 AMENDMENT

Amendment by section 3(b) of Pub. L. 103-369 effective July 1, 1994, see section 6(d) of Pub. L. 103-369, set out as an Effective and Termination Dates of 1994 Amendment note under section 119 of this title.

EFFECTIVE DATE OF 1993 AMENDMENT

Pub. L. 103-198, [§7, Dec. 17, 1993](#), 107 Stat. 2313, provided that:

"(a) IN GENERAL.-This Act [see Short Title of 1993 Amendment note set out under section 101 of this title] and the amendments made by this Act shall take effect on the date of the enactment of this Act [Dec. 17, 1993].

"(b) EFFECTIVENESS OF EXISTING RATES AND DISTRIBUTIONS.-All royalty rates and all determinations with respect to the proportionate division of compulsory license fees among copyright claimants, whether made by the Copyright Royalty Tribunal, or by voluntary agreement, before the effective date set forth in subsection (a) shall remain in effect until modified by voluntary agreement or pursuant to the amendments made by this Act.

"(c) TRANSFER OF APPROPRIATIONS.-All unexpended balances of appropriations made to the Copyright Royalty Tribunal, as of the effective date of this Act, are transferred on such effective date to the Copyright Office for use by the Copyright Office for the purposes for which such appropriations were made."

EFFECTIVE DATE OF 1990 AMENDMENT

Pub. L. 101-318, [§3\(e\)\(1\), July 3, 1990](#), 104 Stat. 289, provided that: "The amendments made by subsections (a) and (b) [amending this section and section 801 of this title] shall be effective as of August 27, 1986."

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-667 effective Jan. 1, 1989, see section 206 of Pub. L. 100-667, set out as an Effective Date note under section 119 of this title.

SAVINGS PROVISION

Pub. L. 111–175, title III, §306, May 27, 2010, 124 Stat. 1257 , provided that:

"(a) IN GENERAL.-Nothing in this Act [see Short Title of 2010 Amendment note set out under section 101 of this title], title 17, United States Code, the Communications Act of 1934 [47 U.S.C. 151 et seq.], regulations promulgated by the Register of Copyrights under this title or title 17, United States Code, or regulations promulgated by the Federal Communications Commission under this Act or the Communications Act of 1934 shall be construed to prevent a multichannel video programming distributor from retransmitting a performance or display of a work pursuant to an authorization granted by the copyright owner or, if within the scope of its authorization, its licensee.

"(b) LIMITATION.-Nothing in subsection (a) shall be construed to affect any obligation of a multichannel video programming distributor under section 325(b) of the Communications Act of 1934 [47 U.S.C. 325(b)] to obtain the authority of a television broadcast station before retransmitting that station's signal."

SEVERABILITY

Pub. L. 113–200, title III, §301, Dec. 4, 2014, 128 Stat. 2067 , provided that: "If any provision of this Act [see Short Title of 2014 Amendment note set out under section 609 of Title 47, Telecommunications], an amendment made by this Act, or the application of such provision or amendment to any person or circumstance is held to be unconstitutional, the remainder of this Act, the amendments made by this Act, and the application of such provision or amendment to any person or circumstance shall not be affected thereby."

Pub. L. 111–175, title IV, §401, May 27, 2010, 124 Stat. 1258 , provided that: "If any provision of this Act [see Short Title of 2010 Amendment note set out under section 101 of this title], an amendment made by this Act, or the application of such provision or amendment to any person or circumstance is held to be unconstitutional, the remainder of this Act, the amendments made by this Act, and the application of such provision or amendment to any person or circumstance shall not be affected thereby."

CONSTRUCTION

Pub. L. 111–175, title I, §108, May 27, 2010, 124 Stat. 1245 , provided that: "Nothing in section 111, 119, or 122 of title 17, United States Code, including the amendments made to such sections by this title, shall be construed to affect the meaning of any terms under the Communications Act of 1934 [47 U.S.C. 151 et seq.], except to the extent that such sections are specifically cross-referenced in such Act or the regulations issued thereunder."

¹ *So in original. The word "the" probably should not appear.*

² *See References in Text note below.*