



IDEAS ON INTELLECTUAL PROPERTY LAW

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SCOTUS rejects fair use defense in Warhol copyright case

The U.S. Supreme Court has issued its much-anticipated ruling in a case that drew attention partly because it involved two widely renowned artists: the musician Prince and the visual artist Andy Warhol. More importantly, though, the high court weighed in on some of the limits of the fair use defense to copyright infringement.

SETTING THE SCENE

The case stems from a 1981 photograph of Prince taken by Lynn Goldsmith, a professional photographer. Years later, she licensed the photo to a magazine to use once as an “artist reference” — the basis for an illustration that an unnamed artist would create and the magazine would publish. That artist turned out to be Warhol.

Going beyond the assignment, Warhol created additional works that became known as the “Prince Series.” Works in the series were sold to third parties or sent to the Warhol Museum.

Goldsmith learned of the series after Prince’s death in 2016 when she saw one of the works on a magazine cover. She notified the Andy Warhol Foundation (AWF), which had licensed the use to the magazine, of the perceived copyright infringement.

A use with a distinct purpose is justified because it furthers the goal of copyright: promoting progress without diminishing the incentive to create.

AWF then sued Goldsmith, seeking a declaratory judgment that the “Prince Series” represented a fair use of her photo. The trial court ruled for AWF and dismissed Goldsmith’s counterclaim for infringement. On appeal, the U.S. Court of Appeals for the Second Circuit reversed, finding that all four of the fair use factors favored the photographer. The case subsequently landed at the Supreme Court.

FRAMING THE ISSUE

AWF challenged only the first of the fair use factors: “the purpose and character of the use, including whether such use is of a commercial nature or is for educational nonprofit purposes.” As the Court



NOT EVERY WARHOL WORK

The majority opinion in *Warhol* stressed that not all the artist's works, nor all uses of them, would give rise to the same fair use analysis. To illustrate, it cited Warhol's famous "Soup Can series" that used the Campbell's soup logo.

The purpose of the original logo, the Court said, is to advertise soup. Warhol, however, used Campbell's copyrighted work for an artistic commentary on consumerism — "a purpose that is orthogonal to advertising soup."

The Court also found that a further justification for his use of the logo was apparent because the series targeted the logo; the very nature of that well-known logo enabled the commentary. But the Andy Warhol Foundation's use of the Prince photo didn't target the photo or have any other compelling justification.

The situation might be different, the Supreme Court noted, if the foundation licensed the series to a soup business to serve as its logo. Such a use would share much the same purpose as the Campbell's logo does.

explained, the factor considers the reasons for, and nature of, the copier's use of an original work.

The central question is whether the use adds something new to the original work, with a further purpose or different character — and, if so, to what extent the use has a purpose or character different from the original. The larger the difference, the more likely this factor favors fair use.

AWF argued that the "Prince Series" works were transformative because they conveyed a different meaning or message than Goldsmith's photograph, portraying him as iconic and larger than life. The Court, however, said that wasn't enough. While new expression, meaning or message may be relevant to whether a copying use has a sufficiently distinct purpose or character, it doesn't answer the question on its own.

FINDING PURPOSE

The copying use at issue here was AWF's licensing of one of the works to a magazine publisher. The court found that, as portraits of Prince used to depict him in magazine stories about Prince, the original photo and the copying use shared substantially the same purpose.

The Supreme Court clarified that the first factor relates to the justification for the copying use. In

a broad sense, it said, a use with a distinct purpose is justified because it furthers the goal of copyright (promoting progress without diminishing the incentive to create). More narrowly, a use may be justified because copying is reasonably necessary to achieve the user's new purpose, as in parody.

An independent justification is particularly relevant when, as here, the original work and the copying use share the same, or highly similar, purposes. The Court found no such independent justification, though.

Further, AWF's use was of a commercial nature. Like a new expression, meaning or message, the commercial nature of a use is relevant but not decisive. It's weighed against the degree to which the copying use has a further purpose or different character. A use's "transformativeness" may outweigh its commercial nature, the court acknowledged. (See "Not every Warhol work," above.) In this case, both the copying use and the commercial character of that use pointed against fair use.

A NARROW FOCUS

Critically, the Supreme Court's ruling addressed AWF's licensing of the copying work, not Warhol's creation of the "Prince Series" from Goldsmith's photo. It didn't assess whether the works in the series infringed her copyright, only whether the fair use defense applied. □

Supreme Court finds trademark owners can't sue for foreign infringement

The U.S. Supreme Court has limited the reach of the Lanham Act, the federal trademark law, beyond American borders. The Court's ruling in *Abitron Austria GmbH v. Hetronic Int'l, Inc.* could make trademark owners more vulnerable to global piracy of their goods.

CASE FOUNDATION

Hetronic International Inc. is a U.S.-based manufacturer of radio remote controls that operate heavy-duty construction equipment. It owns U.S. trademarks for the remote controls' distinguishing features.

The defendants, none of whom are U.S. citizens, distributed Hetronic's products, mostly in Europe. Eventually, they decided that an earlier research-and-development agreement gave them ownership of Hetronic's trademarks.

They began manufacturing their own products, identical to Hetronic's, and selling them under the Hetronic brand, again mostly in Europe. They continued to make tens of millions of dollars from selling copycat products even after Hetronic terminated the distribution agreements.

Hetronic sued the defendants for, among other things, trademark infringement under the Lanham Act. A jury awarded Hetronic more than \$115 million in damages, \$96 million of which related to the Lanham Act violations.

On appeal, the defendants argued that, while the Lanham Act can sometimes apply outside of the United States, it didn't extend to their conduct because the conduct generally involved foreign defendants making sales to foreign consumers. The case was the first time the U.S. Court of Appeals for the Tenth Circuit had faced the issue.

The appeals court concluded that the trial court properly applied the trademark law to the

defendants' conduct because the conduct had a substantial effect on U.S. commerce by diverting sales from Hetronic. The defendants applied for review by the Supreme Court, and the high court agreed to hear the case.

THE COURT'S FRAMEWORK

The Supreme Court began its analysis by citing the presumption against extraterritoriality. The presumption reflects the longstanding principle that Congressional legislation doesn't apply outside the United States absent a contrary intent.



Applying the presumption involves a two-step framework. The first step considers whether Congress has clearly indicated that the provision in question should apply to foreign conduct. If not, the provision isn't extraterritorial and a court must consider whether a lawsuit seeks a domestic or foreign application of the provision. Domestic

application is acceptable, while foreign application isn't. To show that a claim involves a domestic application, the plaintiff must establish that "the conduct relevant to [the provision's] focus occurred in the United States."

To apply the Lanham Act to the foreign use in commerce of a protected trademark would be an impermissible extraterritorial application.

Here, the Court concluded that the provisions of the Lanham Act that prohibit the use in commerce of protected trademarks in a way likely to cause confusion don't clearly indicate that Congress intended extraterritorial application.

As for the second step, the ultimate question regarding permissible domestic application turns on the location of the "conduct relevant" to the focus of the provisions. The conduct relevant under the Lanham Act, the Court said, is "use in commerce," not likely consumer confusion.

In other words, to apply the Lanham Act to the foreign use in commerce of a protected trademark would be an impermissible extraterritorial application — and Hetricon shouldn't receive damages for purely foreign sales.

A COURT DIVIDED

It's worth noting that the four-justice concurrence expressed concern that the majority's reasoning leaves U.S. trademark owners inadequately protected in a global marketplace. In their view, the Lanham Act should extend to foreign conduct that results in infringing products causing a likelihood of confusion in the United States. □

Barking up the wrong tree

Supreme Court limits trademark parodies

In a unanimous decision, the U.S. Supreme Court has for the first time considered the so-called *Rogers* test regarding the use of trademarks in "expressive works" — in this case, a dog toy mocking a famous whiskey brand. The Court's ruling in *Jack Daniel's Properties, Inc. v. VIP Products LLC*, makes clear that liability for both trademark infringement and trademark dilution is heavily dependent on just how a defendant uses another's mark.

FIGHTING LIKE CATS AND DOGS

VIP Products makes a squeaky, chewable dog toy designed to look much like a bottle of Jack Daniel's whiskey. Instead of saying "Jack Daniel's," the toy says, "Bad Spaniels." The toy also replaces "Old No. 7

Brand Tennessee Sour Mash Whiskey" with "The Old No. 2 On Your Tennessee Carpet."

Jack Daniel's Properties owns the trademarks in the distinctive whiskey bottle and many of the words and graphics on its label. When it demanded that VIP stop selling the toy, VIP filed a lawsuit, seeking a declaratory judgment that the toy neither infringed nor diluted Jack Daniel's trademarks. Jack Daniel's counterclaimed for infringement and dilution.

In a bench trial, the trial court found that consumers were likely to be confused about the source of the toy (infringement) and that the toy's negative associations with dog excrement would harm Jack



Daniel's reputation (dilution). The U.S. Court of Appeals for the Ninth Circuit reversed, ruling for VIP on dilution and sending the case back to the trial court to apply the *Rogers* test to the infringement claim. The test, named for the case in which it was created, is designed to protect First Amendment interests in expressive works in a trademark context.

Parody is exempt from trademark
infringement only if not
used to designate source.

The trial court found that Jack Daniel's couldn't satisfy the test and granted pre-trial judgment to VIP on infringement. After the appeals court affirmed, Jack Daniel's appealed to the Supreme Court on both the infringement and dilution claims.

CHEWING IT OVER

Under the *Rogers* test, when a trademark is used in an "expressive work," it's not infringement unless the challenged use of the mark 1) has no artistic relevance to the underlying work, or 2) explicitly misleads as to the source of the content of the work. The Supreme Court considered whether Jack Daniel's should have had to satisfy this "threshold" test to proceed with its infringement case.

The Court found that the test applies only in "nontrademark" cases where the defendant hasn't used the mark to identify the source of its goods. It held that the test doesn't apply where, as here, an alleged infringer uses another's trademark as a designation of source for its own goods. "When a mark is used as a mark," the high court said, the likelihood-of-confusion inquiry is sufficient to account for the First Amendment interest in free expression.

Notably, the Supreme Court acknowledged that VIP also uses the marks to parody Jack Daniel's. This type of message is relevant when assessing confusion because consumers are less likely to think that the maker of a mocked product is itself doing the mocking.

But the Court rejected the Ninth Circuit's "expansive view" of the "noncommercial use" exception to dilution liability as exempting every parody or humorous commentary. Rather, it said, parody is exempt only if not used to designate source.

PAWS FOR THOUGHT

The Court stressed that its ruling in this case was narrow. It didn't determine whether the *Rogers* test is ever appropriate or how far the noncommercial use exclusion goes. As the concurrence notes, such questions remain for resolution another day. □

Too many cooks in the kitchen: Who's an inventor?

Identifying an inventor on a patent application can be a complex analysis. A recent ruling from the U.S. Court of Appeals for the Federal Circuit sheds light on the degree of contribution required to qualify as an inventor.

HOGGING THE CREDIT

Hormel Foods Corporation owns a patent for methods of precooking bacon and meat. The first claimed step involves preheating with a microwave oven, infrared oven or hot air. The second claimed step recites high-temperature cooking.

Before Hormel filed its patent application, it entered into a joint agreement with Unitherm, now HIP Inc., to develop an oven for use in a two-step cooking process. During a joint meeting, a Unitherm employee suggested using an infrared oven during the first step. When Hormel filed its patent application, the Unitherm employee wasn't named as an inventor. Using infrared heating during the first step is recited in an independent claim, as one of several alternatives that also include using a microwave oven and hot air.

HIP sued Hormel, alleging that its employee was the sole or joint inventor. The trial court found the employee was a joint inventor because infrared preheating was recited in a claim. Hormel appealed.

COURT SAVES THE BACON

Applying the *Pannu* factors, a person is an inventor if:

1. They contribute in some significant manner to the conception of the invention,
2. Their contribution to the claimed invention isn't insignificant in quality when measured against the full invention, and



3. They did more than merely explain to the real inventors well-known concepts and/or the current state of the art.

Here, the Federal Circuit focused its analysis on the second factor and found that the contribution of preheating meat with an infrared oven was “insignificant in quality” to the claimed invention. The court noted that preheating with microwave ovens and ovens themselves was featured “prominently throughout the specification, claims, and figures,” including the background and detailed description. Infrared heating, however, wasn't nearly as emphasized. Five cooking examples, along with corresponding figures, each employed procedures using preheating with a microwave, but not once with an infrared oven. In fact, infrared preheating was mentioned once in the specification, as an alternative to a microwave oven. The employee was deemed not to be an inventor because the contribution of preheating with an infrared oven is “‘insignificant in quality’ when ‘measured against the dimension of the full invention,’ which squarely focuses on a preheating step using a microwave oven.”

A RECIPE WORTH NOTING

Thus, the court found that HIP failed to establish the second factor for joint inventorship, and didn't address the remaining factors. This finding provides guidance for inventors and drafters for separating the wheat (the inventors) from the chaff. □

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Cantor Colburn LLP

www.cantorcolburn.com

Hartford, CT
860.286.2929

Atlanta, GA
404.607.9991

Washington, D.C.
703.236.4500

Houston, TX
713.266.1130

Detroit, MI
248.524.2300