Who Owns the Intellectual Property?

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This paper covers some developing—or important, or obscure, or just interesting—law surrounding the ownership of patent, copyright and trademark rights. Topics covered include the creation, transfer, and loss of rights and the related areas of standing and licensing, taken from decisions and court documents in appeals court, district court, bankruptcy court and Trademark Trial and Appeal Board cases. The goal is not to cover the big issues, like the AIA's first to file provision, but some less well-known aspects of intellectual property ownership.

I. Patent

There are two related patent ownership questions that frequently arise—whether the chain of title is complete, and whether the rights owned are sufficiently exclusive that the owner has standing to bring a patent infringement suit. Chain of title issues are a challenge that no rights were transferred because there is a missing document, or a question about whether the document accomplishes what a party purports that it does. Standing questions arise when a transfer of some kind of rights was accomplished, but the scope of rights need to be characterized. These two areas are covered below.

A. Assignment

In the United States, a patent first belongs to the inventor. Unless the inventor is self-employed, standard practice is that the inventor assign any patent rights to the employer. The employer-owner may then further assign, and on and on. This chain of assignments, sometimes quite complicated and lengthy, can go wrong in many ways. Therefore, the first step in any patent litigation is to dig through the assignment documents to figure out whether the plaintiff owns the necessary rights in the patent.

i. Language of Assignment

The Supreme Court decision in *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.* addressed whether the Bayh-Dole Act altered the rules of patent ownership when the invention is federally funded. It didn't. What is also important in the case is its discussion of the language used for two dueling assignment agreements, both made before the invention came into existence. In the first agreement, the language was:

> "I *agree to assign* ... to Stanford ... that right, title and interest in and to ... such inventions as required by Contracts and Grants."

(Emphasis added.) The second agreement said:

> "I will assign *and do hereby assign* to [Roche], my right, title, and interest in" relevant "ideas" and "inventions."

(Emphasis and brackets added.)

The Federal Circuit held that the latter was an automatic assignment but the former required action by the inventor before the assignment would be effective. The dissent by Justice Breyer, joined by Justices Ginsburg and Sotomayor, noted that at the time that the inventor entered into both of these agreements, the law was that the present assignment of future inventions could only convey equitable, but not legal, title. It was only afterwards, in 1991, that the Federal Circuit decided *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F. 2d 1568 (1991) establishing the current jurisprudence. Had the Court followed the rule as it existed at the time the assignments were signed, which was the intent of Stanford, the invention would have belonged to Stanford, not defendant Roche.

Board of Trustees of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., No. 09-1159 (June 6, 2011).

ii. Lack of Assignment from Inventor

Defendant Mark Shkolnikov was a former employee of plaintiff The Informatics Applications Group ("TIAG"). While there he filed some patent applications listing himself as the sole inventor. TIAG filed suit for correction of inventorship, claiming that another employee, Fred Goeringer, was a co-inventor and also raising some state law claims. The correction of inventorship was the sole claim supporting federal jurisdiction. In the original complaint, Goeringer was not a party and TIAG failed to allege that it owned any patent rights that originally accrued to Goeringer—TIAG had no patent assignment from him. The court dismissed the Complaint without prejudice but with leave to file an amended complaint. TIAG then obtained an assignment agreement from Goeringer and filed an Amended Complaint. The court found that TIAG now had standing.

The defendant then challenged the Complaint on the basis that adding Goeringer as an inventor would make the patent unenforceable because the patent was subject to a terminal disclaimer. Adding Goeringer would destroy common ownership with the co-terminus patent, thus making the subject patent unenforceable. However, a court can correct inventorship of an unenforceable patent, plus it wasn't entirely clear at this point whether the terminal disclaimer was needed for the patent, so the motion to dismiss was denied.

Informatics Applications Group, Inc. v. Shkolnikov, No. 1:11cv726 (JCC/JFA) (E.D. Va. Dec. 27, 2011).
Informatics Applications Group, Inc. v. Shkolnikov, No. 1:11cv726 (JCC/JFA) (E.D. Va. Oct. 11, 2011).

iii. Additional cases

- *Dow Chem. Co. v. Nova Chems. Corp. (Canada)*, No. 2010–1526 (Fed. Cir. Jan. 24, 2012) (nonprecedential) (analyzing assignment language in agreement).
- *Gellman v. Telular Corp.*, No. 2011-1196 (Fed. Cir. Nov. 30, 2011) (agreement's language that inventions "shall be and remain the exclusive property" of his employer was only a duty to assign that, if not perfected, gave employer only beneficial ownership in patent).

- *Park B. Smith, Inc. v. CHF Indus. Inc.*, No. 06 Civ. 869 (LMM) (S.D.N.Y. July 12, 2011) (face of patent and assignment documents stated different owners within the corporate family, but substitution of party was allowed under Fed .R. Civ. P. 17(a)(3) because it was a mistake).
- *Oleksy v. General Elec. Co.*, No. 06 C 1245 (N.D. Ill. May 23, 2011) (since shop right is an equitable remedy, it is inapplicable if there is an assignment document).

B. Standing

One has to own sufficient rights in the patent at the time that suit is filed in order to have standing. It seems a fairly simple concept that comes up surprisingly often because of the complexity of modern corporations. The timing of the needed assignment and the types of rights transferred are the problem areas for plaintiffs.

i. Timing

a) Timing of a Complex, Multi-Stage Transaction—*Abraxis Bioscience, Inc. v. Navinta, LLC*

An en banc Federal Circuit decided a significant case involving the timing of an assignment in a complex intra-company transfer of a business. In *Abraxis Bioscience, Inc. v. Navinta, LLC*, there was a complex transaction between seller "AZ-UK" and purchaser Abraxis that also involved patents owned by two of AZ-UK's family members. The transaction included an Asset Purchase Agreement and an Intellectual Property Assignment Agreement. The APA said:

> [AZ-UK] shall, or shall cause one or more of its Affiliates to, Transfer to the Purchaser, and the Purchaser shall purchase and accept from the Seller or its Affiliates, as applicable, all of the right, title and interests of the Seller and its Affiliates in and to ... all Transferred Patent Rights.

The IP Assignment Agreement said:

> [The] provisions of this instrument are subject to the terms and conditions of the [Asset] Purchase Agreement.... [Seller] hereby sells, assigns, conveys and transfers to Buyer ... all of Seller's right, title and interest [in the three patents in suit, and others].
>
> ….
>
> Further Assurances. [AZ-UK will] do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, any and all further acts, conveyances, transfers, assignments, and assurances as necessary to grant, sell, convey, assign, transfer, set over to or vest in Buyer any of the Transferred Intellectual Property.

Documents assigning the patents-in-suit from the family members to plaintiff AZ-UK were executed the same day the lawsuit was filed, stating that the assignments were pursuant to the APA. Several months into the suit, AZ-UK executed another document purporting to confirm the ultimate assignment of the patents to Abraxis.

The panel, as well as the court en banc, held that the law of the Federal Circuit on patent assignment preempts state law and that, under Federal Circuit law, Abraxis did not have ownership of the patents at the time suit was filed and therefore did not have standing. A scathing dissent instead would have held that, as the parties expected, the law of the choice of law provision of the agreement, New York, should have been applied and under New York law Abraxis would have had standing:

> The consequences of this decision are not slight. This creation of a new body of law to govern transfers of patent rights—one applicable in this Circuit only—will disrupt substantial expectations with respect to the ownership of existing patents and impose unnecessary burdens on future transfers thereof. Parties may now be barred from pursuing claims for infringement of patents they indisputably own under state law, and choice of law provisions in large-scale asset purchase agreements such as that at issue here will become meaningless where patents are involved.

Abraxis Bioscience, Inc. v. Navinta, LLC, No. 2009-1539 (Fed. Cir. Mar. 21, 2011) (denying rehearing and rehearing en banc).
Abraxis Bioscience, Inc. v. Navinta LLC, No. 2009-1539 (Fed. Cir. Nov. 9, 2010).
Abraxis Bioscience, Inc. v. Navinta LLC, No. 07-CV-1251 (D.N.J. March 3, 2009).

b) <u>“Nunc Pro Tunc”</u>

A “Nunc pro tunc” assignment is an assignment that comes into existence later in time than the effective date of the transfer. Note, though, there is a difference between the date that the transfer is effective—the date as stated in the agreement—and the date that one has Article III standing to assert the rights in the assigned property, which will arise when the document is actually executed:

> As a general matter, parties should possess rights before seeking to have them vindicated in court. Allowing a subsequent assignment to automatically cure a standing defect would unjustifiably expand the number of people who are statutorily authorized to sue.

Epic Sporting Goods, Inc. v. Fungoman LLC, No. 09-1981 (W.D. La. Feb. 10, 2011).

c) <u>Additional cases</u>

- *Enovsys LLC v. Nextel Communications, Inc.*, No. 09-1167 (Fed. Cir. Aug. 3, 2010) (divorce court’s adjudication in “quickie” divorce that there was no community property, when in fact the husband had patent applications, was entitled to Full Faith and Credit; plaintiff had standing).
- *LG Display Co., Ltd. v. AU Optronics Corp.*, Nos. 06-726-JJF, 07-357-JJF (D. Del. Feb. 16, 2010) (assignment of future patents).

ii. Type of rights transferred

United States patent jurisprudence recognizes three types of ownership rights in patents: full ownership, exclusive license, and non-exclusive license. An owner of a patent has the right to sue, an exclusive licensee can sue if the patent owner is joined, and the non-exclusive licensee cannot sue at all. Deciding what rights were received, and whether the rights were sufficient to provide the plaintiff with standing, is rarely clear-cut.

a) Ownership vs. exclusive licensee

Here is a Federal Circuit primer on how to decide whether one is the owner or exclusive licensee:

> A patent “is, in effect, a bundle of rights which may be divided and assigned, or retained in whole or part.” *Vaupel Textilmaschinen*, 944 F.2d at 875. Thus, although all the various rights available under the patent are initially held by the named inventor or inventors, they may, as a result of licensing agreements and assignments, become separated and be held by multiple individuals. When a sufficiently large portion of this bundle of rights is held by one individual, we refer to that individual as the owner of the patent, and that individual is permitted to sue for infringement in his own name.

Here are the sticks in the bundle:

> Of course, [1] transfer of the exclusive right to make, use, and sell products or services under the patent is vitally important to an assignment. We have also examined [2] the scope of the licensee’s right to sublicense, [3] the nature of license provisions regarding the reversion of rights to the licensor following breaches of the license agreement, [4] the right of the licensor to receive a portion of the recovery in infringement suits brought by the licensee, [5] the duration of the license rights granted to the licensee, [6] the ability of the licensor to supervise and control the licensee’s activities, [7] the obligation of the licensor to continue paying patent maintenance fees, and [8] the nature of any limits on the licensee’s right to assign its interests in the patent. Frequently, though, [9] the nature and scope of the exclusive licensee’s purported right to bring suit, together with the nature and scope of any right to sue purportedly retained by the licensor, is the most important consideration. Where the licensor retains a right to sue accused infringers, that right often precludes a finding that all substantial rights were transferred to the licensee.... Under the prior decisions of this court, the nature and scope of the licensor’s retained right to sue accused infringers is the most important factor in determining whether an exclusive license transfers sufficient rights to render the licensee the owner of the patent.

(Brackets added.) *Alfred E. Mann Found. for Scientific Research v Cochlear Corp.*, No. 2009-1447 (Fed. Cir. May 14, 2010).

b) Exclusive licensee vs. non-exclusive licensee

Federal Circuit law on whether one is an exclusive licensee with standing or instead a non-exclusive licensee recently became a lot easier to understand and is probably more generous. This is now the test:

> If the accused neither possesses nor can obtain [a license to practice the patent], the exclusive licensee's exclusionary rights with respect to that accused party are violated by any acts of infringement that such party is alleged to have committed, and the injury predicate to constitutional standing is met.

In *WiAV Solutions LLC v. Motorola, Inc.* plaintiff WiAV Solutions had taken its license subject to earlier license grants, but all the earlier grants were either outside of WiAV Solutions Field of Use, without the right to sublicense, or the right to sublicense was only to affiliates. The defendant didn't fall into any of these categories. The court recognized that a licensee perhaps could not sue someone with preexisting rights or one that could obtain a license, but that doesn't mean that it is unable to sue at all.

WiAV Solutions LLC v. Motorola, Inc., No. 2010-1266 (Fed. Cir. Dec. 22, 2010).

c) "Beneficial" ownership

In August, 2011 the Eastern District of Virginia held in *Pfizer, Inc. v. Teva Pharmaceuticals USA, Inc.* that a "beneficial" owner of a patent had standing without identifying exactly what category of recognized patent owner it falls into. The Federal Circuit found otherwise, though, in *Gellman v. Telular Corp.*

In *Gellman*, there were two inventors, both deceased. The trust of one of the patentees sued and was challenged that it did not own the entire patent. The trust claimed that it did, because the second inventor had been an employee of the first. However, even assuming this was true, there was no transfer of the legal title to the patent and the joint inventor/employer was, at best, only a beneficial owner of the patent. Since it was not the legal owner, the trust did not have standing to sue.

Gellman v. Telular Corp., No. 2011-1196 (Fed. Cir. Nov. 30, 2011).
Pfizer, Inc. v. Teva Pharm. USA, Inc., Civ. No. 2:10cv128 (E.D. Va. Aug. 12, 2011).

II. Copyright

Copyright is rife with ownership issues. Like patents, copyrights also can have chain of title and scope of license problems. The commissioning of works leads to claims, when a dispute arises, that the commissioning party must have *some* kind of ownership. Often you will see work made for hire, joint ownership, and implied license theories all in the same case. We are also now starting to see authors exercising the right, unique to copyright law, that allow for the termination of assignments and exclusive licenses regardless of the termination provisions in the agreement. These areas are all discussed below.

A. Ownership

"Ownership" in this section refers, not to whether a work is copyrightable, but rather who has title to a copyrightable work. First is the question of whether a claim of ownership is a claim that arises under state contract law or federal copyright law, followed by a review of cases interpreting transactions involving copyrights.

i. Jurisdiction over ownership disputes

Does the question of ownership arise under the federal law or state law? It depends on whether the ownership is based on authorship or contract. *Severe Records, LLC v. Rich* out of the Sixth Circuit tells us that a question of authorship is one of federal law under the Copyright Act, while ownership as a result of a transaction is a question of state law:

> Not all claims of co-ownership will arise under the Copyright Act.... For example, at times, whether there is co-ownership may be determined by the terms of a contract governed by state law or through other ownership interests governed by state law and thus not require application of the Copyright Act.

However, a question of authorship, rather than ownership, does arise under the Copyright Act:

> In other cases, such as where co-ownership results from purported statutory co-authorship, the question of co-ownership is governed by the Copyright Act.

In the case of *Severe Records*, the issue was whether the quality of the plaintiff's and defendant's contribution to the whole created a joint authorship. Since that is a question of authorship, it was a federal question and the district court's dismissal of the claim for lack of jurisdiction was reversed.

Severe Records, LLC v. Rich, No. 09-6175 (6th Cir. Sep. 23, 2011).

ii. Transfer of Ownership

Like patent, the scope of the rights granted, including whether it was an assignment or a license, and the sufficiency of the documentation, is frequent subject matter in copyright lawsuits.

a) Perfecting an assignment—or is it a work made for hire agreement?

Under Section 204 of the Copyright Act, an assignment of a copyright must be in a writing signed by the owner of the rights conveyed. The 11th Circuit ratified that an email exchange—two emails—can serve as the writing.

In *Vergara Hermosilla v. The Coca-Cola Company*, plaintiff Rafael Vergara Hermosilla was hired by phone to translate some song lyrics in short order and he completed the work before there was a formal contract. Then there was a dispute about the terms of the contract. Here is the sequence of emails, first from plaintiff Vergara:

> But because I am a man of my word and honor, that is not moved by economic motives, my only request is that my credits are respected as producer and adapter of the Spanish version (that every time the name of any composer of this version appears, my name appears as adapter), and obviously, the credits for the production that are detailed in the invoice sent for this production, which I have detailed below.
>
> For the adaptation, you may consider it a work for hire with no economic compensation to that respect. I believe what's legal is a dollar.
>
> I hope that this leaves clear what my work was and what my good intentions were from the beginning.

This was the response by Coca-Cola's agent:

> You can count on the credits on the track.

The agent for Coca-Cola then sent a draft agreement that didn't provide for credit to Vergara, who responded:

> I appreciate your sending me the contracts. However, my proposal was clear and it was just that, a proposal, since you requested my help because you knew things had not been done right. My only request regarding said proposal was a series of things that are not included in what you sent me. Moreover, nothing of what I proposed to you is included in the contracts.
>
> I want you to know I'm very upset and rather dissapointed [sic], because my proposal was based more on our friendship than anything else, and what I got does not honor the agreements.
>
> Taking into account the above, I hereby inform you that the proposal of last Friday from which the contracts would supposedly derive is revoked as of now and without effect.

Vergara then sued.

The case is interesting because on preliminary injunction the issue was whether the lyrics were a work made for hire. The court held that since Vergara was not an employee, there must be a writing signed by both parties agreeing that the work was a work made for hire but there was no such writing (there was no discussion of which of the enumerated categories the work might fit into). Still in the district court, there was an about-face on a motion for summary judgment, where the court held that the above exchange was an assignment. The Court of Appeals for the Eleventh Circuit affirmed:

> Vergara stated in his email on March 4, 2009, that his "only demand" to assign his copyright interest was that he receive credit as the adapter and producer. Puig [A representative for Coca-Cola] "unconditionally accepted" that condition in his email on March 5, 2009, in which he told Vergara to "count on the credits on the track." Puig's acceptance on behalf of Universal was effective to create a contract with Vergara because it

> "match[ed] the terms of [his] offer." The two emails were "so connected with each other that they may be fairly said to constitute a complete contract."

Adding insult to injury, Vergara also had to pay attorneys' fees.

Vergara Hermosilla v. The Coca-Cola Co., No. 11-11317 (11th Cir. Nov. 3, 2011).
Vergara Hermosilla v. The Coca-Cola Co., No. 10-21418 (S.D. Fla. Feb. 23, 2011).
Vergara Hermosilla v. The Coca-Cola Co., No. 10-21418 (S.D. Fla. June 2, 2010).

b) Assignment or license

Rex Woodard wrote an authorized biography of Four Seasons band member Tommy DeVito. After the court determined that DeVito was a joint owner of the copyright in the book, the court examined whether DeVito had subsequently assigned his share of the copyright in the book or instead only licensed it to the producers of the Broadway show "The Jersey Boys." The operative language was this:

> In consideration of the foregoing payments, you grant to us the exclusive right to use and incorporate the Materials in one or more theatrical productions, and any and all ancillary and subsidiary exploitations thereof including, without limitation, cast albums, motion picture and televised versions, merchandise and/or other works.... You hereby consent to any such use and agree that the Works may be exploited throughout the world in all media now existing and later devised, and you further acknowledge that you shall not receive any compensation for the use of the Materials or in connection with any of the Works other than the compensation expressly set forth herein. The rights granted by you to us hereunder shall continue in perpetuity if the rights in the Play have merged with each other pursuant to the production contract between us and the initial commercial producer.
>
> ....
>
> The rights granted to us herein are irrevocable and not subject to rescission or injunction under any circumstances.

The court found this was language of assignment, but there was one problem—the book wasn't clearly enough identified as part of the "Materials," so there was no intent to assign the copyright in the book.

Corbello v. DeVito, Civ. No. 2:08-cv-00867 (D. Nev. Oct. 27, 2011).

c) Validity of Assignment—Righthaven vs. Everyone

Everyone is familiar with Righthaven's business model of supposedly acquiring the copyright in individual newspaper articles and suing unsuspecting bloggers for copyright infringement. The scheme has been a spectacular failure, with courts bending over backwards to find that Righthaven was wrong. As one commenter said, "I hope they do keep Righthaven going. The more cases that Righthaven screws up, the more well established fair use defenses will get in case law." http://www.techdirt.com/articles/20111118/11374416816/riaa-thinking-backing-righthaven.shtml#c67. As of today, Righthaven assets are being seized and its domain name was auctioned off to an owner who says on the page "Righthaven.com will provide shared and dedicated server hosting services to clients who expect just a little more backbone from their provider."

A number of decisions have now held that the assignment documents by which Righthaven acquired its ownership in the individual articles were inadequate. Under copyright law, one cannot assign a mere cause of action, but rather one must have ownership of the rights on which the cause of action is based in order to have standing. There have been three attempts to make it work, two of which have been interpreted by the court: the original "Strategic Alliance Agreement" (available at http://www.scribd.com/doc/53175589/Strategic-Alliance-Agreement-Between-Righthaven-and-Stephens-Media) and an amendment to it (http://www.scribd.com/doc/80492549/Clarification-and-Amendment-to-SAA).

In the original agreement, after stating that Stephens Media (the owner of Denver Post and the Las Vegas Review-Journal) would assign Righthaven individual copyrights, this was carved out:

> 7.2 Despite any such Copyright Assignment, Stephens Media shall retain (and is hereby granted by Right*haven* [sic]) an exclusive license to Exploit the Stephens Media Assigned Copyrights for any lawful purpose whatsoever and Right*haven* shall have no right or license to Exploit or participate in the receipt of royalties from the Exploitation of the Stephens Media Assigned Copyrights other than the right to proceeds in association with a Recovery. To the extent that Right*haven*'s maintenance of rights to pursue infringers of the Stephens Media Assigned Copyrights in any manner would be deemed to diminish Stephens Media's right to Exploit the Stephens Media Assigned Copyrights, Right*haven* hereby grants an exclusive license to Stephens Media to the greatest extent permitted by law so that Stephens Media shall have unfettered and exclusive ability to Exploit the Stephens Media Assigned Copyrights....

The court found that this language negated any supposed assignment:

> The plain and simple effect of this section was to prevent Righthaven from obtaining, having, or otherwise exercising any right other than the mere right to sue as Stephens Media retained all other rights. Even Righthaven's right to sue is not absolute. The SAA gives Stephens Media the right to prevent Righthaven from suing an alleged copyright infringer for various specific reasons, including that the lawsuit might "result in an adverse result to Stephens Media." (*Id.*, Section 3.3.) Other sections also give Stephens Media a right to reversion and other rights which, collectively, destroy Righthaven's supposed rights in the Work.

Righthaven LLC v. Democratic Underground, LLC, No. 2:10-cv-01356-RLH-GWF (D. Nev. June 14, 2011). Other courts have also held that the original Strategic Alliance Agreement did not assign the copyrights: *Righthaven LLC v. Hoehn*, No. 2:11-CV-0050-PMP-RJJ (D. Nev. June 20, 2011); *Righthaven v. DiBiase*; *Righthaven v. Kelleher*; *Righthaven v. NewsBlaze LLC*; *Righthaven v. Newman*; *Righthaven v. Barham* and *Righthaven v. Eiser*.

Righthaven attempted to salvage its agreement by inserting this new paragraph 7.2:

> Automatically upon execution of a Copyright Assignment, Stephens Media is granted a non-exclusive license to Exploit the Stephens Media Assigned Copyright to the greatest extent permitted by law in consideration for the payment in the amount of One Dollar and Zero Cents ($1.00) per year to Righthaven as a license or royalty for each Stephens Media Assigned Copyright as consideration for the license granted herein (the "License Fee"). Any License Fee required under this Amendment and revised Section 7.2 shall be retroactive to the Effective Date. In the event that Righthaven decides to Exploit or participate in the receipt of royalties from the Exploitation of a Stephens Media Assigned Copyright other than in association with a Recovery, Righthaven shall give Stephens Media 30 days prior written notice. The parties acknowledge that failure to provide such notice would be a material breach of this Agreement and would cause Stephens Media irreparable harm, remediable through injunctive relief, which Righthaven and those asserting rights obtained from it shall have no right to oppose.

http://www.scribd.com/doc/80492549/Clarification-and-Amendment-to-SAA. After finding that the original agreement wasn't adequate, the *Hoehn* court also opined on the amendment:

> The May 9, 2011 Clarification provides Righthaven with only an illusory right to exploit or profit from the Work, requiring 30 days advance notice to Stephens Media before being able to exploit the Work for any purpose other than bringing an infringement action. Stephens Media has, in its sole discretion, the option to repurchase the Copyright Assignment for a nominal amount within 14 days, thereby retaining the ability to prevent Righthaven from ever exploiting or reproducing the Work. Stephens Media's power to prevent Righthaven from exploiting the Work for any purpose other than pursuing infringement actions is further bolstered by the Clarification's provision that every exploitation of the Work by Righthaven other than pursuing an infringement action without first giving Stephens Media notice constitutes irreparable harm to Stephens Media. Stephens Media may obtain injunctive relief against Righthaven to prevent such "irreparable harm" and, pursuant to the Clarification, Righthaven has no right to oppose Stephens Media's request for injunctive relief. Accordingly, Righthaven does not have any exclusive rights in the Work and thus does not have standing to bring an infringement action.

Righthaven LLC v. Hoehn, No. 2:11-CV-0050-PMP-RJJ (D. Nev. June 20, 2011).

The lesson of the *Righthaven* cases is simply don't be greedy. Had it been less obvious that this was just a flat-out extortion scheme, the repaired assignment provision might not have been so easily dismissed. Stephens Media gets a non-exclusive license-back of the copyright in order to "exploit" it. This exploitation, however, cannot include the right to sue because a non-exclusive owner of a copyright does not have standing. It also doesn't appear to grant Stephens the right to sublicense the work, so Stephens Media is limited to reproducing, distributing, displaying and creating derivative works itself only, and Righthaven retains the right to otherwise license the works, a significant indicia of ownership. According to the court Righthaven has to give Stephens Media 30 days' notice for its non-litigation use of the copyrighted materials (for example, if Righthaven were to reproduce the work or grant a license outside of settlement of litigation), and Stephens Media has the right to buy back the copyright on short notice, but, if there were legitimate business justifications given for these fairly minor burdens, a more sympathetic court might agree this was an assignment. But Righthaven was in the copyright trolling business, so no latitude was given (or deserved).

Since then, the agreement has been amended in an "Amended and Restated Strategic Alliance Agreement" (available at http://randazza.files.wordpress.com/2011/07/rh-amended-and-restated-strategic-alliance-agreement.pdf). Section 7.2 was amended to now state:

> Upon execution of a Copyright Assignment, Righthaven hereby agrees to grant Stephens Media without further documentation a non-exclusive license to exploit the Stephens Media Assigned Copyright. The non-exclusive license granted to Stephens Media shall not include any exclusive rights in the Stephens Media Assigned Copyright, including, without limitation, the right to pursue and Infringement Action.

This was filed in *Righthaven LLC v. Smith*, 2:10-cv-01031-LRH -VCF (D. Nev.), but this version has not been construed and it is unlikely it will be. The courts have universally held that, because the facts of the case are fixed at the time of filing, subsequent amendments to the original agreement are not operative. Given Righthaven's present condition, it does not look we will ever find out whether this language did the trick, as no new suits have been filed since this amendment.

d) Transfer by operation of law

Change of ownership is not necessarily by assignment; it can also be the result of the operation of law such as inheritance, bankruptcy or divorce, as plaintiff Dale Kunkel learned the hard way. First he created copyrightable works, then went through a bankruptcy but didn't schedule the works. He filed the copyright applications after the bankruptcy closed and sued. His first suit was dismissed because, since the copyrights were unscheduled, they were still the property of the estate. He reopened the bankruptcy and gained ownership of the copyrights, then sued again. This was strike out number two; the applications had been filed in Kunkel's name at a time when the bankruptcy estate was the owner of the properties so they were invalid and the case was dismissed again.

Kunkel v. Jasin, No. 10-4268 (3d Cir. Mar. 29, 2011) (unpublished).
Kunkel v. Jasin, No. 5:09-cv-00371-WD (E.D. Pa. Sept. 7, 2010).

e) Additional cases

- *Corbello v. DeVito*, Civ. No. 2:08-cv-00867 (D. Nev. Oct. 27, 2011) (interpreting letter to determine whether it was assignment of copyright or only assignment of royalties).

B. Licensing

Types and the scope of copyright licenses are the subject of a number of cases. As mentioned above, often a defendant who commissioned a work will claim a license if a claim of ownership or authorship fails. Most interesting, however, are efforts to limit a Ninth Circuit case that significantly impaired the rights of joint owners.

i. License granted by joint owner

Corbello v. DeVito, discussed above in the context of assignment, dealt with another thorny problem, which is what kind of license a joint owner of a copyright can grant. *Sybersound Records, Inc. v. UAV Corp.*, a 2008 decision from the Ninth Circuit, held that the transfer of an interest by one joint owner of a copyright could only be a non-exclusive license, not an assignment or exclusive license. In *Corbello*, defendant DeVito was a joint owner with plaintiff Corbello but had purportedly granted an exclusive license. Corbello sought a declaratory judgment that, under *Sybersound*, the license could not have been exclusive.

The court examined what the 9th Circuit meant by the term "exclusive," deciding that the exclusivity is only as to the grantor of the right, not all the co-owners. Therefore, DeVito could have granted an exclusive license as to his own rights, but not to the exclusion of the plaintiff's right to exploit the copyright in the work, a situation for which the court coined the term "selectively exclusively license." The Corbello court rationalized the *Sybersound* court's decision as

> guilty at most of imprecise syntax or some minor equivocation, as opposed to outright copyright-law heresy.... Surely the Ninth Circuit will clarify that it meant something like this if given the chance, and perhaps it will have the chance in the present case.

Corbello v. DeVito, Civ. No. 2:08-cv-00867 (D. Nev. Oct. 27, 2011).

ii. <u>Additional cases</u>

- *Innovative Legal Mktg., LLC v. Market Masters-Legal*, No. 2:10cv580 (E.D. Va. Feb. 13, 2012) (consideration making implied non-exclusive copyright license irrevocable was mutual performance)
- *Brownmark Films, LLC v. Comedy Partners*, Civ. No. 10-CV-1013 (E.D. Wis. July 6, 2011) (distinguishing *Sybersound* and finding that assignee of two of the three joint owners had standing).
- *Nearstar, Inc. v. Waggoner*, No. 4:09cv218 (E.D. Tex. March 2, 2011) (stating standard for an implied, non-exclusive copyright license).

C. <u>Termination</u>

Termination of copyright grants before January 1, 1978 are governed by Section 304 of the Copyright Act and grants after January 1, 1978 are governed by Section 203 of the Copyright Act. Section 304 terminations are arising fairly frequently. The decisional law revolves around whether the work was a work made for hire, which has no grant that can be terminated, or an assignment, which can. Cases include:

- *Gary Friedrich Enter., LLC v. Marvel Enter., Inc.*, No. 08 Civ. 1533(KBF)(JCF) (S.D.N.Y. Dec. 28, 2011) (declining to decide whether the "Ghost Rider" character was a work made for hire and holding instead that Friedrich definitively conveyed by contract to Marvel all rights, including any renewal rights).
- *Marvel Worldwide, Inc. v. Kirby*, No. 10 Civ. 141(CM)(KNF) (S.D.N.Y. July 28, 2011) (holding that a number of Marvel Comics were works made for hire and the termination notice was ineffective).

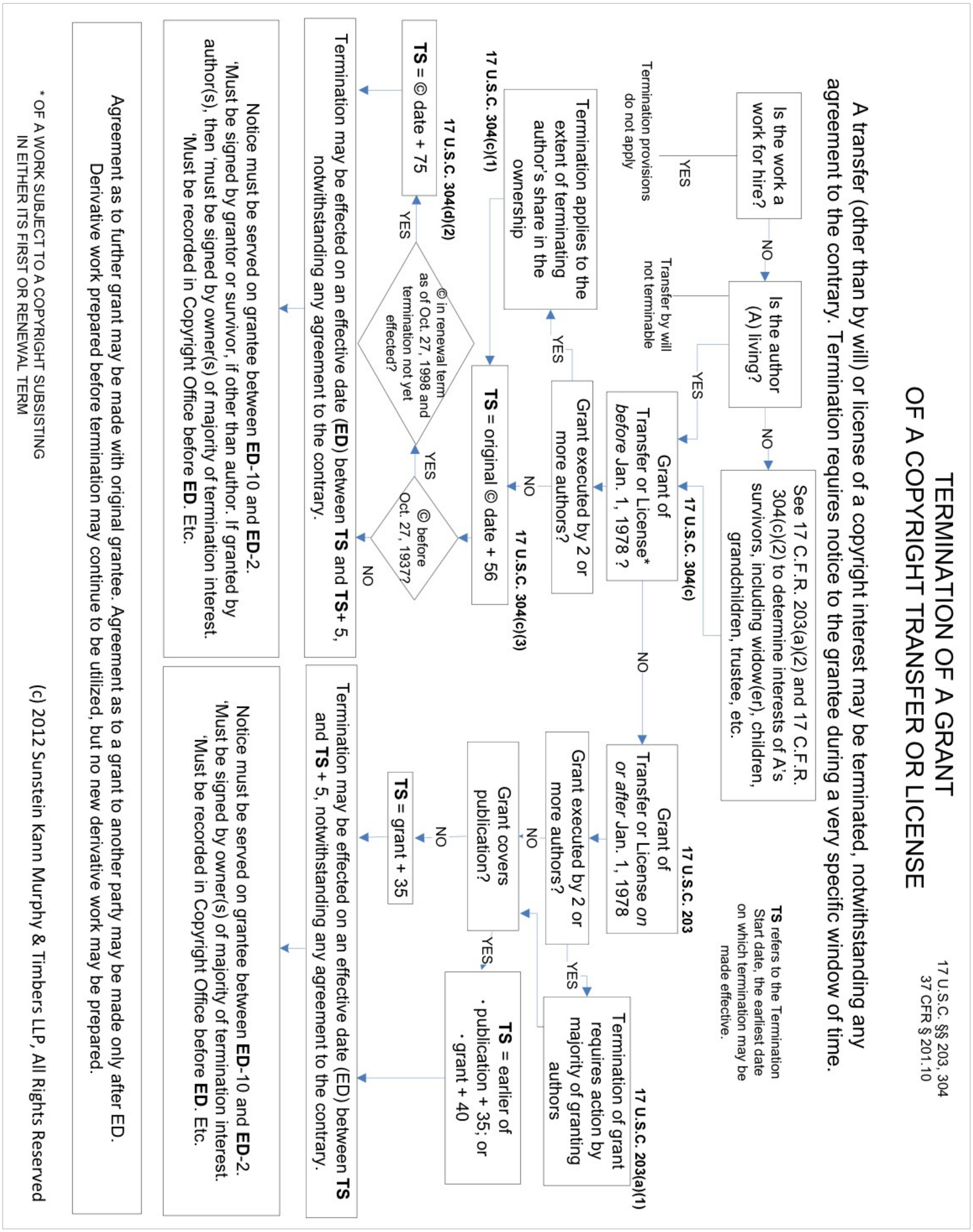
- *Siegel v. Warner Bros. Enter. Inc.*, No. CV-04-8400-SGL (RZx) (C.D. Calif. Oct. 30, 2009) (errors in termination notice harmless).
- *Siegel v. Warner Bros. Enter. Inc.*, No. CV-04-8400-SGL (RZx) (C.D. Calif. Aug. 12, 2009) (sorting out to which Superman works termination applies).
- *Siegel v. Warner Bros. Enter. Inc.*, 542 F. Supp.2d 1098 (C.D. Calif. 2008) (assignment was successfully terminated).
- *Fifty-Six Hope Road Music Ltd. v. UMG Recordings, Inc.*, No. 08 CIV. 6143(DLC) (S.D.N.Y. Sept. 10, 2010) (Bob Marley's musical works were works made for hire and widow did not have copyright renewal rights).

Coming shortly, though, are the provisions that allow for termination of copyright for works assigned after January 1, 1978. The assignment or exclusive license grant signed by the original author can be terminated starting 35 years after publication, which means the first terminations can occur January 1, 2013. The Notice of Termination has to be sent no less than two years before the effective date of recapture and recorded at the Copyright Office, that is, they could filed beginning on January 1, 2011.

The Village People have filed notice to terminate the grant in songs including the famous "YMCA" and as a result the publishers filed a declaratory judgment action that the work is a work made for hire. S*corpio Music S.A. v. Willis*, 3:11-cv-01557-BTM-RBB (S.D. Calif.) (complaint filed July 14, 2011), available at http://www.scribd.com/doc/70450839/ScorpioMusic-v-Willis).

Note that a number of the current disputes over whether a work was a work made for hire are under the "instance and expense" standard of law in the Copyright Act of 1909, a standard that was much more favorable to the hiring party. The argument that a work was a work made for hire is available for post-1978 works also, but it will be much harder to claim that a work was a work made for hire under the standard in the Copyright Act of 1976.

Here's a helpful chart from Sunstein Kann Murphy & Timbers LLP on determining whether termination is available under either provision of the Copyright Act:



Sunstein Kann Murphy & Timbers LLP Copyright Terminations Flow Chart
available at http://www.sunsteinlaw.com/media/2012_01%20Copyright_Chart.pdf

D. Standing

Like in patent law, only those with exclusive rights may bring suit. A claim for copyright infringement may only be brought by the "legal or beneficial owner of an exclusive right under a copyright." 17 U.S.C. § 501(b). How "exclusive" does the right have to be?

i. Exclusivity of license

The rights to software called "eDoc," used for collision claims management, were at issue. Defendant N'Site had a non-exclusive license to use the software internally and plaintiff HyperQuest ("HQ") had a license that allowed it to commercialize the software. HyperQuest thought that N'Site had exceeded the scope of its license and sued. HyperQuest's license had this provision regarding N'Site:

> Notwithstanding the foregoing, HQ acknowledges the eDoc Software is licensed ("License") to N'SITE Solutions, Inc. ("N'SITE"). HQ further acknowledges [software licensor] Safelite and N'SITE are presently negotiating the terms of a revised license ("Revised License") regarding N'SITE's use of the eDoc Software.... [I]n the event the Revised License is modified to include terms substantially different than the Revised License provided to HQ, Safelite will advise and include HQ in the determination of the final terms of the Revised License.

Critically, what this language didn't do was limit the license that Safelite might grant in the future to N'Site. Instead, Safelite only had to "advise and include" HyperQuest in the N'Site negotiation, but in reality Safelite could grant any license it wanted. It also didn't matter that ultimately Safelite never granted greater rights to N'Site; what mattered was the rights that HyperQuest had at the time of the grant because that was what shaped HyperQuest's license: "The agreement demonstrates that HyperQuest did not receive the degree of exclusivity in the realms of reproduction and distribution that it may have wanted." Hyperquest did not have standing to sue N'Site.

HyperQuest, Inc. v. N'Site Solutions, Inc., Nos. 08-2257, 08-3979, 08-4176 (7th Cir. Jan. 19, 2011).

E. Work made for hire

We normally see cases where an accused infringer is trying to claim that the work it is accused of infringing is actually a work made for hire, as with *Vergara Hermosilla v. The Coca-Cola Co.* discussed above; additional cases are below. It is also possible for employees to claim that a work, even if made in the scope of their employment, is not a work made for hire.

i. Agreement that employee may own copyright

Under 17 USC § 201(b), a work that would otherwise be a work made for hire can be owned by the employee if there is a written instrument "signed by them" expressly agreeing the employee may own it. In *VocalSpace, LLC v Lorenso*, employee Lorenso sent an email to his employer saying that he intended to develop projects outside his employment, but his employer never agreed to those terms. Since the work was in the scope of his employment, and he didn't have a writing signed by both parties, his employer retained ownership of the work.

VocalSpace, LLC v Lorenso, No. 4:09-cv-350 (E.D. Tex. March 7, 2011).

ii. Additional cases

- *Mattel Inc. v. MGA Entertainment, Inc.*, No. CV 04-09049-DOC (RNBx) (C.D. Calif. Aug. 21, 2011) (discussing verdict form that Mattel had not proven it owned the "idea" for the name "Bratz" or the "concept" for the dolls).
- *Mattel, Inc. v. MGA Entertainment Inc.*, No. 09-55673 (9th Cir. July 22, 2010) (jury instruction that "ideas" were assigned to the employer by an employment agreement, when the agreement used the term "inventions," was reversible error).
- *Mattel Inc. v. MGA Entertainment, Inc.*, No. CV 04-09049-DOC (RNBx) (C.D. Calif. July 17, 2008) (discussing verdict form finding that doll designer conceived of the idea while employed by Mattel).
-

F. Joint authorship

Joint ownership is a powerful right—it means that (in the absence of an agreement otherwise) the co-owners are free to distribute a work with only a duty of accounting, which means conversely that all co-owners are entitled to their share of any income that the other joint owners make. It is also a frequently used defense—a hiring party for a work will often claim that it contributed enough to the work that it can claim joint ownership, while the adverse party claims that it is the sole owner.

i. Corbello v. DeVito

The *Corbello v. DeVito* case discussed in several places above also demonstrates how a joint ownership claim plays out. As noted, Woodard (plaintiff Corbello's deceased husband) co-wrote a book with defendant DeVito about DeVito's life. Corbello and DeVito both claimed to be sole owners of the work.

Woodard (incidentally, also a lawyer) had written a letter agreement that said: "I agreed to write your authorized biography based on the recorded interviews you gave me, plus any other relevant information which would benefit the book. You and I will be shown as co-authors, with you receiving first billing. I will do all of the actual writing, but you will have absolute and exclusive control over the final text of this book." the court remarked:

> If all DeVito did was contribute non-copyrightable historical facts, and Woodard supplied the entire quantum of copyrightable, creative material, it may be the case that DeVito is not

> a coauthor of the Work at all. If the Work were Woodard's alone under the law of copyright, the Letter Agreement would still constitute an assignment of 50% of Woodard's rights to receive profits from the Work, i.e., a partial assignment of royalties, but it would not appear to constitute a partial transfer of copyright. "[C]ontrol over the final text" may or may not have included creative editing as a factual matter.
>
> If DeVito had more than a de minimis role in creating the Work, then he is a coauthor. If he exercised his editing powers only to decide which facts should or should not be included in the book, it is possible he does not qualify as a coauthor.

However, the plaintiff conceded that DeVito was closely involved in editing the book and made non-de minimis edits, so the court held that DeVito was a co-author.

Then in an unusual posture, DeVito also claimed to be the sole owner of the copyright, characterizing Woodard as merely a "scribe." The court had none of this:

> Although DeVito attempts to characterize Woodard's contribution as that of a scribe and not an author, it is clear from a comparison of the Work to the 1988 Interview transcripts Plaintiff adduces that Woodard was more than a scribe. The 1988 Interviews are in question-and-answer format, not prose, as is the Work. DeVito admitted at his deposition that the reason he needed Woodard (or someone) was because he was not skilled enough to author the Work himself. He does not argue that his only impairment was poor penmanship, arthritis in his hands, or the inability to work a typewriter. He argues that his impairment was his lack of education. It is precisely the creative writing skill that DeVito admits he did not have that Woodard provided.

Corbello v. DeVito, Civ. No. 2:08-cv-00867 (D. Nev. Oct. 27, 2011).
Corbello v. DeVito, Civ. No. 2:08-cv-00867 (D. Nev. Jan. 31, 2012).

ii. Additional cases

- *BSN Medical, Inc. v. Parker Medical Assoc. LLC*, Civ. No. 3:09cv15 (W.D.N.C. Nov. 10, 2011) (defendant was not infringer because the contractor who created the alleged infringed work for the plaintiff was a joint author of it, so the derivative work she also created for defendant was not infringing).

III. Trademark

Trademark law is frequent fodder for ownership claims. Like patent and copyright, trademark also has chain of title, scope of license and standing issues. These can be more complicated to figure out than in patent and copyright cases because trademarks, particularly unregistered ones, often aren't recognized as a business asset so aren't discussed in transactional documents.

But trademark law also has a unique ownership aspect when compared to the two other traditional intellectual property disciplines: participants in a business don't realize that the name of their enterprise is a trademark and therefore don't consider the ownership of that property when establishing and running their business.

A. We're Just Running a Business Here

Claims of ownership of a trademark used by two parties arise quite frequently but, surprisingly, the doctrinal law is not well-developed except in the manufacturer-distributor relationship. As a result, the analysis is very unpredictable.

i. Naming Disputes Among Feuding Members of Extended Family Businesses, Aging Pop Bands, or Religious Organizations Riven by Theological Schism

The Trademark Trial and Appeal Board is the source of the title for this section of the materials, which will review some cases where there are multiple claimants to ownership of a name that was used jointly but where the parties later had a falling out. The TTAB described the situation this way in *100 Blacks in Law Enforcement Who Care, Inc. v. 100 Blacks in Law Enforcement Who Care*: "This case has similarities to earlier Board cases involving naming disputes among feuding members of extended family businesses, aging pop bands, or religious organizations riven by theological schisms. The common factor in all of these disputes involves at least two different factions having a common history and fighting over a single, long-shared mark."

a) Schism—*100 Blacks in Law Enforcement Who Care, Inc. v. 100 Blacks in Law Enforcement Who Care*

This is a prototypical case showing how ownership disputes often arise. 100 Blacks in Law Enforcement Who Care perked along as an unincorporated association for 15 years. Then there was a schism between two camps, one led by Noel Leader and one led by Marquez Claxton. Leader was a founder of the organization and Claxton joined about two years later. Both filed trademark applications, Leader's a state registration and Claxton's federal. Claxton's application claimed a first use date that predated his association with the organization and both parties submitted the same web page as evidence of their respective uses of the mark.

The Trademark Trial and Appeal Board decided Leader owned the mark:

> Without any other evidence corroborating Mr. Claxton's claims to first use as of 1993, applicant's involved application entitles it to claim [the application filing date of] December 4, 2008 as its priority date. Of course, this is more than a dozen years after the phrase 100 Blacks in Law Enforcement Who Care was adopted and first used. However, this shared history should not in any way create for applicant its own mark with its own first use date, i.e., ownership of this identical source indicator.

Claxton's claim wasn't entirely frivolous; he was a public spokesperson for the organization and perhaps was perceived as instrumental in its operations. Nevertheless, the TTAB decided the case on priority of membership of the two claimants, not who controlled the services or who was publicly associated with the organization. Contrast this with the Exposé case, discussed below, where public perception was the only thing that mattered, defeating even contractual agreement.

100 Blacks in Law Enforcement Who Care, Inc. v. 100 Blacks in Law Enforcement Who Care, Opp. No. 91190175 (T.T.A.B. April 12, 2011).

b) Informal Business Relationships—*Golden Temple of Oregon, LLC v. Wai Lana Productions*

"3HO" stood for "Healthy, Happy, Holy Organization" and was a loose association of people who wanted to lead a spiritual life as led by Yogi Bhajan. There were various business organizations in the community; most relevant was the Golden Temple Tea Company, a predecessor to plaintiff Golden Temple of Oregon, LLC ("GTO"). There were also Golden Temple restaurants, which weren't under common control with the tea company.

Ultimately GTO entered into a series of license agreements, the last in 2004 with a living trust for which Yogi Bhajan and his wife Bibiji were trustors. The parties agreed that the license was for the name, likeness and signature of Yogi Bhajan as marks, but disagreed about whether it was also a trademark license for the marks YOGI and YOGI TEA. Yogi Bhajan died shortly after the agreement was signed and his wife revoked the trust and became its successor. In 2008 GTO ceased using Yogi Bhajan's name and likeness and stopped paying royalties, but continued to use the YOGI TEA mark and introduced the YOGI brand for other goods.

The district court nailed what the problem is with these kinds of cases:

> While the parties agree that the phrase Yogi Tea originated with Yogi Bhajan, the close-knit relationships among the 3HO community entities make it difficult to identify traditional trademark milestones such as "adoption," "first use," "first use in interstate commerce," "consent," and "quality control," all of which are relevant to trademark ownership.

Nevertheless, the court found that the trust owned the marks YOGI and YOGI TEA essentially on the basis that the marks were strongly identified with Yogi Bhajan and that the trust received royalties from the tea. GTO didn't help its cause when it claimed that use of the Yogi Bhajan identity would infringe its trademark right in the word YOGI. Since GTO had agreed in a 2004 agreement that Yogi Bhajan owned the trademark rights in his name and likeness, to the extent that there was confusion between Yogi Bhajan and YOGI for tea Yogi Bhajan's successor-in-interest must own the trademark.

The decision is also notable for its discussion of how many trademark owners must be joined in an infringement action. It turns out that Bibiji's title wasn't clear; she either owned 100% of the mark or 50%, with two other potential claimants to the other 50%. The defendants moved for dismissal for failure to join a party. The court noted that

> when ownership of a trademark is the central issue in a case, the trademark owner is a necessary party. Parties do not cite, and I have yet to find, a case in which the trademark owner was not necessary in an action for infringement.

However, since it was unclear who owned 50% of the mark, the court couldn't decide whether the missing party, if any, could feasibly be joined or were indispensable.

Golden Temple of Oregon, LLC v. Wai Lana Productions, LLC, No. 03:09-CV-902-HZ (D. Or. Dec. 5, 2011).

c) Conveyance of a Trademark or Conveyance of a Business—*Lingo v. Lingo*

Lingo's Market was opened in Rehobath Beach in 1910 by the grandfather of the adversarial parties, a sister and a brother. After the grandfather, the parties' father operated the business until he died, then plaintiff Archie Lingo took over the business. Archie incorporated Archie's Market, Inc. and was its sole shareholder and officer. He leased the building from his mother and registered the trademark in his own name. His mom worked at the store but he didn't pay her, except when he was going through a divorce and wanted to reduce his income so his wife wouldn't get as much alimony. His mom died; neither his dad or mom's will devised the store or the trademark.

To settle the mom's estate, the chancery court ordered a sale of the property, where Archie's sister Dinah bought it. She put up a slightly different sign (the original sign had mysteriously disappeared—Archie said he took it down but then someone stole it) calling the store "The Original Lingo's Market." Archie sued for trademark infringement.

The district court held that Archie owned the trademark, essentially only because the trademark wasn't identified as an asset by either parent, the mother's will acknowledged that it was Archie who incorporated "Archie's Lingo Market," and Archie had registered the mark in his own name. Query whether the chancery court assumed that the name would go with the store and didn't consider it a separate asset.

Notably missing from the case was how Archie had standing. He didn't own the premises anymore, his sister did. There was an allegation in the complaint that Archie planned on opening another market, but no suggestion of how imminent that was. It appears there could not be a likelihood of confusion if Archie does not have a store, but Dinah will have to wait through a period long enough to prove abandonment to rename the original location "Lingo's Market."

Lingo v. Lingo, No. 10-624-SLR (D. Del. May 19, 2011).

d) Band Names—*Crystal Enter. & Filmworks, Inc. v. Jurado*

Band names are a unique subset of trademark ownership law and frequently disputed. The ownership question might involve interpreting agreements, or deciding whether the band was created by a manager and the musicians merely fulfilling the manager's vision (like Menudo, where the members constantly changed as they aged out) or one created by the individual members. There is also the question of consumer expectation—what do the fans think?

The members of the band Exposé managed to win ownership of the band name despite contracts to the contrary and the fact that the defendants weren't the original members. The band was originally started by Pantera Productions with three entirely different women but the band failed, so Pantera replaced them with the three defendants in the case (there was also a fourth member when one of the three left for health reasons). The three defendants' faces were on album covers.

The band disbanded in 1995 and the singers signed an agreement with Pantera absolving them of contractual obligations they had to Pantera. The agreement also ratified that Pantera had conceived of and owned the Exposé mark and that the singers would no longer have any right to use the mark.

In 2003 two of the performers licensed-back the trademark, acknowledging in the agreement that Pantera's successor, Crystal Entertainment, owned the mark. They only performed once before disbanding again.

Finally, in 2006 the three performers executed another royalty-bearing trademark license agreement with Crystal Entertainment in anticipation of a tour. In the agreement, the three acknowledged that Crystal Entertainment owned and controlled the Exposé mark. Crystal Entertainment didn't perform its obligations to assist in managing and promoting the tour. The band then wrote to Crystal Entertainment claiming ownership of the trademark and stopped paying royalties.

The court found that the first iteration of the band, without the current members, wasn't public enough to establish trademark rights in the name for Pantera. The court then followed the rule established in *Bell v. Streetwise Records, Ltd.*, 640 F. Supp. 575 (D. Mass. 1986):

> To determine ownership in a case of this kind, a court must first identify that quality or characteristic for which the group is known by the public. It then may proceed to the second step of the ownership inquiry, namely, who controls that quality or characteristic.

Under this standard, the court held that the band owned the name:

> The district court found that Crystal failed to prove that it had selected [the fourth replacement member], had exercised control over [the three regular performers] Jurado, Curless, and Bruno, or had taken any active role in scheduling any of the group's performances; Garcia [of Pantera] had conceded that he had been unable to put a different group together to perform as Exposé since 1986; the involvement of Crystal with Exposé was limited to collecting royalties from the sale of records; and the private agreements upon which Crystal relied disclosed nothing to the public to change this perception. The district court also found that Exposé had been consistently portrayed to the public as Jurado, Curless, and Bruno since 1986; they were the product denoted by the Exposé mark; they owned the goodwill associated with the mark; and a member of the public who purchased a ticket to an Exposé concert would clearly expect to see Jurado, Curless, and Bruno perform.

Three contracts stating that Crystal Entertainment or its predecessor owned the mark were defeated.

Crystal Enter. & Filmworks, Inc. v. Jurado, No. 10-11837 (11th Cir. June 21, 2011).
Crystal Enter. & Filmworks, Inc. v. Jurado, Civ. No. 07-cv-61748-WJZ (S.D. Fla.) (dismissed without prejudice).

ii. Additional cases

- *John C. Flood of Virginia, Inc. v. John C. Flood, Inc.*, No. 10-7098 (D.C. Cir. June 17, 2011); *John C. Flood of Virginia, Inc. v. John C. Flood, Inc.*, No. 06-1311 (RJL) (D.D.C. Mar. 31,

2010) (ownership of mark as between two companies claiming to be the successor to a single company that went bankrupt).

- *Paul Audio, Inc. v. Zhou*, Cancellation No. 92049924 (TTAB Dec. 7, 2011) (disputing ownership as between various shifting legal entities in different countries and discussing whether an individual could claim ownership of the mark as an alter ego of the company).
- *St. Denis Parish v. Diana Von Straten*, Cancellation No. 92051378 (TTAB Sept. 28, 2011) (person who thought of name for cabbage chunking fundraiser did not own the mark, rather the charitable organization that organized it did).

B. Assignment

i. Conditions on Use—*Tavern on the Green*

The Tavern on the Green case demonstrates that the perceived value of a trademark ownership versus a mere license, even if the end result might be the same. The famous Tavern on the Green restaurant in New York's Central Park filed for bankruptcy. At the time it filed there was some question about whether New York City or the bankrupt tenant of the restaurant property owned the name of the restaurant. Although the tenant owned an incontestable trademark registration, the District Court for the Southern District of New York held that the City owned the trademark. *City of New York v. Tavern on the Green, L.P.*, 09 Civ. 9254 (MGC) (S.D.N.Y. March 10, 2010).

The City and the trustee in bankruptcy then entered into a stipulated settlement agreement. The estate would continue to own—and therefore could sell—a trademark registration it had for dressings and oils. The City would continue to own the trademark for restaurant services, but would enter into a "Concurrent User Agreement" for use of the mark for restaurant services outside of New York City. The agreement is clearly an assignment; it isn't denominated a license and permits the concurrent user to both use and register the mark, rights that in the United States are only available to a trademark owner.

Nevertheless the concurrent user is not free to use the mark any way it wants. First, it has to use a geographic indicator, e.g., "Tavern on the Green—Los Angeles." In addition, the concurrent user:

> shall use the Concurrent User's Marks and Current logo solely to operate ... full service restaurants, featuring host/hostess and table service, high-quality made-to-order food and distinctive décor; buffet service also maybe offered. For the avoidance of doubt, fast food, drive-through and cafeteria style eating establishments are specifically prohibited ....

The termination provision contemplates a number of noncompliance issues that will be a breach, like the failure to use a disclaimer, the sale of illegal or prohibited services or goods, sales into prohibited territory, and the failure to keep an acceptable level of quality. In the case of uncured breach, the City:

> may take such other enforcement actions as it deems appropriate to protect its interests, including but not limited to, filing an action for trademark infringement and/or a petition to cancel the registrations for such marks, and in such event and for purposes of such action, the Concurrent User agrees that a likelihood of consumer confusion shall be presumed to

exist and Concurrent User irrevocably waives and agrees not to interpose any legal or equitable defense that does not go to the merits of the action, including incontestability of the registration, statute of limitations, waiver, laches, delay or estoppel.

This is a fairly remarkable accomplishment for an assignment. It circumscribes how the "concurrent user" may use the mark and even provides for trademark infringement claims in a breach. My hat is off to the drafter of this agreement.

In re Tavern on the Green, L.P., Nos. 09-15450, 09-15448 (Bankr. S.D.N.Y.) Exhibit A to Motion of Chapter 7 Trustee for Approval of Stipulation Resolving Litigation, dated April 15, 2011.

ii. Coexisting Owners and Confusion—*Vincent's of Mott Street, Inc. v. Quadami, Inc.*

Here is an agreement as described by the appeals court—what is it?

> First, Appellants agreed that they "shall use and operate [the Mott Street Restaurant] under the names VINCENT'S CLAM BAR, VINCENT'S CLAM BAR OF MOTT AND HESTER STREETS, and/or MOTT AND HESTER RESTAURANT" (collectively "Vincent's Marks"). Second, Appellants agreed not to represent that they are affiliated or connected with any "other business" known by either the Vincent's Marks or "facsimiles thereof." Finally, Appellants agreed and acknowledged that Andrew DeLillo was the sole owner of the Vincent's Marks and that he retained the sole and exclusive right to use the marks.

The appellant, Vincent's of Mott Street, Inc., was located on the premises of the first "Vincent's Claim Bar" but the trademark "Vincent's Clam Bar" was owned by the owner of the second and subsequent restaurants, Quadami. The above agreement was entered into by Vincent's of Mott Street when it bought the restaurant in a bankruptcy. Is it a franchise agreement, a license, or a co-existence agreement? Three courts and tribunals—the Trademark Trial and Appeal Board, a district court and an appeals court—didn't agree on the answer.

Vincent's of Mott Street soon changed the name of the restaurant from those listed in the agreement to "The Original Vincent's Clam Bar" and later "The Original Vincent's Established 1904." Quadami also started using these same names for its restaurants and filed trademark applications also for "The Original Vincent's Established 1904" and "Vincent's Clam Bar." Vincent's of Mott Street successfully opposed; the TTAB characterized the stipulation as "neither a license, a franchise nor an ownership right." The dissent in the TTAB called the agreement as "an unlicensed right to use the mark."

Undoubtedly buoyed by its success in the TTAB, Vincent's of Mott Street then sued Quadami for likelihood of confusion. However, it lost in the district court, where the court found the above agreement a "consent to use" so that Vincent's of Mott Street had no right to stop Quadami's use. On appeal, the Court of Appeals affirmed on different grounds. It characterized the agreement as an "unlicensed" right to use the use mark, but also that the new names were "facsimiles" of the Quadami-owned marks for which Vincent's of Mott Street couldn't claim independent ownership and therefore couldn't enjoin Quadami. The court carefully stated that it was not opining on whether Quadami had a claim against Vincent's of Mott Street.

Vincent's of Mott Street, Inc. v. Quadami, Inc., No. 10-3154-cv, (2d Cir. May 23, 2011).
Vincent's of Mott Street, Inc. v. Quadami, Inc., No. 1:05-cv-04358-SLT -JO (E.D.N.Y. Sept. 28, 2009).
Vincent's of Mott Street, Inc. v. Quadami, Inc., Opp. No. 97,805 (TTAB Sept. 30, 2002).

iii. Additional cases

- *Federal Treasury Enter. Sojuzplodoimport v. Spirits Int'l B.V.*, No. 04 CV 08510 (GBD) (S.D.N.Y. Sept. 1, 2011) (describing failed efforts by Russian government to grant plaintiff enough rights so that it had standing to bring suit).
- *Original Rex, L.L.C. v. Beautiful Brands Int'l, LLC,* No. 10-CV-424-CKF-FHM (N.D. Okla. May 27, 2011) (holding that abandoned mark could not have been assigned, despite self-serving statement that there was no intention to abandon the mark).

C. Licensing

i. What is it a Trademark License?

There is a presumption that a trademark license may not be assigned in a bankruptcy, which begs the definition of a trademark license. The Court of Appeals for the Seventh Circuit had to decide in *In re XMH Corp.*

In the case, there had been a clear trademark license from "WG" to "SJB":

> WG hereby grants to SJB a non-exclusive license to sell womens' jeanswear bearing the Trademark ("Trademarked Apparel") in the United States commencing on the date of this Agreement and ending on December 31, 2002....

This was followed by a different kind of relationship of unclear scope. On January 1, 2003, WG purchased all SJB inventory and assume all outstanding orders and contracts for purchase, then

> During calendar year 2003, WG shall sell, for its own account, the Trademarked Apparel and in connection therewith SJB shall provide the following (the "SJB Services"): (1) the right to use product designs and specifications developed by SJB for this purpose; (2) sourcing services; (3) marketing and sales services (for U.S.A. customers only); (4) merchandising services; and (5) customer service (for U.S.A. customers only).

SJB was the entity that found itself in bankruptcy, so the question was whether the above-described lists of rights and obligations was a trademark license or not. The Court of Appeals held that it was not:

> The services were extensive, but [WG] retained control over "all other aspects of the production and sale of the Trademarked Apparel," and these were, as our quotations from the contract should have made clear, also extensive.

WG therefore could not object to the assignment of the agreement in the bankruptcy. And the court offered a valuable lesson—label your agreements:

> There is no good reason for courts to wrestle with classification issues in contract cases when it is easy for the contracting parties to resolve the issues themselves. If [WG] wanted to prevent [SJB] from assigning the service contract to another firm without [WG's] permission, all it had to do was get [SJB] to agree to designate the contract as a trademark sublicense, thus triggering the default rule that we have discussed and endorsed. That would have headed off a legal dispute that courts are in a poor position to resolve. It would have been more effective than a clause forbidding assignment because it would have survived bankruptcy; anyway there was no such clause either.

In re XMH Corp., Nos. 10-2596, 10-2597, 10-2598, 10-2599 (7th Cir. July 26, 2011).

ii. Manufacturer-Distributor

As noted above, there is extensive case law outlining the trademark rights of the parties in a manufacturer-distributor relationship. The general rule is that, in the absence of a written agreement otherwise, the manufacturer owns the mark. That makes it fairly appealing for a party to characterize itself as a "manufacturer." But what's the difference between a manufacturer-distributor relationship and contract manufacturing?

The mark in dispute in *Country Fare LLC v. Lucerne Farms* was "Mainely Mulch." Plaintiff Country Fare had a formula for a proprietary mulch composition of hay and straw and Lucerne Farms had the capacity to manufacture it, so they entered into an agreement where Lucerne Farms would manufacture, bag and ship "Mainely Mulch" mulch according to Country Fare's specifications. In the agreement, Country Fare was characterized as distributor/seller of lawn and garden products and Lucerne Farms characterized as a manufacturer/supplier of bagged product. Country Fare supplied the bags, paid for the plates for printing the bags, and kept possession of the plates. Country Fare's name was prominently on the front of the bag and Lucerne Farm's on the back as manufacturer. The agreement said that Lucerne Farms would manufacture and package "Country Fare's product called 'Mainely Mulch'" and that it would be manufactured exclusively for Country Fare. All complaints about the product went to Country Fare and there was a statement by Lucerne Farms that "Mainely Mulch is a Country Fare product and therefore we are prohibited to do anything in the way of advertising, selling, etc. all must be done through Country Fare...."

Lucerne Farms sensed a break up was in the air and filed an application to register the trademark MAINELY MULCH, using a specimen that had any reference to Country Fare removed. The mark registered and, adding insult to injury, Lucerne Farms succeeding in have customs exclude the replacement manufacturer's goods at the Canadian border. Country Fare sued.

The trademark registration was incontestable, which meant that it could only be challenged on limited grounds, but fraud was a winner.

Why did Lucerne Farms believe this was a manufacturer-distributor relationship rather than a contract manufacturing relationship? Country Fare did everything—formulated the product, thought up the trademark, designed the bag, controlled how many bags Lucerne Farms had, did all the marketing for the product, and handled all complaints. Country Fare had to meet a quota for sales, but the court found that was based on Lucerne's need to utilize manufacturing capacity, not anything having to do with ownership of the mark. The only reason this could be considered a manufacturer-distributor relationship is because the parties characterized it that way themselves.

Country Fare LLC v. Lucerne Farms, No. 3:11cv722 (D. Conn. June 7, 2011).

iii. Additional cases

- *Boathouse Group, Inc. v. TigerLogic Corp.*, No. 10-12125-NMG (D. Mass. March 3, 2011) (company acquired senior mark for purposes of tacking to senior rights and then licensed the mark back to the assignor allowing its continued use, but the assignor with the license-back was then enjoined from using the mark when the assignee's tacking argument failed).
- *Restifo v. Power Beverages, LLC,* Opp. No. 91181671 (TTAB Sept. 21, 2011) (assignment of intent-to-use trademark application where owner of mark was only ever going to have a licensing business).
- *ZAO Gruppa Predpriyatij Ost and ZAO Ost Aqua v. Vost Int'l Co.,* Opp. Nos. 91168423, 91169098 and 91169446 (TTAB Aug. 9, 2011) (applying manufacturer-distributor law in reseller context).
- *de la Cruz Gonzalez v. The Youssef Mehanna and Susana de la Cruz Joint Venture*, Cancellation No. 92048199 (TTAB April 22, 2011) (manufacturer-distributor and sibling relationship).

D. Trademark Reversion

A reversion in a trademark license agreement is quite rare; McCarthy on Trademarks doesn't have any section on the topic. They do, however, occur.

i. Mercado-Salinas v. Bart Enterprises International, Ltd.

First is *Mercado-Salinas v. Bart Enterprises International, Ltd.* Walter Mercado is an astrologer and granted various types of rights to Bart Enterprises International. In addition to copyrights, he also:

> "irrevocably assign[ed] ... all right, title and interest in and to the [WALTER MERCADO] Mark, together with that part of the goodwill of Mercado's business connected with and symbolized by said Mark, for use in connection with the Pre-existing Materials and the New Materials; [and]
>
> grant[ed] ... the right and license ... to use Mercado's performance, name, signature, photographs, voice, picture, likeness and other indicia of his identity ….

Bart Enterprises also filed applications to register the WALTER MERCADO marks, an action that required Mercado's consent, which he gave.

The agreement had termination provisions, although the requirements for termination had not been met. Two different trial courts held that the above language was a trademark assignment, despite the irrevocable assignment, but that the trademarks would revert to Mercado on termination. The language limiting with what the mark could be used—"in connection with the Pre-existing Materials and the New Materials"—was purposive and didn't restrict the scope of the assignment.

Mercado-Salinas v. Bart Enter. Int'l, Ltd., No. 10-2359 (1st Cir. Dec. 20, 2011).

ii. Ralston v Salba Corp.

SALBA is the trademark for a varietal of chia seed purported to have health benefits. Defendant Salba Corp. owned a registration for SALBA and plaintiffs William and Richard Ralston owned registrations for SALBA SMART and SALBABALANCE. The Ralstons assigned the trademarks to Salba Corp. and took a license back, including the right to sublicense, for snack food products. The assignment and license-back agreement would terminate if Salba Corp. assigned, transferred, sold or licensed the marks without the Ralstons' permission and, on termination, the title to the marks would revert to the Ralstons. Needless to say, Salba Corp. breached by licensing the mark. The result was that the SALBA SMART and SALBABALANCE marks reverted to the Ralstons and, worse for Salba Corp., it was prohibited from licensing its SALBA registration in the United States.

The Salba Corp. licensees, now without a license, tried to intervene but were denied. Rather, they must file an action against Salba Corp. but this decision won't be res judicata or collateral estoppel to them.

Ralston v Salba Corp., No. 09-cv-02142-CMA-MJW, 2010 WL 1644627 (D. Colo. Apr. 21, 2010).

Query whether a reversion in a trademark license agreement is a way around a concern about naked licensing and the absence of control creating a forfeiture of trademark rights. Could one take the constrained assignment described above with respect to the Tavern on the Green mark and add into the assignment a reversion if the terms of use are breached?

IV. Character Licensing

A couple of recent cases highlight some difficulties with character licensing. Problems arise because the licenses are very long in scope, which means many years later they become much more difficult to interpret under current jurisprudence. The licenses also lack specificity about the types of rights being licensed, whether trademark or copyright, leaving it to the courts to sort out.

i. Betty Boop

Who owns Betty Boop? This case is more well-known for the its unpopular reasoning based on the aesthetic functionality doctrine of trademark law, which holds that features included for their aesthetic appeal are functional and therefore available to all (think red soles on expensive women's footwear). The Court of Appeals for the Ninth Circuit held that Betty Boop was not a trademark because her image was aesthetically functional. The trademark bar revolted and the Court ultimately withdrew that part of the decision.

The case also had a copyright assignment issue. In the case, the plaintiff went about collecting the dispersed rights in Betty Boop and enforcing them. This was the copyright assignment, executed in 1955:

> Paramount hereby grants and assigns to [UM&M] all of Paramount's right, title and interest in and to said Photoplays [of Betty Boop] ....
>
> Anything to the contrary notwithstanding, no grant or assignment is made hereunder to [UM&M] of the characters and characterizations contained in said Sold Photoplays or said literary material, or of the copyrights in said characters or characterizations, or of any production or other rights in said characters and characterizations, or to use said characters and characterizations or the names of said characters or trade names, trademark and names of the series of Sold Photoplays or of said literary material in any manner except ... only as part of the particular Sold Photoplay in which they or any of them are contained ....

The plaintiff argued that under the doctrine of indivisibility in the Copyright Act of 1909, the above language couldn't mean what it said, i.e., that the character rights and the copyright in the films could be separated. The doctrine of indivisibility prohibited a renewal when part of the rights were owned by another, for example, if the magazine and book publishing rights were separately owned. Here though, the court considered the copyright in the character and in the film as separate copyrights so could be assigned separately.

Interestingly, the plaintiff had also acquired the character rights, but the majority of the court held he had failed to preserve a claim of ownership through that chain of title on appeal. The dissent pointed out the reason the plaintiff hadn't raised the issue in his opening brief was because the only link in the chain of title in dispute was the Paramount assignment, the character rights assignment going in his favor in the lower court.

Fleischer Studios, Inc. v. A.V.E.L.A., Inc., No. 09-56317 (9th Cir. Feb. 23, 2011).

ii. Winnie the Pooh

Stephen Slesinger had acquired all rights to Winnie the Pooh from A.A. Milne. Slesinger then licensed some or all of the rights—the scope of the license was the dispute—to Disney. The original grant was in 1930 and amended several times thereafter.

The most recent amendment was almost 30 years ago, in 1983. Here is the grant clause for non-motion picture assets:

> In addition, Slesinger hereby assigns, grants, and sets over unto Disney all of the further rights in and to said "work" which are set forth in Paragraph 6 hereof, subject to the terms of Paragraphs 10 and 11.

The "further rights"

> include the exclusive right in the United States and Canada to use, or license the use of, the characters and illustrations from the said "work" in, on or in connection with various articles of merchandise.

The "work" was defined as the A.A. Milne books "Winnie the Pooh" and "House at Pooh Corner," as well as the collections of verse "When We Were Very Young" and "Now We Are Six," "including the title, illustrations and complete contents thereof."

Slesinger sued Disney and on summary judgment the court decided the claims for copyright infringement, trademark infringement, trade dress infringement, and violation of California Business and Professions Code § 17200 in Disney's favor. Because it was an omnibus motion, though, the district court only had to interpret whether Slesinger transferred all of the rights he had to Disney or just some of them, so the court didn't have to parse out copyright and trademark in its decision. It held that Slesinger "transferred all of its rights in the Pooh works to Disney, and may not now claim infringement of any retained rights."

Slesinger had also filed a petition to cancel Disney's trademark registrations at the Trademark Trial and Appeal Board, claiming Disney was not the owner of the marks. As a tribunal of limited jurisdiction, however, the Trademark Trial and Appeal Board had to figure out what happened to the ownership of the trademark rights specifically. Slesinger claimed that, while the district court held there was no infringement, the decision did not address who the rightful owner of the trademarks was because the basis for noninfringement can be either ownership or license. Slesinger noted that he was entitled to royalties, which is more consistent with a license, that Disney had characterized the royalties as payment on a license, and Disney described the Slesinger agreement as a license in its SEC filings.

But royalties are not always only pursuant to a license:

> "Royalties in an assignment agreement are properly conceived as deferred consideration for the original conveyance of rights, with the amount of consideration pegged to the commercial success of the product." *Baladevon, Inc. v. Abbott Labs., Inc.*, 871 F. Supp. 89, 33 USPQ2d 1743, 1748 (D. Mass. 1994) (internal citations omitted).

Despite the inconsistencies in Disney's characterization of the rights, at the end of the day the district court held that Slesinger had simply not retained any rights whatsoever and therefore Disney was the owner of the "Pooh" trademarks. The oppositions were denied.

Stephen Slesinger, Inc. v. Disney Enter., Inc., Opp. No. 91179064 et al. (TTAB June 8, 2011) (precedential).
Milne v. Stephen Slesinger, Inc., No. 2:02-cv-08508-FMC-PLAx (C.D. Cal. Sept. 25, 2009).

iii. Popeye

Popeyes fast food restaurants were originally named for the Popeye Doyle character in the film The French Connection, or at least that's what the owner claimed. About four years after the restaurant first opened, in 1976, AFC Enterprises, Inc. licensed the Popeye character from the Hearst Corporation for use in association with the restaurants. Needless to say (or there wouldn't be a lawsuit), exactly what type of rights wasn't clearly described in the numerous agreements, with the dispute centering around whether Hearst had licensed trademark rights for restaurant services. There is a 2001 Hearst memo that says:

> if the agreements were terminated or canceled, at the minimum AFC would not be able to make any use of the POPEYES® marks outside of restaurant services... and it is also likely that a court will prohibit AFC from making any use of the POPEYES® mark.

In 2002 the parties agreed to disagree on the scope of the license:

> The parties acknowledge that they disagree about the nature of their relationship as evidenced in correspondence between the parties during 2001. Neither party intends by entering into this January 1, 2002 Amendment to agree, either expressly or implicitly, with the other party's position and both parties acknowledge the right of the other to have and hold positions previously asserted.

The license agreement is due to terminate December 31, 2012. AFC Enterprises claims to have ceased all use of the Popeye character domestically and will cease use in foreign countries before the end of the agreement. It has filed a declaratory judgment action that it owns the mark for restaurant services. Hearst Corporation has filed a motion to dismiss.

In Hearst's Motion to Dismiss, it claims that the Popeyes restaurants were originally named "Chicken on the Run" but the founder renamed the restaurant "Popeyes," which at the time precipitated a claim by Hearst for infringement, settled by entering into the license agreement. This may be the reason that the agreement was vague about whether the rights included restaurant services, saving the argument for a later day which now has come 40 years later.

AFC Enterprises, Inc. v. The Hearst Corp., No. 1:11-cv-04150-WSD (N.D. Ga.), complaint filed Nov. 30, 2011.