

**Community for Creative Non-Violence, 490 US730 (1989)** (independent contractor who created a sculpture for a fee owns copyright to the sculpture absent a written agreement).

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**490 U.S. 730 (1989)**

**109 S.Ct. 2166, 104 L.Ed.2d 811, 57 USLW 4607**

**Commun. for Creative Non-Violence**

**v.**

**Reid**

**No. 88-293**

**United States Supreme Court**

**June 5, 1989**

Argued March 29, 1989

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR  
THE DISTRICT OF COLUMBIA CIRCUIT

Syllabus

In the fall of 1985, petitioners -- the Community for Creative Non-Violence (CCNV), a Washington, D.C. organization dedicated to eliminating homelessness, and one of its trustees -- entered into an oral agreement with respondent Reid, a sculptor, to produce a statue dramatizing the plight of the homeless for display at a 1985 Christmas pageant in Washington. While Reid worked on the statue in his Baltimore, Md. studio, CCNV members visited him on a number of occasions to check on his progress and to coordinate CCNV's construction of the sculpture's base in accordance with the parties' agreement. Reid accepted most of CCNV's suggestions and directions as to the sculpture's configuration and appearance. After the completed work was delivered to Washington, CCNV paid Reid the final installment of the agreed-upon price, joined the sculpture to its base, and displayed it. The parties, who had never discussed copyright in the sculpture, then filed competing copyright registration certificates. The District Court ruled for CCNV in its subsequent suit seeking, *inter alia*, a determination of copyright ownership, holding that the statue was a "work made for hire" as defined in the Copyright Act of 1976, 17 U.S.C. § 101, and was therefore owned exclusively by CCNV under § 201(b), which vests copyright ownership of works for hire in the employer or other person for whom the work is prepared, unless there is a written agreement to the contrary. The Court of Appeals reversed, holding that the sculpture was not a "work made for hire" under the first subsection of the § 101 definition (hereinafter § 101(1)), since it was not "prepared by an employee within the scope of his or her employment" in light of Reid's status as an independent contractor under agency law. The court also ruled that the statue did not satisfy the second subsection of the § 101 definition (hereinafter § 101(2)), since sculpture is not one of the nine categories of "specially ordered or commissioned" works enumerated therein, and the parties had not agreed in writing that the sculpture would be a work for hire. However, the court remanded for a

determination whether the statue was jointly authored by CCNV and Reid, such that they were co-owners of the copyright under § 201(a).

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*Held:*

1. To determine whether a work is a "work made for hire" within the § 101 definition, a court should first apply general common law of agency principles to ascertain [109 S.Ct. 2168] whether the work was prepared by an employee or an independent contractor, and, depending upon the outcome, should then apply either § 101(1) or § 101(2). Although the Act nowhere defines "employee," "employment," or related terms, it must be inferred that Congress meant them in their settled, common law sense, since nothing in the text of the work for hire provisions indicates that those terms are used to describe anything other than the conventional relation of employer and employee. On the contrary, Congress' intent to incorporate agency law definitions is suggested by § 101(1)'s use of the term "scope of employment," a widely used agency law term of art. Moreover, the general common law of agency must be relied on, rather than the law of any particular State, since the Act is expressly intended to create a federal law of uniform, nationwide application by broadly preempting state statutory and common law copyright regulation. Petitioners' argument that a work is "prepared by an employee within the scope of his or her employment" whenever the hiring party retains the right to control, or actually controls, the work is inconsistent with the language and legislative history of the work for hire provisions, and would distort the provisions' structure, which views works by employees and commissioned works by independent contractors as mutually exclusive entities. Pp. 737-751.

2. The sculpture in question is not a "work made for hire" within the meaning of § 101. Reid was an independent contractor, rather than a § 101(1) "employee," since, although CCNV members directed enough of the work to ensure that the statue met their specifications, all other relevant circumstances weigh heavily against finding an employment relationship. Reid engages in a skilled occupation; supplied his own tools; worked in Baltimore without daily supervision from Washington; was retained for a relatively short period of time; had absolute freedom to decide when and how long to work in order to meet his deadline; and had total discretion in hiring and paying assistants. Moreover, CCNV had no right to assign additional projects to Reid; paid him in a manner in which independent contractors are often compensated; did not engage regularly in the business of creating sculpture or, in fact, in any business; and did not pay payroll or Social Security taxes, provide any employee benefits, or contribute to unemployment insurance or workers' compensation funds. Furthermore, as petitioners concede, the work in question does not satisfy the terms of § 101(2). Pp. 751-753.

3. However, CCNV nevertheless may be a joint author of the sculpture and, thus, a co-owner of the copyright under § 201(a), if, on remand,

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the District Court determines that the parties prepared the work with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole. P. 753.

270 U.S.App.D.C. 26, 846 F.2d 1485, affirmed.

MARSHALL, J., delivered the opinion for a unanimous Court.

MARSHALL, J., lead opinion

JUSTICE MARSHALL delivered the opinion of the Court.

In this case, an artist and the organization that hired him to produce a sculpture contest the ownership of the copyright in that work. To resolve this dispute, we must construe the "work made for hire" provisions of the Copyright Act of 1976 (Act or 1976 Act), 17 U.S.C. §§ 101 and 201(b), and in particular, the provision in § 101, which defines as a "work made for hire" a "work prepared by an employee [109 S.Ct. 2169] within the scope of his or her employment" (hereinafter § 101(1)).

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I

Petitioners are the Community for Creative Non-Violence (CCNV), a nonprofit unincorporated association dedicated to eliminating homelessness in America, and Mitch Snyder, a member and trustee of CCNV. In the fall of 1985, CCNV decided to participate in the annual Christmastime Pageant of Peace in Washington, D.C., by sponsoring a display to dramatize the plight of the homeless. As the District Court recounted:

Snyder and fellow CCNV members conceived the idea for the nature of the display: a sculpture of a modern Nativity scene in which, in lieu of the traditional Holy Family, the two adult figures and the infant would appear as contemporary homeless people huddled on a streetside steam grate. The family was to be black (most of the homeless in Washington being black); the figures were to be life-sized, and the steam grate would be positioned atop a platform "pedestal," or base, within which special effects equipment would be enclosed to emit simulated "steam" through the grid to swirl about the figures. They also settled upon a title for the work -- "Third World America" -- and a legend for the pedestal: "and still there is no room at the inn."

652 F.Supp. 1453, 1454 (DC 1987).

Snyder made inquiries to locate an artist to produce the sculpture. He was referred to respondent James Earl Reid, a Baltimore, Maryland, sculptor. In the course of two telephone calls, Reid agreed to sculpt the three human figures. CCNV agreed to make the steam grate and pedestal for the statue. Reid proposed that the work be cast in bronze, at a total cost of approximately \$100,000 and taking six to eight months to complete. Snyder rejected that proposal because CCNV did not have sufficient funds, and because the statue had to be completed by December 12 to be included in the pageant. Reid then suggested, and Snyder agreed, that the

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sculpture would be made of a material known as "Design Cast 62," a synthetic substance that could meet CCNV's monetary and time constraints, could be tinted to resemble bronze, and could withstand the elements. The parties agreed that the project would cost no more than \$15,000, not including Reid's services, which he offered to donate. The parties did not sign a written agreement. Neither party mentioned copyright.

After Reid received an advance of \$3,000, he made several sketches of figures in various poses. At Snyder's request, Reid sent CCNV a sketch of a proposed sculpture showing the family in a creche-like setting: the mother seated, cradling a baby in her lap; the father standing behind her, bending over her shoulder to touch the baby's foot. Reid testified that Snyder asked for the sketch to use in raising funds for the sculpture. Snyder testified that it was also for his approval. Reid sought a black family to serve as

a model for the sculpture. Upon Snyder's suggestion, Reid visited a family living at CCNV's Washington shelter, but decided that only their newly born child was a suitable model. While Reid was in Washington, Snyder took him to see homeless people living on the streets. Snyder pointed out that they tended to recline on steam grates, rather than sit or stand, in order to warm their bodies. From that time on, Reid's sketches contained only reclining figures.

Throughout November and the first two weeks of December, 1985, Reid worked exclusively on the statue, assisted at various times by a dozen different people who were paid with funds provided in installments by CCNV. On a number of occasions, CCNV members visited Reid to check on his progress and to coordinate CCNV's construction of the base. CCNV rejected Reid's proposal to use suitcases or shopping bags to hold the family's personal belongings, insisting instead on a shopping cart. Reid and CCNV members did not discuss copyright ownership on any of these visits.

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[109 S.Ct. 2170] On December 24, 1985, 12 days after the agreed-upon date, Reid delivered the completed statue to Washington. There it was joined to the steam grate and pedestal prepared by CCNV, and placed on display near the site of the pageant. Snyder paid Reid the final installment of the \$15,000. The statue remained on display for a month. In late January, 1986, CCNV members returned it to Reid's studio in Baltimore for minor repairs. Several weeks later, Snyder began making plans to take the statue on a tour of several cities to raise money for the homeless. Reid objected, contending that the Design Cast 62 material was not strong enough to withstand the ambitious itinerary. He urged CCNV to cast the statue in bronze at a cost of \$35,000, or to create a master mold at a cost of \$5,000. Snyder declined to spend more of CCNV's money on the project.

In March, 1986, Snyder asked Reid to return the sculpture. Reid refused. He then filed a certificate of copyright registration for "Third World America" in his name, and announced plans to take the sculpture on a more modest tour than the one CCNV had proposed. Snyder, acting in his capacity as CCNV's trustee, immediately filed a competing certificate of copyright registration.

Snyder and CCNV then commenced this action against Reid and his photographer, Ronald Purtee,<sup>[1]</sup> seeking return of the sculpture and a determination of copyright ownership. The District Court granted a preliminary injunction, ordering the sculpture's return. After a 2-day bench trial, the District Court declared that "Third World America" was a "work made for hire" under § 101 of the Copyright Act, and that Snyder, as trustee for CCNV, was the exclusive owner of the copyright in the sculpture. 652 F.Supp. at 1457. The court reasoned that Reid had been an "employee" of CCNV within the meaning of § 101(1) because CCNV was the motivating force in the statue's production. Snyder and

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other CCNV members, the court explained, "conceived the idea of a contemporary Nativity scene to contrast with the national celebration of the season," and "directed enough of [Reid's] effort to assure that, in the end, he had produced what they, not he, wanted." *Id.* at 1456.

The Court of Appeals for the District of Columbia Circuit reversed and remanded, holding that Reid owned the copyright because "Third World America" was not a work for hire. 270 U.S.App.D.C. 26, 35, 846 F.2d 1485, 1494 (1988). Adopting what it termed the "literal interpretation" of the Act as articulated by the Fifth Circuit in *Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises*, 815 F.2d 323, 329 (1987), *cert. denied*, 485 U.S. 981 (1988), the court read § 101 as creating "a simple dichotomy in fact between employees and independent contractors." 270

U.S.App.D.C. at 33, 846 F.2d at 1492. Because, under agency law, Reid was an independent contractor, the court concluded that the work was not "prepared by an employee" under § 101(1). *Id.* at 35, 846 F.2d at 1494. Nor was the sculpture a "work made for hire" under the second subsection of § 101 (hereinafter § 101(2)): sculpture is not one of the nine categories of works enumerated in that subsection, and the parties had not agreed in writing that the sculpture would be a work for hire. *Ibid.* The court suggested that the sculpture nevertheless may have been jointly authored by CCNV and Reid, *id.* at 36, 846 F.2d at 1495, and remanded for a determination whether the sculpture is indeed a joint work under the Act, *id.* at 39-40, 846 F.2d at 1498-1499.

We granted certiorari to resolve a conflict among the Courts of Appeals over the proper construction of the "work made for hire" provisions of the Act.<sup>[2]</sup> 488 U.S. 940 [109 S.Ct. 2171] (1988). We now affirm.

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II

A

The Copyright Act of 1976 provides that copyright ownership "vests initially in the author or authors of the work." 17 U.S.C. § 201(a). As a general rule, the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection. § 102. The Act carves out an important exception, however, for "works made for hire."<sup>[3]</sup> If the work is for hire, "the employer or other person for whom the work was prepared is considered the author," and owns the copyright, unless there is a written agreement to the contrary. § 201(b). Classifying a work as "made for hire" determines not only the initial ownership of its copyright, but also the copyright's duration, § 302(c), and the owners' renewal rights, § 304(a), termination rights, § 203(a), and right to import certain goods bearing the copyright, § 601(b)(1). *See* 1 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 5.03 [A], pp. 5-10 (1988). The contours of the work for hire doctrine therefore carry profound significance for freelance creators -- including artists, writers, photographers, designers, composers, and computer programmers -- and for the publishing, advertising, music, and other industries which commission their works.<sup>[4]</sup>

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Section 101 of the 1976 Act provides that a work is "for hire" under two sets of circumstances:

- (1) a work prepared by an employee within the scope of his or her employment; or
- (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.<sup>[5]</sup>

Petitioners do not claim that the statue satisfies the terms of § 101(2). Quite clearly, it does not. Sculpture does not fit within any of the nine categories of "specially ordered or commissioned" works enumerated in that subsection, and no written agreement between the parties establishes "Third World America" as a work for hire.

The dispositive inquiry in this case therefore is whether "Third World America" is "a work prepared by an employee within the scope of his or her employment" under § 101(1). The Act does not define these [109 S.Ct. 2172] terms. In the absence of such guidance, four interpretations have emerged. The first holds that a work is prepared by an employee whenever the hiring party<sup>[6]</sup> retains the right to control the product. See *Peregrine v. Lauren Corp.*, 601 F.Supp. 828, 829 (Colo.1985); *Clarkstown v. Reeder*, 566 F.Supp. 137, 142 (SDNY 1983).

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Petitioners take this view. Brief for Petitioners 15; Tr. of Oral. Arg. 12. A second, and closely related, view is that a work is prepared by an employee under § 101(1) when the hiring party has actually wielded control with respect to the creation of a particular work. This approach was formulated by the Court of Appeals for the Second Circuit, *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548, cert. denied, 469 U.S. 982 (1984), and adopted by the Fourth Circuit, *Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410 (1987), the Seventh Circuit, *Evans Newton, Inc. v. Chicago Systems Software*, 793 F.2d 889, cert. denied, 479 U.S. 949 (1986), and, at times, by petitioners, Brief for Petitioners 17. A third view is that the term "employee" within § 101(1) carries its common law agency law meaning. This view was endorsed by the Fifth Circuit in *Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises*, 815 F.2d 323 (1987), and by the Court of Appeals below. Finally, respondent and numerous *amici curiae* contend that the term "employee" only refers to "formal, salaried" employees. See, e.g., Brief for Respondent 23-24; Brief for Register of Copyrights as *Amicus Curiae* 7. The Court of Appeals for the Ninth Circuit recently adopted this view. See *Dumas v. Gommerman*, 865 F.2d 1093 (1989).

The starting point for our interpretation of a statute is always its language. *Consumer Product Safety Comm'n v. GTE Sylvania Inc.*, 447 U.S. 102, 108 (1980). The Act nowhere defines the terms "employee" or "scope of employment." It is, however, well established that

[w]here Congress uses terms that have accumulated settled meaning under . . . the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms.

*NLRB v. Amax Coal Co.*, 453 U.S. 322, 329 (1981); see also *Perrin v. United States*, 444 U.S. 37, 42 (1979). In the past, when Congress has used the term "employee" without defining it,

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we have concluded that Congress intended to describe the conventional master-servant relationship as understood by common law agency doctrine. See, e.g., *Kelley v. Southern Pacific Co.*, 419 U.S. 318, 322-323 (1974); *Baker v. Texas & Pacific R. Co.*, 359 U.S. 227, 228 (1959) (per curiam); *Robinson v. Baltimore & Ohio R. Co.*, 237 U.S. 84, 94 (1915). Nothing in the text of the work for hire provisions indicates that Congress used the words "employee" and "employment" to describe anything other than "the conventional relation of employer and employe." *Kelley, supra*, at 323, quoting *Robinson, supra*, at 94; compare *NLRB v. Hearst Publications, Inc.*, 322 U.S. 111, 124-132 (1944) (rejecting agency law conception of employee for purposes of the National Labor Relations Act where structure and context of statute indicated broader definition). On the contrary, Congress' intent to incorporate the agency law definition is suggested by § 101(1)'s use of the term, "scope of employment," a widely used term of art in agency law. See Restatement [109 S.Ct. 2173] (Second) of Agency § 228 (1958) (hereinafter Restatement).

In past cases of statutory interpretation, when we have concluded that Congress intended terms such as "employee," "employer," and "scope of employment" to be understood in light of agency law, we have relied on the general common law of agency, rather than on the law of any particular State, to give meaning to these terms. *See, e.g., Kelley*, 419 U.S. at 323-324, and n. 5; *id.* at 332 (Stewart, J., concurring in judgment); *Ward v. Atlantic Coast Line R. Co.*, 362 U.S. 396, 400 (1960); *Baker, supra*, at 228. This practice reflects the fact that "federal statutes are generally intended to have uniform nationwide application." *Mississippi Band of Choctaw Indians v. Holyfield*, *ante* at 43. Establishment of a federal rule of agency, rather than reliance on state agency law, is particularly appropriate here, given the Act's express objective of creating national, uniform copyright law by broadly preempting state statutory and common law copyright regulation. *See* 17 U.S.C. § 301(a). We thus

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agree with the Court of Appeals that the term "employee" should be understood in light of the general common law of agency.

In contrast, neither test proposed by petitioners is consistent with the text of the Act. The exclusive focus of the right to control the product test on the relationship between the hiring party and the product clashes with the language of § 101(1), which focuses on the relationship between the hired and hiring parties. The right to control the product test also would distort the meaning of the ensuing subsection, § 101(2). Section 101 plainly creates two distinct ways in which a work can be deemed for hire: one for works prepared by employees, the other for those specially ordered or commissioned works which fall within one of the nine enumerated categories and are the subject of a written agreement. The right to control the product test ignores this dichotomy by transforming into a work for hire under § 101(1) any "specially ordered or commissioned" work that is subject to the supervision and control of the hiring party. Because a party who hires a "specially ordered or commissioned" work by definition has a right to specify the characteristics of the product desired, at the time the commission is accepted, and frequently until it is completed, the right to control the product test would mean that many works that could satisfy § 101(2) would already have been deemed works for hire under § 101(1). Petitioners' interpretation is particularly hard to square with § 101(2)'s enumeration of the nine specific categories of specially ordered or commissioned works eligible to be works for hire, *e.g.*, "a contribution to a collective work," "a part of a motion picture," and "answer material for a test." The unifying feature of these works is that they are usually prepared at the instance, direction, and risk of a publisher or producer.<sup>[7]</sup> By their very nature, therefore, these types of

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works would be works by an employee under petitioners' right to control the product test.

The actual control test, articulated by the Second Circuit in *Aldon Accessories*, fares only marginally better when measured against the language and structure of § 101. Under this test, independent contractors who are so controlled and supervised in the creation of a particular work are deemed "employees" under § 101(1). Thus, work for hire status under § 101(1) depends on a hiring party's *actual* control of, rather than *right* to control, the product. *Aldon Accessories*, 738 F.2d at 552. [109 S.Ct. 2174] Under the actual control test, a work for hire could arise under § 101(2), but not under § 101(1), where a party commissions, but does not actually control, a product which falls into one of the nine enumerated categories. Nonetheless, we agree with the Fifth Circuit Court of Appeals that "[t]here is simply no way to milk the 'actual control' test of *Aldon Accessories* from the language of the statute." *Easter Seal Society*, 815 F.2d at 334. Section 101 clearly delineates between works prepared by an employee and commissioned works. Sound though other distinctions might be as a matter of copyright policy, there is no



statutory support for an additional dichotomy between commissioned works that are actually controlled and supervised by the hiring party and those that are not.

We therefore conclude that the language and structure of § 101 of the Act do not support either the right to control the product or the actual control approaches.<sup>[8]</sup> The structure of

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§ 101 indicates that a work for hire can arise through one of two mutually exclusive means, one for employees and one for independent contractors, and ordinary canons of statutory interpretation indicate that the classification of a particular hired party should be made with reference to agency law.

This reading of the undefined statutory terms finds considerable support in the Act's legislative history. *Cf. Diamond v. Chakrabarty*, 447 U.S. 303, 315 (1980). The Act, which almost completely revised existing copyright law, was the product of two decades of negotiation by representatives of creators and copyright-using industries, supervised by the Copyright Office and, to a lesser extent, by Congress. *See Mills Music, Inc. v. Snyder*, 469 U.S. 153, 159 (1985); Litman, *Copyright, Compromise, and Legislative History*, 72 Cornell L.Rev. 857, 862 (1987). Despite the lengthy history of negotiation and compromise which ultimately produced the Act, two things remained constant. First, interested parties and Congress at all times viewed works by employees and commissioned works by independent contractors as separate entities. Second, in using the term "employee," the parties and Congress meant to refer to a hired party in a conventional employment relationship. These factors militate in favor of the reading we have found appropriate.

In 1955, when Congress decided to overhaul copyright law, the existing work for hire provision was § 62 of the 1909 Copyright Act, 17 U.S.C. § 26 (1976 ed.) (1909 Act). It provided that "the word 'author' shall include an employer in

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the case of works made for hire."<sup>[9]</sup> Because the 1909 Act did not define "employer" or [109 S.Ct. 2175] "works made for hire," the task of shaping these terms fell to the courts. They concluded that the work for hire doctrine codified in § 62 referred only to works made by employees in the regular course of their employment. As for commissioned works, the courts generally presumed that the commissioned party had impliedly agreed to convey the copyright, along with the work itself, to the hiring party. *See, e.g., Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 221 F.2d 569, 570, *aff'd*, 223 F.2d 252 (CA2 1955); *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28, 31 (CA2 1939), *cert. denied*, 309 U.S. 686 (1940).<sup>[10]</sup>

In 1961, the Copyright Office's first legislative proposal retained the distinction between works by employees and works by independent contractors. *See Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., Copyright Law Revision 86-87* (H. Judiciary Comm. Print 1961). After numerous meetings with representatives of the affected parties, the Copyright Office issued a preliminary draft bill in 1963. Adopting the Register's recommendation, it defined "work

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made for hire" as

a work prepared by an employee within the scope of the duties of his employment, but not

including a work made on special order or commission.

Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft, 88th Cong., 2d Sess., Copyright Law Revision, Part 3, p. 15, n. 11 (H. Judiciary Comm. Print 1964) (hereinafter Preliminary Draft).

In response to objections by book publishers that the preliminary draft bill limited the work for hire doctrine to "employees,"<sup>[11]</sup> the 1964 revision bill expanded the scope of the work for hire classification to reach, for the first time, commissioned works. The bill's language, proposed initially by representatives of the publishing industry, retained the definition of work for hire insofar as it referred to "employees," but added a separate clause covering commissioned works, without regard to the subject matter, "if the parties so agree in writing." S. 3008, H.R. 11947, H.R. 12354, 88th Cong., 2d Sess., § 54 (1964), reproduced in 1964 Revision Bill with Discussions and Comments, 89th Cong., 1st Sess., Copyright Law Revision, pt. 5, p. 31 (H.R. Judiciary Comm. Print 1965). Those representing authors objected that the added provision would allow publishers to use their superior bargaining position to force authors to sign work for hire agreements,

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thereby relinquishing all copyright rights as a condition of getting their books published. *See* Supplementary Report, at 67.

In 1965, the competing interests reached an historic compromise, which was embodied in a joint memorandum submitted to Congress [109 S.Ct. 2176] and the Copyright Office,<sup>[12]</sup> incorporated into the 1965 revision bill, and ultimately enacted in the same form and nearly the same terms 11 years later, as § 101 of the 1976 Act. The compromise retained as subsection (1) the language referring to "a work prepared by an employee within the scope of his employment." However, in exchange for concessions from publishers on provisions relating to the termination of transfer rights, the authors consented to a second subsection which classified four categories of commissioned works as works for hire if the parties expressly so agreed in writing: works for use "as a contribution to a collective work, as a part of a motion picture, as a translation, or as supplementary work." S. 1006, H.R. 4347, H.R. 5680, H.R. 6835, 89th Cong., 1st Sess., § 101 (1965). The interested parties selected these categories because they concluded that these commissioned works, although not prepared by employees, and thus not covered by the first subsection, nevertheless should be treated as works for hire because they were ordinarily prepared "at the instance, direction, and risk of a publisher or producer." Supplementary Report, at 67. The Supplementary Report emphasized that only the "four special cases specifically mentioned" could qualify as works made for hire; "[o]ther works made on special order or commission would not come within the definition." *Id.* at 67-68.

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In 1966, the House Committee on the Judiciary endorsed this compromise in the first legislative report on the revision bills. *See* H.R.Rep. No. 2237, 89th Cong., 2d Sess., 114, 116 (1966). Retaining the distinction between works by employees and commissioned works, the House Committee focused instead on

how to draw a statutory line between those works written on special order or commission that should be considered as works made for hire, and those that should not.

*Id.* at 115. The House Committee added four other enumerated categories of commissioned works

that could be treated as works for hire: compilations, instructional texts, tests, and atlases. *Id.* at 116. With the single addition of "answer material for a test," the 1976 Act, as enacted, contained the same definition of works made for hire as did the 1966 revision bill, and had the same structure and nearly the same terms as the 1966 bill.<sup>[13]</sup> Indeed, much of the language of the 1976 House and Senate Reports was borrowed from the Reports accompanying the earlier drafts. *See, e.g.*, H.R.Rep. No. 94-1476, p. 121 (1976); S.Rep. No. 94-473, p. 105 (1975).

Thus, the legislative history of the Act is significant for several reasons. First, the enactment of the 1965 compromise with only minor modifications demonstrates that Congress intended to provide two mutually exclusive ways for works to acquire work for hire status: one for employees and

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the other for independent contractors. Second, the legislative history underscores the clear import of the statutory language: only enumerated categories of commissioned [109 S.Ct. 2177] works may be accorded work for hire status. The hiring party's right to control the product simply is not determinative. *See Note, The Creative Commissioner: Commissioned Works Under the Copyright Act of 1976*, 62 N.Y.U.L.Rev. 373, 388 (1987). Indeed, importing a test based on a hiring party's right to control, or actual control of, a product would unravel the "carefully worked-out compromise aimed at balancing legitimate interests on both sides." H.R.Rep. No. 2237, *supra*, at 114, quoting Supplemental Report, at 66.<sup>[14]</sup>

We do not find convincing petitioners' contrary interpretation of the history of the Act. They contend that Congress, in enacting the Act, meant to incorporate a line of cases decided under the 1909 Act holding that an employment relationship exists sufficient to give the hiring party copyright ownership whenever that party has the right to control or supervise the artist's work. *See, e.g., Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909, 914 (CA2 1974); *Picture Music, Inc. v. Bourne, Inc.*, 457 F.2d 1213, 1216 (CA2), *cert. denied*, 409 U.S. 997 (1972); *Scherr v. Universal Match Corp.*, 417 F.2d 497, 500 (CA2 1969), *cert. denied*, 397 U.S. 936 (1970); *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 567-568 (CA2 1966). In support of this position, petitioners note:

Nowhere in the 1976 Act or in the Act's legislative history does Congress state that it intended to jettison the control standard or otherwise to reject the pre-Act judicial approach to identifying a

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work for hire employment relationship.

Brief for Petitioners 20, citing *Aldon Accessories*, 738 F.2d at 552.

We are unpersuaded. Ordinarily, "Congress' silence is just that -- silence." *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678, 686 (1987). Petitioners' reliance on legislative silence is particularly misplaced here, because the text and structure of § 101 counsel otherwise. *See Bourjaily v. United States*, 483 U.S. 171, 178 (1987); *Harrison v. PPG Industries Inc.*, 446 U.S. 578, 592 (1980).<sup>[15]</sup> Furthermore, the structure of the work for hire provisions was fully developed in 1965, and the text was agreed upon in essentially final form by 1966. At that time, however, the courts had applied the work for hire doctrine under the 1909 Act exclusively to traditional employees. Indeed, it was not until after the 1965 compromise was forged and adopted by Congress<sup>[16]</sup> that a federal court for the first time applied the work for hire doctrine to commissioned works. *See, e.g., Brattleboro Publishing Co.*, *supra*, at 567-568. Congress certainly could not have "jettisoned" a line of cases that had not yet been decided.

Finally, petitioners' construction of the work for hire provisions would impede Congress' paramount goal in revising the 1976 Act of enhancing predictability and certainty of copyright ownership. See H.R.Rep. No. 94-1476, *supra*, at 129. In a "copyright marketplace," the parties negotiate [109 S.Ct. 2178] with an expectation that one of them will own the copyright in the completed work. *Dumas*, 865 F.2d at 1104-1105,

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n. 18. With that expectation, the parties at the outset can settle on relevant contractual terms, such as the price for the work and the ownership of reproduction rights.

To the extent that petitioners endorse an actual control test,<sup>[17]</sup> CCNV's construction of the work for hire provisions prevents such planning. Because that test turns on whether the hiring party has closely monitored the production process, the parties would not know until late in the process, if not until the work is completed, whether a work will ultimately fall within § 101(1). Under petitioners' approach, therefore, parties would have to predict in advance whether the hiring party will sufficiently control a given work to make it the author.

If they guess incorrectly, their reliance on "work for hire" or an assignment may give them a copyright interest that they did not bargain for.

*Easter Seal Society*, 815 F.2d at 333; *accord*, *Dumas*, 865 F.2d at 1103. This understanding of the work for hire provisions clearly thwarts Congress' goal of ensuring predictability through advance planning. Moreover, petitioners' interpretation

leaves the door open for hiring parties, who have failed to get a full assignment of copyright rights from independent contractors falling outside the subdivision (2) guidelines, to unilaterally obtain work-made-for-hire rights years after the work has been completed as long as they directed or supervised the work, a standard that is hard not to meet when one is a hiring party.

Hamilton, *Commissioned Works as Works Made for Hire Under the 1976 Copyright Act: Misinterpretation and Injustice*, 135 U.Pa.L.Rev. 1281, 1304 (1987).

In sum, we must reject petitioners' argument. Transforming a commissioned work into a work by an employee on the basis of the hiring party's right to control, or actual control of, the work is inconsistent with the language, structure, and legislative history of the work for hire provisions. To

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determine whether a work is for hire under the Act, a court first should ascertain, using principles of general common law of agency, whether the work was prepared by an employee or an independent contractor. After making this determination, the court can apply the appropriate subsection of § 101.

B

We turn, finally, to an application of § 101 to Reid's production of "Third World America." In determining whether a hired party is an employee under the general common law of agency, we consider the hiring party's right to control the manner and means by which the product is accomplished.<sup>[18]</sup> Among the other factors relevant to this inquiry are the skill required;<sup>[19]</sup> the source of the

instrumentalities and tools;<sup>[20]</sup> the location of the work;<sup>[21]</sup> the duration of the relationship between the [109 S.Ct. 2179] parties;<sup>[22]</sup> whether the hiring party has the right to assign additional projects to the hired party;<sup>[23]</sup> the extent of the hired party's discretion over when and how long to work;<sup>[24]</sup> the method of payment;<sup>[25]</sup> the hired party's role in hiring and

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paying assistants;<sup>[26]</sup> whether the work is part of the regular business of the hiring party;<sup>[27]</sup> whether the hiring party is in business;<sup>[28]</sup> the provision of employee benefits;<sup>[29]</sup> and the tax treatment of the hired party.<sup>[30]</sup> See Restatement § 220(2) (setting forth a nonexhaustive list of factors relevant to determining whether a hired party is an employee).<sup>[31]</sup> No one of these factors is determinative. See *Ward*, 362 U.S. at 400; *Hilton Int'l Co. v. NLRB*, 690 F.2d 318, 321 (CA2 1982).

Examining the circumstances of this case in light of these factors, we agree with the Court of Appeals that Reid was not an employee of CCNV, but an independent contractor. 270 U.S.App.D.C. at 35, n. 11, 846 F.2d at 1494, n. 11. True, CCNV members directed enough of Reid's work to ensure that he produced a sculpture that met their specifications. 652 F.Supp. at 1456. But the extent of control the hiring party exercises over the details of the product is not dispositive. Indeed, all the other circumstances weigh heavily against finding an employment relationship. Reid is a sculptor, a skilled occupation. Reid supplied his own tools. He worked in his own studio in Baltimore, making daily supervision of his activities from Washington practicably impossible. Reid was retained for less than two months, a relatively

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short period of time. During and after this time, CCNV had no right to assign additional projects to Reid. Apart from the deadline for completing the sculpture, Reid had absolute freedom to decide when and how long to work. CCNV paid Reid \$15,000, a sum dependent on "completion of a specific job, a method by which independent contractors are often compensated." *Holt v. Winpisinger*, 258 U.S.App.D.C. 343, 351, 811 F.2d 1532, 1540 (1987). Reid had total discretion in hiring and paying assistants. "Creating sculptures was hardly 'regular business' for CCNV." 270 U.S.App.D.C. at 35, n. 11, 846 F.2d at 1494, n. 11. Indeed, CCNV is not a business at all. Finally, CCNV did not pay payroll or Social Security taxes, provide any employee benefits, or contribute to unemployment insurance or workers' compensation funds.

Because Reid was an independent contractor, whether "Third World America" is a work for hire depends on whether [109 S.Ct. 2180] it satisfies the terms of § 101(2). This petitioners concede it cannot do. Thus, CCNV is not the author of "Third World America" by virtue of the work for hire provisions of the Act. However, as the Court of Appeals made clear, CCNV nevertheless may be a joint author of the sculpture if, on remand, the District Court determines that CCNV and Reid prepared the work "with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." 17 U.S.C. § 101.<sup>[32]</sup> In that case, CCNV and Reid would be co-owners of the copyright in the work. See § 201(a).

For the aforesaid reasons, we affirm the judgment of the Court of Appeals for the District of Columbia Circuit.

*It is so ordered.*

Notes:

[1] Purtee was named as a defendant, but never appeared or claimed any interest in the statue.

[2] Compare *Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises*, 815 F.2d 323 (CA5 1987), *cert. denied*, 485 U.S. 981 (1988) (agency law determines who is an employee under § 101), with *Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410 (CA4 1987) (supervision and control standard determines who is an employee under § 101); *Evans Newton, Inc. v. Chicago Systems Software*, 793 F.2d 889 (CA7), *cert. denied*, 479 U.S. 949 (1986) (same); and *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (CA2), *cert. denied*, 469 U.S. 982 (1984) (same). See also *Dumas v. Gommerman*, 865 F.2d 1093 (CA9 1989) (a multifactor formal, salaried employee test determines who is an employee under § 101).

[3] We use the phrase "work for hire" interchangeably with the more cumbersome statutory phrase "work made for hire."

[4] As of 1955, approximately 40 percent of all copyright registrations were for works for hire, according to a Copyright Office study. See Varmer, *Works Made for Hire and On Commission*, in *Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary*, Study No. 13, 86th Cong., 2d Sess., 139, n. 49 (Comm. Print 1960) (hereinafter Varmer, *Works Made for Hire*). The Copyright Office does not keep more recent statistics on the number of work for hire registrations.

[5] Section 101 of the Act defines each of the nine categories of "specially ordered or commissioned" works.

[6] By "hiring party," we mean to refer to the party who claims ownership of the copyright by virtue of the work for hire doctrine.

[7] See Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., Copyright Law Revision, pt. 6, pp. 66-67 (H.R. Judiciary Comm. Print 1965) (hereinafter Supplementary Report); Hardy, *Copyright Law's Concept of Employment -- What Congress Really Intended*, 35 J. Copr. Soc. USA 210, 244-245 (1988).

[8] We also reject the suggestion of respondent and *amici* that the § 101(1) term "employee" refers only to formal, salaried employees. While there is some support for such a definition in the legislative history, see Varmer, *Works Made for Hire* 130; n. 11, *infra*, the language of § 101(1) cannot support it. The Act does not say "formal" or "salaried" employee, but simply "employee." Moreover, respondent and those *amici* who endorse a formal, salaried employee test do not agree upon the content of this test. Compare, e.g., Brief for Respondent 37 (hired party who is on payroll is an employee within § 101(1)) with Tr. of Oral Arg. 31 (hired party who receives a salary or commissions regularly is an employee within § 101(1)); and Brief for Volunteer Lawyers for the Arts Inc. *et al.* as *Amici Curiae* 4 (hired party who receives a salary and is treated as an employee for Social Security and tax purposes is an employee within § 101(1)). Even the one Court of Appeals to adopt what it termed a formal, salaried employee test in fact embraced an approach incorporating numerous factors drawn from the agency law definition of employee which we endorse. See *Dumas*, 865 F.2d at 1104.

[9] The concept of works made for hire first arose in controversies over copyright ownership involving works produced by persons whom all parties agreed were employees. See, e.g., *Colliery Engineer Co. v. United Correspondence Schools Co.*, 94 F. 152 (CC SDNY 1899); *Little v. Gould*, 15 F.Cas. 612 (CC NDNY 1852). This Court first took note of the work for hire doctrine in *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 248 (1903), where we found that an employer owned the copyright to advertisements that had been created by an employee in the course of his employment. *Bleistein* did not, however, purport to define "employee."

[10] See Varmer, *Works Made for Hire* 130; Fidlow, *The "Works Made for Hire" Doctrine and the Employee/Independent Contractor Dichotomy: The Need for Congressional Clarification*, 10 *Hastings Comm.Ent.L.J.* 591, 600-601 (1988). Indeed, the Varmer study, which was commissioned by Congress as part of the revision process, itself contained separate subsections labeled "Works Made for Hire" and "Works Made on Commission." It nowhere indicated that the two categories might overlap, or that commissioned works could be made by an employee.

[11] See, e.g., Preliminary Draft, at 259 (statement of Horace S. Manges, Joint Committee of the American Book Publishers Council and the American Textbook Publishers Institute) ("There would be a necessity of putting people on the payroll whom the employers wouldn't want to put on the payroll, and where the employees would prefer to work as independent contractors"); *id.* at 272 (statement of Saul N. Rittenberg, MGM) ("[T]he present draft has given more emphasis to formalism than necessary. If I commission a work from a man, ordering a work specially for my purposes, and I pay for it, what difference does it make

whether I put him under an employment contract or establish an independent contractor relationship?"); *id.* at 260 (statement of John R. Peterson, American Bar Association) ("I don't think there is any valid philosophical or economic difference between the situation in which you have a man on a continuing basis of orders which justifies placing him on your payroll, and the situation in which you give him a particular order for a particular job").

[12] The parties to the joint memorandum included representatives of the major competing interests involved in the copyright revision process: publishers and authors, composers, and lyricists. *See* Copyright Law Revision: Hearings on H.R. 4347, 5680, 6831, 6835 before Subcommittee No. 3 of the House Committee on the Judiciary, 89th Cong., 1st Sess., pt. 1, p. 134 (1965).

[13] An attempt to add "photographic or other portrait[s]," S.Rep. No. 94-473, p. 4 (1975), to the list of commissioned works eligible for work for hire status failed after the Register of Copyrights objected:

The addition of portraits to the list of commissioned works that can be made into "works made for hire" by agreement of the parties is difficult to justify. Artists and photographers are among the most vulnerable and poorly protected of all the beneficiaries of the copyright law, and it seems clear that, like serious composers and choreographers, they were not intended to be treated as "employees" under the carefully negotiated definition in section 101.

Second Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1975 Revision Bill, Chapter XI, pp. 12-13.

[14] Strict adherence to the language and structure of the Act is particularly appropriate where, as here, a statute is the result of a series of carefully crafted compromises. *See Rodriguez v. Compass Shipping Co.*, 451 U.S. 596, 617 (1981); *United States v. Sisson*, 399 U.S. 267, 291, 298 (1970).

[15] In framing other provisions of the Act, Congress indicated when it intended to incorporate existing case law. *See, e.g.*, H.R.Rep. No. 94-1476, p. 121 (1976) ("There is . . . no need for a specific statutory provision concerning the rights and duties of the coowners [*sic*] of a work; court-made law on this point is left undisturbed"); S.Rep. No. 94-473, *supra*, at 104 (same).

[16] Over the course of the copyright revision process, Congress frequently endorsed a negotiated compromise which, years later, in 1976, it formally enacted with only minor revisions. *See Mills Music, Inc. v. Snyder*, 469 U.S. 153, 160-161 (1985).

[17] Petitioners concede that, as a practical matter, it is often difficult to demonstrate the existence of a right to control without evidence of the actual exercise of that right. *See Murray v. Gelderman*, 566 F.2d 1307, 1310-1311 (CA5 1978).

[18] *See, e.g., Hilton Int'l Co. v. NLRB*, 690 F.2d 318, 320 (CA2 1982); *NLRB v. Maine Caterers, Inc.*, 654 F.2d 131, 133 (CA1 1981), *cert denied*, 455 U.S. 940 (1982); Restatement § 220(1).

[19] *See, e.g., Bartels v. Birmingham*, 332 U.S. 126, 132 (1947); *Hilton Int'l Co.*, *supra*, at 320; *NLRB v. A. Duie Pyle, Inc.*, 606 F.2d 379, 382 (CA3 1979); Restatement § 220(2)(d).

[20] *See, e.g., NLRB v. United Ins. Co. of America*, 390 U.S. 254, 258 (1968); *United States v. Silk*, 331 U.S. 704, 717, 718 (1947); *Dumas*, 865 F.2d at 1105; Restatement § 220(2)(e).

[21] *See, e.g., United Ins. Co.*, *supra*, at 258; *Dumas*, *supra*, at 1105; *Darden v. Nationwide Mutual Ins. Co.*, 796 F.2d 701, 705 (CA4 1986); Restatement § 220(2)(e).

[22] *See, e.g., United Ins. Co.*, *supra*, at 259; *Bartels*, *supra*, at 132; Restatement § 220(2)(f).

[23] *See, e.g., Dumas*, *supra*, at 1105.

[24] *See, e.g., United Ins. Co.*, *supra*, at 258; *Short v. Central States, Southeast & Southwest Areas Pension Fund*, 729 F.2d 567, 574 (CA8 1984).

[25] *See, e.g., Dumas*, *supra*, at 1105; *Darden*, *supra*, at 705; *Holt v. Winpisinger*, 258 U.S.App.D.C. 343, 351, 811 F.2d 1532, 1540 (1987); Restatement § 220(2)(g).

[26] *See, e.g., Bartels*, *supra*, at 132; *Silk*, *supra*, at 719; *Darden*, *supra*, at 705; *Short*, *supra*, at 574.

[27] *See, e.g., United Ins. Co.*, *supra*, at 259; *Silk*, *supra*, at 718; *Dumas*, *supra*, at 1105; *Hilton Int'l Co.*, *supra*, at 321;

Restatement § 220(2)(h).

[28] *See, e.g.*, Restatement § 220(2)(j).

[29] *See, e.g.*, *United Ins. Co.*, *supra*, at 259; *Dumas*, *supra*, at 1105; *Short*, *supra*, at 574.

[30] *See, e.g.*, *Dumas*, *supra*, at 1105.

[31] In determining whether a hired party is an employee under the general common law of agency, we have traditionally looked for guidance to the Restatement of Agency. *See, e.g.*, *Kelley v. Southern Pacific Co.*, 419 U.S. 318, 323-324, and n. 5 (1974); *id.* at 332 (Stewart, J., concurring in judgment); *Ward v. Atlantic Coast Line R. Co.*, 362 U.S. 396, 400 (1960); *Baker v. Texas & Pacific R. Co.*, 359 U.S. 227, 228 (1959).

[32] Neither CCNV nor Reid sought review of the Court of Appeals' remand order. We therefore have no occasion to pass judgment on the applicability of the Act's joint authorship provisions to this case.

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**Egyptian Goddess, Inc. v. Swisa, Inc. 543 F. 3d 665**  
**(Fed Cir. 2008)** (discussing the standard for determining  
design patent infringement).

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**543 F.3d 665 (Fed. Cir. 2008)**

**EGYPTIAN GODDESS, INC., Plaintiff-Appellant,**

**and**

**Adi Torkiya, Third Party Defendant,**

**v.**

**SWISA, INC. and Dror Swisa, Defendants/Third Party Plaintiffs-Appellees.**

**No. 2006-1562.**

**United States Court of Appeals, Federal Circuit.**

**September 22, 2008**

Rehearing En Banc Denied Nov. 4, 2008.

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[Copyrighted Material Omitted]

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Robert G. Oake, Jr., Oake Law Office, of Allen, TX, argued for plaintiff-appellant.

Frederick Linton Medlin, Kirkpatrick & Lockhart Preston Gates Ellis LLP, of Dallas, TX, argued for defendants/third party plaintiffs-appellees. With him on the brief was Linda G. Moore. Of counsel was Jeffrey L. Snow, of Boston, MA.

F. David LaRiviere, LaRiviere, Grubman & Payne LLP, of Monterey, CA, for amicus curiae Monster Cable Products, Inc.

William Dunnegan, Dunnegan LLC, of New York, NY, for amicus curiae Industrial Designers Society of America. With him on the brief was Nikitas E. Nicolakis.

Edward D. Manzo, Cook, Alex, McFarron, Manzo, Cummings & Meher, Ltd., of Chicago, IL, for amici curiae Elite Group, Inc., et al.

Kevin T. Kramer, Pillsbury Winthrop Shaw Pittman LLP, of Washington, DC, for amicus curiae Federal Circuit Bar Association. With him on the brief were Edward R. Reines, Federal Circuit Bar Association, of Washington, DC, and Mark P. Walters, Darby & Darby, of Seattle, WA.

George M. Sirilla, Pillsbury Winthrop Shaw Pittman LLP, of McLean, VA, for amicus curiae Daisy

Manufacturing Company, Inc. With him on the brief was Stephanie F. Goeller, of Washington, DC.

Frank A. Angileri, Brooks Kushman P.C., of Southfield, MI, for amicus curiae Ford Global Technologies, LLC. With him on the brief was Marc Lorelli.

Christopher J. McGeehan, Greer, Burns & Crain, Ltd., of Chicago, IL, for amicus curiae Intellectual Property Law Association of Chicago.

Vandana Koelsch, Howrey LLP, of Washington, DC, for amicus curiae Bar Association of the District of Columbia.

Tracy-Gene G. Durkin, Sterne, Kessler, Goldstein & Fox P.L.L.C., of Washington, DC, for amicus curiae Intellectual Property Owners Association. With her on the brief was David K.S. Cornwell. Of counsel on the brief were Steven W. Miller, The Procter & Gamble Company, of Cincinnati, OH, and Richard F. Phillips, Exxon Mobil Corporation, of Houston, TX. Of counsel was Herbert C. Wamsley, Intellectual Property Owners Association, of Washington, DC.

William T. Fryer, III, of Bethesda, MD, for amicus curiae Professor William T. Fryer, III.

Christopher J. Renk, Banner & Witcoff, Ltd., of Chicago, IL, for amici curiae Electrolux Home Products, Inc., et al. With him on the brief were Erik S. Maurer, of Chicago, IL, and Robert S. Katz, of Washington, DC. Of counsel was Christopher B. Roth.

Christopher V. Carani, McAndrews, Held & Malloy, Ltd., of Chicago, IL, for amicus curiae American Intellectual Property Law Association. With him on the brief was James Pooley, Morrison & Foerster LLP, of Palo Alto, CA.

Perry J. Saidman, Saidman DesignLaw Group, of Silver Springs, MD, for amicus curiae Apple Inc.

Alan L. Barry, Bell, Boyd & Lloyd LLP, of Chicago, IL, for amici curiae LKQ Corporation, et al. With him on the brief were Heather A. Boice and Brian J. Arnold.

Valerie K. Friedrich, Baker & McKenzie LLP, of Houston, TX, for amicus curiae Houston Intellectual Property Law Association.

Before MICHEL, Chief Judge, and NEWMAN, ARCHER, MAYER, LOURIE, RADER, SCHALL, BRYSON, GAJARSA, LINN, DYK, PROST, and MOORE, Circuit Judges.

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BRYSON, Circuit Judge.

We granted rehearing en banc in this design patent case to address the appropriate legal standard to be used in assessing claims of design patent infringement.

Appellant Egyptian Goddess, Inc., (" EGI" ) brought this action in the United States District Court for the Northern District of Texas, alleging that Swisa, Inc., and Dror Swisa (collectively, " Swisa" ) had infringed EGI's U.S. Design Patent No. 467,389 (" the '389 patent" ). The patent claimed a design for a nail buffer, consisting of a rectangular, hollow tube having a generally square cross-section and featuring buffer surfaces on three of its four sides. Swisa's accused product consists of a rectangular, hollow tube having a square cross-section, but featuring buffer surfaces on all four of its sides.

The district court first issued an order construing the claim of the '389 patent. In so doing, the district court sought to describe in words the design set forth in Figure 1 of the patent, which is depicted below:

(Image Omitted)

Upon study of the claimed design, the court described it as follows:

A hollow tubular frame of generally square cross section, where the square has sides of length  $S$ , the frame has a length of approximately  $3S$ , and the frame has a thickness of approximately  $T = 0.1S$ ; the corners of the cross section are rounded, with the outer corner of the cross section rounded on a 90 degree radius of approximately  $1.25T$ , and the inner corner of the cross section rounded on a 90 degree radius of approximately  $0.25T$ ; and with rectangular abrasive pads of thickness  $T$  affixed to three of the sides of the frame, covering the flat portion of the sides while leaving the curved radius uncovered, with the fourth side of the frame bare.

In the same order, the district court ruled that "Swisa has not shown that the appearance of the Buffer Patent is dictated by its utilitarian purpose." The court therefore held that the patent is not invalid on the ground that the design was governed solely by function. *Egyptian Goddess, Inc. v. Swisa, Inc.*, Civil Action No. 3:03-CV0594-N (N.D.Tex. Mar. 4, 2005), citing *Seiko Epson Corp. v. Nu-Kote Int'l, Inc.*, 190 F.3d 1360, 1368 (Fed.Cir.1999).

Swisa then moved for summary judgment of noninfringement. The district court granted the motion. Citing precedent of this court, the district court stated that the plaintiff in a design patent case must prove both (1) that the accused device is "substantially similar" to the claimed design under what is referred to as the "ordinary observer" test, and (2) that the accused device contains "substantially the same points of novelty that distinguished the patented design from the prior art." *Egyptian Goddess, Inc. v. Swisa, Inc.*, Civil Action No. 3:03-CV-0594-N, 2005 WL 5873510 (N.D.Tex. Dec. 14, 2005), citing *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co.*, 162 F.3d 1113 (Fed.Cir.1998). After comparing the claimed design and the accused product, the court held that Swisa's allegedly infringing product did not incorporate the "point of novelty" of the '389 patent, which the court identified as "a fourth, bare side to the buffer."

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The district court noted that the parties disagreed as to the points of novelty in the '389 patent. EGI identified four elements in its design, and for each element it identified prior art that did not embody that element. EGI therefore contended that the point of novelty of the '389 patent is the combination of those four elements. The district court, however, declined to address the question whether the point of novelty could be found in the combination of elements not present in various prior art references, because the court found that a single prior art reference, United States Design Patent No. 416,648 ("the Nailco patent"), contained all but one of the elements of the '389 design. The court described the Nailco Patent as disclosing "a nail buffer with an open and hollow body, raised rectangular pads, and open corners." The only element of the '389 patent design that was not present in the Nailco patent, according to the district court, was "the addition of the fourth side without a pad, thereby transforming the equilateral triangular cross-section into a square." Because the Swisa product does not incorporate the point of novelty of the '389 patent—a fourth side without a pad—the court concluded that there was no infringement.

EGI appealed, and a panel of this court affirmed. The panel agreed with the district court that there

was no issue of material fact as to whether the accused Swisa buffer “ appropriates the point of novelty of the claimed design.” *Egyptian Goddess, Inc. v. Swisa, Inc.*, 498 F.3d 1354, 1355 (Fed.Cir.2007). In reaching that conclusion, the panel stated that the point of novelty in a patented design “ can be either a single novel design element or a combination of elements that are individually known in the prior art.” *Id.* at 1357. The panel added, however, that in order for a combination of individually known design elements to constitute a point of novelty, “ the combination must be a nontrivial advance over the prior art.” *Id.*

The panel noted that EGI's asserted point of novelty was a combination of four of the claimed design's elements: (1) an open and hollow body, (2) a square cross-section, (3) raised rectangular buffer pads, and (4) exposed corners. The panel agreed with the district court's observation that the Nailco prior art patent contained each of those elements except that the body was triangular, rather than square, in cross-section. 498 F.3d at 1358. In light of the prior art, the panel determined that “ no reasonable juror could conclude that EGI's asserted point of novelty constituted a non-trivial advance over the prior art.” *Id.*

The panel further observed that the various design elements of the claimed design “ were each individually disclosed in the prior art.” 498 F.3d at 1358. The Swisa buffers, the panel noted, have raised, abrasive pads on all four sides, not just on three of the four sides, as in the claimed design, in which the fourth side is bare. The panel then concluded that “ [w]hen considering the prior art in the nail buffer field, this difference between the accused design and the patented design cannot be considered minor.” *Id.* The panel therefore concluded that summary judgment was appropriate.

The dissenting judge would not have adopted the “ non-trivial advance” test as a way of ascertaining whether a particular feature of the claimed design constituted a point of novelty for infringement purposes. In the view of the dissenting judge, the “ nontrivial advance” test was inconsistent with and unsupported by prior precedent; it conflated the criteria for infringement and obviousness; it applied only to designs that involved combinations of design elements; and it improperly focused on the

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obviousness of each point of novelty, rather than the obviousness of the overall design. 498 F.3d at 1359-60 (Dyk, J., dissenting).

This court granted rehearing en banc and asked the parties to address several questions, including whether the “ point of novelty” test should continue to be used as a test for infringement of a design patent; whether the court should adopt the “ non-trivial advance test” as a means of determining whether a particular design feature qualifies as a point of novelty; how the point of novelty test should be administered, particularly when numerous features of the design differ from certain prior art designs; and whether district courts should perform formal claim construction in design patent cases.

## I

The starting point for any discussion of the law of design patents is the Supreme Court's decision in *Gorham Co. v. White*, 14 Wall. 511, 81 U.S. 511, 20 L.Ed. 731 (1871). That case involved a design patent for the handles of tablespoons and forks. In its analysis of claim infringement, the Court stated that the test of identity of design “ must be sameness of appearance, and mere difference of lines in the drawing or sketch ... or slight variances in configuration ... will not destroy the substantial identity.” *Id.* at 526-27. Identity of appearance, the Court explained, or “ sameness of effect upon the eye, is the main test of substantial identity of design” ; the two need not be the same “ to the eye of an expert,” because if that were the test, “ [t]here never could be piracy of a patented design, for human ingenuity has never yet

produced a design, in all its details, exactly like another, so like, that an expert could not distinguish them." *Id.* at 527.

The *Gorham* Court then set forth the test that has been cited in many subsequent cases: "[I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other." 81 U.S. at 528. In the case before it, the Court concluded that "whatever differences there may be between the plaintiffs' design and those of the defendant in details of ornament, they are still the same in general appearance and effect, so much alike that in the market and with purchasers they would pass for the same thing-so much alike that even persons in the trade would be in danger of being deceived." *Id.* at 531.

Since the decision in *Gorham*, the test articulated by the Court in that case has been referred to as the "ordinary observer" test and has been recognized by lower courts, including both of this court's predecessors, as the proper standard for determining design patent infringement. *See, e.g., Blumcraft of Pittsburgh v. United States*, 178 Ct.Cl. 798, 372 F.2d 1014, 1016 (1967); *In re Dubois*, 46 C.C.P.A. 744, 262 F.2d 88, 91 (1958). However, in a series of cases tracing their origins to *Litton Systems, Inc. v. Whirlpool Corp.*, 728 F.2d 1423 (Fed.Cir.1984), this court has held that proof of similarity under the ordinary observer test is not enough to establish design patent infringement. Rather, the court has stated that the accused design must also appropriate the novelty of the claimed design in order to be deemed infringing. The court in *Litton Systems* wrote as follows:

For a design patent to be infringed ... no matter how similar two items look, "the accused device must appropriate the novelty in the patented device which distinguishes it from the prior art." That is, even though the court

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compares two items through the eyes of the ordinary observer, it must nevertheless, to find infringement, attribute their similarity to the novelty which distinguishes the patented device from the prior art.

*Litton Systems*, 728 F.2d at 1444 (citations omitted). After identifying the combination of features in the design that it considered novel, the court in *Litton Systems* held that the accused design had none of those features and therefore did not infringe. *Id.*

In a number of cases decided after *Litton Systems*, this court has interpreted the language quoted above to require that the test for design patent infringement consider both the perspective of the ordinary observer and the particular novelty in the claimed design. *See, e.g., Bernhardt, L.L.C. v. Collezione Europa USA, Inc.*, 386 F.3d 1371, 1383 (Fed.Cir.2004); *Contessa Food Prods., Inc. v. Conagra, Inc.*, 282 F.3d 1370, 1377 (Fed.Cir.2002); *Unidynamics Corp. v. Automatic Prods. Int'l, Inc.*, 157 F.3d 1311, 1323-24 (Fed.Cir.1998); *Oakley, Inc. v. Int'l Tropic-Cal., Inc.*, 923 F.2d 167, 169 (Fed.Cir.1991); *Avia Group Int'l, Inc. v. L.A. Gear Cal., Inc.*, 853 F.2d 1557, 1565 (Fed.Cir.1988).

The extent to which the point of novelty test has been a separate test has not always been clear in this court's case law. In cases decided shortly after *Litton*, the court described the ordinary observer test and the point of novelty test as "conjunctive." *See L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1125 (Fed.Cir.1993); *Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 628 n. 16 (Fed.Cir.1984). It has not been until much more recently that this court has described the ordinary observer and point of novelty tests as "two distinct tests" and has stated that "[t]he merger of the point of novelty test and the

ordinary observer test is legal error." *Unidynamics Corp.*, 157 F.3d at 1323-24; *see also Lawman Armor Corp. v. Winner Int'l, LLC*, 437 F.3d 1383, 1384 (Fed.Cir.2006); *Contessa Food Prods., Inc.*, 282 F.3d at 1377; *Sun Hill Indus., Inc. v. Easter Unlimited, Inc.*, 48 F.3d 1193, 1197 (Fed.Cir.1995).

Regardless of the differences in the way it has been characterized, the point of novelty test has proved reasonably easy to apply in simple cases in which the claimed design is based on a single prior art reference and departs from that reference in a single respect. In such cases, it is a simple matter to identify the point of novelty and to determine whether the accused design has appropriated the point of novelty, as opposed to copying those aspects of the claimed design that were already in the prior art. However, the point of novelty test has proved more difficult to apply where the claimed design has numerous features that can be considered points of novelty, or where multiple prior art references are in issue and the claimed design consists of a combination of features, each of which could be found in one or more of the prior art designs. In particular, applying the point of novelty test where multiple features and multiple prior art references are in play has led to disagreement over whether combinations of features, or the overall appearance of a design, can constitute the point of novelty of the claimed design. *Compare Lawman Armor Corp. v. Winner Int'l, LLC*, 449 F.3d 1190 (Fed.Cir.2006) (supplemental opinion on petition for rehearing), *with Lawman Armor Corp. v. Winner Int'l, LLC*, 449 F.3d 1192 (Fed.Cir.2006) (Newman, J., dissenting from denial of rehearing en banc). In light of the questions surrounding the status and application of the point of novelty test, we use this case as a vehicle for reconsidering the place of the point of novelty test in design patent law generally.

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## II

EGI argues that this court should no longer recognize the point of novelty test as a second part of the test for design patent infringement, distinct from the ordinary observer test established in *Gorham*. Instead of requiring the fact-finder to identify one or more points of novelty in the patented design and then determining whether the accused design has appropriated some or all of those points of novelty, EGI contends that the ordinary observer test can fulfill the purposes for which the point of novelty test was designed, but with less risk of confusion. As long as the ordinary observer test focuses on the "appearance that distinguishes the patented design from the prior art," EGI contends that it will enable the fact-finder to address the proper inquiry, i.e., whether an ordinary observer, familiar with the prior art, would be deceived into thinking that the accused design was the same as the patented design. Relatedly, EGI argues that if the ordinary observer test is performed from the perspective of an ordinary observer who is familiar with the prior art, there is no need for a separate "non-trivial advance" test, because the attention of an ordinary observer familiar with prior art designs will naturally be drawn to the features of the claimed and accused designs that render them distinct from the prior art.

Several of the amici make essentially the same point, referring to the proper approach as calling for a three-way visual comparison between the patented design, the accused design, and the closest prior art. The amici point out that courts, including this one, have on occasion applied that approach in design patent cases, without identifying it as a separate test. *See, e.g.,* Brief of Amicus Curiae Apple, Inc., at 19 (citing, inter alia, *Elmer v. ICC Fabricating, Inc.*, 67 F.3d 1571 (Fed.Cir., 1995); *Braun, Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815 (Fed.Cir.1992); and *Bergstrom v. Sears, Roebuck & Co.*, 496 F.Supp. 476 (D.Minn.1980)).

Swisa counters that this court may not, and should not, abandon the point of novelty test. According to Swisa, the point of novelty test was adopted by the Supreme Court in *Smith v. Whitman Saddle Co.*, 148 U.S. 674, 13 S.Ct. 768, 37 L.Ed. 606 (1893). Swisa interprets that case as dictating the

use of the point of novelty test as a second and distinct test for design patent infringement, separate from the ordinary observer test set forth in *Gorham*. Swisa contends that the subsequent decisions of this court and others applying the point of novelty test are soundly based on *Whitman Saddle*, and that we cannot depart from that test without disregarding that governing Supreme Court precedent as well as intervening precedent from other courts of appeals.

We disagree with Swisa's submission. A close reading of *Whitman Saddle* and subsequent authorities indicates that the Supreme Court did not adopt a separate point of novelty test for design patent infringement cases. In fact, a study of the development of design patent law in the years after *Gorham* shows that the point of novelty test, in its current form, is of quite recent vintage. After a review of those authorities, which we examine in some detail below, we conclude that the point of novelty test, as a second and free-standing requirement for proof of design patent infringement, is inconsistent with the ordinary observer test laid down in *Gorham*, is not mandated by *Whitman Saddle* or precedent from other courts, and is not needed to protect against unduly broad assertions of design patent rights.

*Whitman Saddle* involved a patent on a design for a saddle. The Court began by reciting the requirements for obtaining

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patent protection for a design. The Court emphasized the importance of "invention" to the patentability of a design. It stated, "Mere mechanical skill is insufficient. There must be something akin to genius, an effort of the brain as well as the hand. The adaptation of old devices or forms to new purposes, however convenient, useful, or beautiful they may be in their new role, is not invention." 148 U.S. at 679, 13 S.Ct. 768. The Court then explained (*id.*):

The exercise of the inventive or originative faculty is required, and a person cannot be permitted to select an existing form, and simply put it to a new use, any more than he can be permitted to take a patent for the mere double use of a machine. If, however, the selection and adaptation of an existing form is more than the exercise of the imitative faculty, and the result is in effect a new creation, the design may be patentable.

In the case before it, the Court characterized the patented saddle design as a combination of elements from two saddle designs that were well known in the art. The Court explained that the patented design consisted of a combination of the front half of the so-called Granger saddle and the back end of the so-called Jenifer saddle. The design differed from a simple combination of the two known saddles, according to the Court, only in that the front end of the design had "a nearly perpendicular drop of some inches at the rear of the pommel," unlike in the Granger saddle. *Id.* at 680, 13 S.Ct. 768.

Although the trial court, sitting in equity, concluded that the design was patentable, the Supreme Court disagreed. The Court wrote, "Nothing more was done in this instance (except as hereafter noted) than to put the two halves of these saddles together in the exercise of the ordinary skill of workmen of the trade, and in the way and manner ordinarily done." 148 U.S. at 681, 13 S.Ct. 768. The Court noted that there was a difference between the pommel of the designed saddle and the pommel of the Granger saddle, and it added that the "shape of the front end being old, the sharp drop of the pommel at the rear seems to constitute what was new and to be material." *Id.* at 682., 13 S.Ct. 768 That feature, however, was not present in the defendants' saddle. The Court then concluded with the following remarks (*id.*):

If, therefore, this drop were material to the design, and rendered it patentable as a complete and integral whole, there was no infringement. As before said, the design of the patent had two features of difference as compared with the Granger saddle, one the cantle, the other the



drop; and unless there was infringement as to the latter there was none at all, since the saddle design of the patent does not otherwise differ from the old saddle with the old cantle added, an addition frequently made. Moreover, that difference was so marked that in our judgment the defendant's saddle could not be mistaken for the saddle of the complainant.

Because *Whitman Saddle* was an action in equity, the Court did not distinguish sharply between its analysis of patentability and its discussion of infringement. Within the same passage, the Court moved from stating that it could not agree with the trial court that the design in issue was patentable to the conclusion that if the design were patentable because of the drop at the rear of the pommel, there was no infringement. Nothing in the Court's opinion suggested that it was fashioning a separate point of novelty test for infringement. The point the Court was making was that, viewed in light of the similarities between the prior art and the patented design, the accused design did not contain the single feature that would have made it

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appear distinctively similar to the patented design rather than like the numerous prior art designs. For that reason, the Court held, the accused design did not infringe.

Subsequent cases applied that principle, interpreting the ordinary observer test of *Gorham* to require that the perspective of the ordinary observer be informed by a comparison of the patented design and the accused design in light of the prior art, so as to enable the fact-finder to determine whether the accused design had appropriated the inventiveness of the patented design. For example, two cases decided in the wake of *Whitman Saddle* shed light on the Supreme Court's analysis in *Whitman Saddle* and illustrate the application of the ordinary observer test in light of the prior art.

In the first of those cases, *Bevin Brothers Manufacturing Co. v. Starr Brothers Bell Co.*, 114 F. 362 (C.C.D.Conn.1902), the patent drawing showed an oblate spheroid and neck, and the claim covered "a bell as herein shown and described." Sitting in equity, the court addressed both validity and infringement, noting that the test of identity on both issues "is the eye of the ordinary observer." *Id.* at 363. After noting that the patented form was commonly found in a variety of prior art structures, the court held that the "defense of want of patentable novelty is sustained." *Id.* As for infringement, the court again consulted particular objects in the prior art having a similar shape, including a door knob, and concluded that "[t]he shape of the defendant's bell differs from plaintiff's more widely than plaintiff's differs from the door knob, and therefore defendants' construction does not infringe the patent." *Id.* Thus, the court's approach, like that of the Supreme Court in *Whitman Saddle*, did not employ a point of novelty test, but invoked the ordinary observer test in which the observer was comparing the patented and accused designs in the context of similar designs found in the prior art.

The second case, *Zidell v. Dexter*, 262 F. 145 (9th Cir.1920), cited *Whitman Saddle* for the proposition that under the ordinary observer standard, a patented design that consists "only of bringing together old elements with slight modifications of form" is not infringed by "another who uses the same elements with his own variations of form ... if his design is distinguishable by the ordinary observer from the patented design." *Id.* at 146. The court emphasized the importance of similar prior art designs to the determination of infringement under the ordinary observer test:

The evidence shows that at and prior to the conception of this design there were in use and on sale very many similar garments, with variations in design so slight as to leave to the ordinary observer the impression of a very general resemblance, and we must assume that to womankind, who are the purchasers in the main of this class of garment, these various

coincident forms of garments were known, and whether such purchasers would be deceived into taking the garments which are alleged to infringe for a garment of the patented design would necessarily depend largely upon that general knowledge.

*Id.* at 147.

Some years later, the Sixth Circuit addressed a similar issue in a case involving a design patent on a combination ash tray and electric lighter. *Applied Arts Corp. v. Grand Rapids Metalcraft Corp.*, 67 F.2d 428 (6th Cir.1933). The district court found infringement by two of the defendant's designs upon finding that the resemblance between the patented design and the accused design was such as to deceive the ordinary observer. In analyzing the case, the court addressed the question whether the ordinary observer test of

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*Gorham* was in conflict with the principle that "similitude of appearance is to be judged by the scope of the patent in relation to the prior art." *Id.* at 429.

The court explained that the ordinary observer of the *Gorham* test was not one "who has never seen an ash tray or a cigar lighter, but one who, though not an expert, has reasonable familiarity with such objects," and is capable of assessing the similarity of the patented and accused designs in light of the similar objects in the prior art. 67 F.2d at 430. Viewing the ordinary observer test in that manner, the court stated:

[W]hile there is some similarity between the patented and alleged infringing designs, which without consideration of the prior art might seem important, yet such similarity as is due to common external configuration is no greater, if as great, between the patented and challenged designs as between the former and the designs of the prior art.

*Id.* After noting the similarities between the patented design and the prior art designs, the court concluded that the differences between the two "are no greater than those that exist between the patented design and the alleged infringing designs." Accordingly, the court concluded, assuming the patent to be valid "it is quite clear it is entitled to a very limited interpretation and that so limited the defendant's designs do not infringe." *Id.* The court ruled that while it was aware that similarity "is not to be determined by making too close an analysis of detail," nonetheless, "where in a crowded art the composite of differences presents a different impression to the eye of the average observer (as above defined), infringement will not be found." *Id.*

That precedent was followed by the Eighth Circuit in *Sears, Roebuck & Co. v. Talge*, 140 F.2d 395 (8th Cir.1944). The district court in that case held that the defendant's home fruit juicer infringed the plaintiff's patents on fruit juicer designs. The court stated that the test for design patent infringement involves two elements: (1) "the identity of appearance, or sameness of effect as a whole upon the eye of an ordinary purchaser must be such as to deceive him, inducing him to purchase one, supposing it to be the other" and (2) "the accused device must appropriate the novelty in the patented device which distinguishes it from the prior art." *Id.* at 395-96. To make the latter determination, the court explained, "requires a comparison of the features of the patented designs with the prior art and with the accused design." *Id.* at 396. By examining the prior art fruit juicers, the court was able to identify the "novel elements embodied in the [patented] design." The court then determined that there was no identity of appearance with respect to those elements between the claimed designs and the accused products. *Id.*

The *Sears, Roebuck* and *Applied Arts* cases, in turn, became the principal precedents relied upon

by this court in the seminal *Litton Systems* case to which this court's precedents dealing with the point of novelty test trace their origin. In *Litton Systems*, as in *Sears, Roebuck*, the court identified the *Gorham* ordinary observer test as the starting point for design patent infringement. Quoting from *Sears, Roebuck*, the *Litton* court added, however, that "no matter how similar two items look, 'the accused device must appropriate the novelty in the patented device which distinguishes it from the prior art.'" 728 F.2d at 1444. That is, the court added, after comparing two items through the eyes of the ordinary observer, the court must, to find infringement, "attribute their similarity to the novelty which distinguishes the patented device from the prior

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art." *Id.* The court then referred to that second test as the point of novelty approach, and that tag has been applied to the second part of the design patent infringement test ever since.

In analyzing the claim of infringement, the court in *Litton Systems* focused on what it characterized as the novelty of the patent in suit, i.e., "the combination on a microwave oven's exterior of a three-stripe door frame, a door without a handle, and a latch release lever on the control panel." Significantly, however, the court quoted from the *Applied Arts* case and stated that the degree of similarity between the accused design and the patented design had to be assessed in light of the designs in the prior art. The court noted that where, as in the case before it, "a field is crowded with many references relating to the design of the same type of appliance, we must construe the range of equivalents very narrowly." 728 F.2d at 1444. Accordingly, the court held that the scope of protection of the patent in that case was limited to "a narrow range" that did not include the accused design. *Id.*

As noted, this court has cited *Litton Systems* for the proposition that the point of novelty test is separate from the ordinary observer test and requires the patentee to point out the point of novelty in the claimed design that has been appropriated by the accused design. We think, however, that *Litton* and the predecessor cases on which it relied are more properly read as applying a version of the ordinary observer test in which the ordinary observer is deemed to view the differences between the patented design and the accused product in the context of the prior art. When the differences between the claimed and accused design are viewed in light of the prior art, the attention of the hypothetical ordinary observer will be drawn to those aspects of the claimed design that differ from the prior art. And when the claimed design is close to the prior art designs, small differences between the accused design and the claimed design are likely to be important to the eye of the hypothetical ordinary observer. It was for that reason that the Supreme Court in *Whitman Saddle* focused on the one feature of the patented saddle design that departed from the prior art—the sharp drop at the rear of the pommel. To an observer familiar with the multitude of prior art saddle designs, including the design incorporating the Granger pommel and the Jenifer cante, "an addition frequently made," 148 U.S. at 682, 13 S.Ct. 768, the sharp drop at the rear of the pommel would be important to the overall appearance of the design and would serve to distinguish the accused design, which did not possess that feature, from the claimed design.

The same can be said of the courts' analysis in *Bevin Brothers, Zidell*, *Applied Arts*, and *Sears, Roebuck*. In *Bevin Brothers* and *Zidell*, the courts emphasized that the defendant's product would appear different from the plaintiff's protected design to an ordinary observer aware of the great number of closely similar prior art designs. In *Applied Arts*, the accused ash tray would not appear to be the same as the claimed ash tray as long as "similitude of appearance is ... judged by the scope of the patent in relation to the prior art." 67 F.2d at 429. And in *Sears, Roebuck*, the court concluded that the accused fruit juicer would not appear similar to the claimed design if the fact-finder performed the required "comparison of the features of the patented designs with the prior art and with the accused design." 140 F.2d at 396.

Not only is this approach consistent with the precedents discussed above, but it makes sense as a matter of logic as well. Particularly in close cases, it can be difficult

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to answer the question whether one thing is like another without being given a frame of reference. The context in which the claimed and accused designs are compared, i.e., the background prior art, provides such a frame of reference and is therefore often useful in the process of comparison. Where the frame of reference consists of numerous similar prior art designs, those designs can highlight the distinctions between the claimed design and the accused design as viewed by the ordinary observer.

Applying the ordinary observer test with reference to prior art designs also avoids some of the problems created by the separate point of novelty test. One such problem is that the point of novelty test has proved difficult to apply in cases in which there are several different features that can be argued to be points of novelty in the claimed design. In such cases, the outcome of the case can turn on which of the several candidate points of novelty the court or fact-finder focuses on. The attention of the court may therefore be focused on whether the accused design has appropriated a single specified feature of the claimed design, rather than on the proper inquiry, i.e., whether the accused design has appropriated the claimed design as a whole. *See Amini Innovation Corp. v. Anthony Cal., Inc.*, 439 F.3d 1365, 1370-71 (Fed.Cir.2006); *KeyStone Retaining Wall Sys., Inc. v. Westrock, Inc.*, 997 F.2d 1444, 1450 (Fed.Cir.1993); *Braun Inc.*, 975 F.2d at 820.

In addition, the more novel the design, and the more points of novelty that are identified, the more opportunities there are for a defendant to argue that its design does not infringe because it does not copy all of the points of novelty, even though it may copy most of them and even though it may give the overall appearance of being identical to the claimed design. In such cases, a test that asks how an ordinary observer with knowledge of the prior art designs would view the differences between the claimed and accused designs is likely to produce results more in line with the purposes of design patent protection.

This court has characterized the purpose of the point of novelty test as being “to focus on those aspects of a design which render the design different from prior art designs.” *Sun Hill Indus., Inc.*, 48 F.3d at 1197, quoting *Winner Int'l Corp. v. Wolo Mfg. Corp.*, 905 F.2d 375, 376 (Fed.Cir.1990). That purpose can be equally well served, however, by applying the ordinary observer test through the eyes of an observer familiar with the prior art. If the accused design has copied a particular feature of the claimed design that departs conspicuously from the prior art, the accused design is naturally more likely to be regarded as deceptively similar to the claimed design, and thus infringing. At the same time, unlike the point of novelty test, the ordinary observer test does not present the risk of assigning exaggerated importance to small differences between the claimed and accused designs relating to an insignificant feature simply because that feature can be characterized as a point of novelty.

This approach also has the advantage of avoiding the debate over the extent to which a combination of old design features can serve as a point of novelty under the point of novelty test. An ordinary observer, comparing the claimed and accused designs in light of the prior art, will attach importance to differences between the claimed design and the prior art depending on the overall effect of those differences on the design. If the claimed design consists of a combination of old features that creates an appearance deceptively similar to the accused design, even to an observer familiar with similar prior art designs, a

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finding of infringement would be justified. Otherwise, infringement would not be found.

One function that has been served by the point of novelty test, according to Swisa and its supporting amici, is to cabin unduly broad assertions of design patent scope by ensuring that a design that merely embodies or is substantially similar to prior art designs is not found to infringe. Again, however, we believe that the preferable way to achieve that purpose is to do so directly, by relying on the ordinary observer test, conducted in light of the prior art. Our rejection of the point of novelty test does not mean, of course, that the differences between the claimed design and prior art designs are irrelevant. To the contrary, examining the novel features of the claimed design can be an important component of the comparison of the claimed design with the accused design and the prior art. But the comparison of the designs, including the examination of any novel features, must be conducted as part of the ordinary observer test, not as part of a separate test focusing on particular points of novelty that are designated only in the course of litigation.

On the basis of the foregoing analysis, we hold that the “point of novelty” test should no longer be used in the analysis of a claim of design patent infringement. Because we reject the “point of novelty” test, we also do not adopt the “non-trivial advance” test, which is a refinement of the “point of novelty” test. Instead, in accordance with *Gorham* and subsequent decisions, we hold that the “ordinary observer” test should be the sole test for determining whether a design patent has been infringed. Under that test, as this court has sometimes described it, infringement will not be found unless the accused article “embod[ies] the patented design or any colorable imitation thereof.” *Goodyear Tire & Rubber Co.*, 162 F.3d at 1116-17; *see also Arminak & Assocs., Inc. v. Saint-Gobain Calmar, Inc.*, 501 F.3d 1314, 1319 (Fed.Cir.2007).

In some instances, the claimed design and the accused design will be sufficiently distinct that it will be clear without more that the patentee has not met its burden of proving the two designs would appear “substantially the same” to the ordinary observer, as required by *Gorham*. In other instances, when the claimed and accused designs are not plainly dissimilar, resolution of the question whether the ordinary observer would consider the two designs to be substantially the same will benefit from a comparison of the claimed and accused designs with the prior art, as in many of the cases discussed above and in the case at bar. Where there are many examples of similar prior art designs, as in a case such as *Whitman Saddle*, differences between the claimed and accused designs that might not be noticeable in the abstract can become significant to the hypothetical ordinary observer who is conversant with the prior art.

We emphasize that although the approach we adopt will frequently involve comparisons between the claimed design and the prior art, it is not a test for determining validity, but is designed solely as a test of infringement. Thus, as is always the case, the burden of proof as to infringement remains on the patentee. However, if the accused infringer elects to rely on the comparison prior art as part of its defense against the claim of infringement, the burden of production of that prior art is on the accused infringer. To be sure, we have stated that the burden to introduce prior art under the point of novelty test falls on the patentee. *See Bernhardt*, 386 F.3d at 1384. Under the ordinary observer test, however, it makes sense to impose the burden of production

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as to any comparison prior art on the accused infringer. The accused infringer is the party with the motivation to point out close prior art, and in particular to call to the court's attention the prior art that an ordinary observer is most likely to regard as highlighting the differences between the claimed and accused design. Regardless of whether the accused infringer elects to present prior art that it considers pertinent to the comparison between the claimed and accused design, however, the patentee bears the

ultimate burden of proof to demonstrate infringement by a preponderance of the evidence. As in our recent decision in *In re Seagate Technology, LLC*, we “leave it to future cases to further develop the application of this standard.” 497 F.3d 1360, 1371 (Fed.Cir.2007) (en banc).

### III

One of the issues raised by this court in its order granting en banc review was whether trial courts should conduct claim construction in design patent cases. While this court has held that trial courts have a duty to conduct claim construction in design patent cases, as in utility patent cases, *see Elmer*, 67 F.3d at 1577, the court has not prescribed any particular form that the claim construction must take. To the contrary, the court has recognized that design patents “typically are claimed as shown in drawings,” and that claim construction “is adapted accordingly.” *Arminak & Assocs., Inc.*, 501 F.3d at 1319; *see also Goodyear Tire & Rubber Co.*, 162 F.3d at 1116. For that reason, this court has not required that the trial court attempt to provide a detailed verbal description of the claimed design, as is typically done in the case of utility patents. *See Contessa Food Prods., Inc.*, 282 F.3d at 1377 (approving district court's construction of the asserted claim as meaning “a tray of a certain design as shown in Figures 1-3”).<sup>[1]</sup>

As the Supreme Court has recognized, a design is better represented by an illustration “than it could be by any description and a description would probably not be intelligible without the illustration.” *Dobson v. Dornan*, 118 U.S. 10, 14, 6 S.Ct. 946, 30 L.Ed. 63 (1886). The Patent and Trademark Office has made the same observation. *Manual of Patent Examining Procedure* § 1503.01 (8th ed. 2006) (“[A]s a rule the illustration in the drawing views is its own best description.”). Given the recognized difficulties entailed in trying to describe a design in words, the preferable course ordinarily will be for a district court not to attempt to “construe” a design patent claim by providing a detailed verbal description of the claimed design.

With that said, it is important to emphasize that a district court's decision regarding the level of detail to be used in describing the claimed design is a matter within the court's discretion, and absent a showing of prejudice, the court's decision to issue a relatively detailed claim construction will not be reversible error. At the same time, it should be clear that the court is not obligated to issue a detailed verbal description of the design if it does not regard verbal elaboration as necessary or helpful. In addition, in deciding whether to attempt a verbal description of the

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claimed design, the court should recognize the risks entailed in such a description, such as the risk of placing undue emphasis on particular features of the design and the risk that a finder of fact will focus on each individual described feature in the verbal description rather than on the design as a whole. In this case, for example, the district court came up with a detailed verbal description of the claimed design. We see no inaccuracy in the court's description, and neither party has pointed to any prejudice resulting from the court's interpretation. Yet it is not clear that the considerable effort needed to fashion the verbal description contributed enough to the process of analyzing the case to justify the effort.

While it may be unwise to attempt a full description of the claimed design, a court may find it helpful to point out, either for a jury or in the case of a bench trial by way of describing the court's own analysis, various features of the claimed design as they relate to the accused design and the prior art. In a case such as this one, for example, there would be nothing wrong with the court pointing out to a jury that in the patented design only three sides have buffers attached, while in the accused product (and in the three-sided Nailco patent), all of the sides have buffers attached. It would similarly be permissible for the court to point out that, for example, although the Falley Buffer Block has four sides, it is not hollow,

unlike the design of the '389 patent, the Nailco patent, and the accused Swisa product.

Apart from attempting to provide a verbal description of the design, a trial court can usefully guide the finder of fact by addressing a number of other issues that bear on the scope of the claim. Those include such matters as describing the role of particular conventions in design patent drafting, such as the role of broken lines, *see* 37 C.F.R. § 1.152; assessing and describing the effect of any representations that may have been made in the course of the prosecution history, *see Goodyear Tire & Rubber Co.*, 162 F.3d at 1116; and distinguishing between those features of the claimed design that are ornamental and those that are purely functional, *see OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405 (Fed.Cir.1997) (“ Where a design contains both functional and non-functional elements, the scope of the claim must be construed in order to identify the non-functional aspects of the design as shown in the patent.” ).

Providing an appropriate measure of guidance to a jury without crossing the line and unduly invading the jury's fact-finding process is a task that trial courts are very much accustomed to, and any attempt by an appellate court to guide that process in detail is likely to do more harm than good. We therefore leave the question of verbal characterization of the claimed designs to the discretion of trial judges, with the proviso that as a general matter, those courts should not treat the process of claim construction as requiring a detailed verbal description of the claimed design, as would typically be true in the case of utility patents.

#### IV

We now turn to the facts of this case. It is agreed that the general shape of the accused nail buffer at issue in this case is the same as that of the patented buffer design. The difference between the two is that the accused buffer has raised buffing pads on all four sides, while the patented buffer has buffing pads on only three sides. The two closest prior art nail buffers before the court were the Falley nail buffer, which has a solid, rectangular cross section with slightly raised buffers on all sides, and the Nailco patent, which shows

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a nail buffer design having a triangular shape and a hollow cross section, and in which raised buffing pads are located on all three sides. The four nail buffers are pictured below:

(Image Omitted)

Falley Buffer Block Nailco Patent Swisa Buffer '389 patent

The question before this court under the standard we have set forth above is whether an ordinary observer, familiar with the prior art Falley and Nailco designs, would be deceived into believing the Swisa buffer is the same as the patented buffer. EGI argues that such an observer would notice a difference between the prior art and the '389 patent, consisting of “ the hollow tube that is square in cross section and that has raised pads with exposed gaps at the corners.” To support that contention, EGI invokes the declaration of its expert witness, Kathleen Eaton. After viewing the patented, accused, and Nailco buffers, Ms. Eaton concluded that the patented and accused designs would “ confuse an ordinary observer into purchasing the accused buffer thinking it to be the patented buffer design.” She reached that conclusion, she explained, because “ the substantially similar appearance [between the accused and patented designs] results from both designs having a hollow tube, square in cross section and rectangular in length, with multiple raised rectangular pads mounted on the sides, and that do not cover the corners of the tube.” While recognizing that the accused buffer has pads on all four sides and that the claimed design has buffer pads on only three sides, she stated that “ I do not believe that, to an ordinary observer

and purchaser of nail buffers, the presence of one more buffer pad[s] greatly alters the ornamental effect and appearance of the whole design as compared to the whole patented design."

Swisa counters that the '389 patent closely tracks the design of the Nailco nail buffer, except that it "add[s] a fourth side without an abrasive pad, resulting in square ends." In light of the close prior art buffers, including a number having square cross-sections, Swisa argues that an ordinary observer would notice the difference between the claimed and accused designs. To support that contention, Swisa cites the declaration of its expert, Steve Falley. Mr. Falley addressed the differences among the prior art designs, the accused design, and patented design, and he concluded that

you could simply add to the Nailco Buffer a fourth side without an abrasive on it. This merely takes the Nailco Buffer to the block shape of the original Falley Buffer Block, while keeping the hollow aspect of the Nailco Buffer. As there had already been on the market for a long time 3-way buffer blocks that had no abrasive on one side, it was also obvious after the Nailco Buffer that you could have a three way hollow buffer that had four sides but with no abrasive on one side.

Mr. Falley added that "four-way" nail buffers having four different abrasive surfaces have been made since 1985, and that four-

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sided "buffer blocks" have been on the market since 1987. He pointed to catalogs showing three-sided and four-sided buffer blocks that have been offered for sale since at least 1994, and in light of his knowledge of the industry, he stated that the "number of sides with abrasive surface on them would be important to purchasers because it determines whether a buffer is a 'three way buffer' or a 'four way buffer.'" Accordingly, he concluded:

The difference between a buffer with abrasive on three sides-a "three-way buffer"-and a buffer with abrasive on four sides-a "four-way buffer"-is immediately apparent to any consumer used to buying nail buffers. Even if such a consumer did not have a preference for either three-way or four-way buffers (although they almost always do), they would at a glance be able to tell that a buffer with abrasive on only three sides had abrasive on three sides, and was a three-way buffer, while a buffer with abrasive on four sides had abrasive on all four sides, and was a four-way buffer. I cannot imagine consumers would buy buffers with abrasive on four sides thinking that they were buying buffers with abrasive on three sides.

The problem with Ms. Eaton's declaration is that she characterized the accused and patented designs as similar because they both have square cross sections and "multiple" raised buffer pads, without directly acknowledging that the patented design has three pads while the accused design has four, one on each side. She also failed to address the fact that the design of the Nailco patent is identical to the accused device except that the Nailco design has three sides rather than four. Thus, she could as easily have said that the Nailco buffer design "is like the accused design because both designs have a hollow tube, have multiple rectangular sides with raised rectangular pads mounted on each side that do not cover the corners of the tube," in which case the Nailco prior art buffer would be seen to closely resemble the accused design. Nothing about Ms. Eaton's declaration explains why an ordinary observer would regard the accused design as being closer to the claimed design than to the Nailco prior art patent. In fact, Ms. Eaton's reference to the prior art buffers is limited to the single, and conclusory, comment that an ordinary observer and purchaser of nail buffers would consider the patented design and the accused



buffer to be substantially similar, " particularly in light of other nail buffers, such as a solid block buffer and the hollow triangular Nailco buffer."

In light of the similarity of the prior art buffers to the accused buffer, we conclude that no reasonable fact-finder could find that EGI met its burden of showing, by a preponderance of the evidence, that an ordinary observer, taking into account the prior art, would believe the accused design to be the same as the patented design. In concluding that a reasonable fact-finder could not find infringement in this case, we reach the same conclusion that the district court reached, and for many of the same reasons. Although we do so by using the ordinary observer test as informed by the prior art, rather than by applying the point of novelty test, our analysis largely tracks that of the district court. After analyzing the Nailco patent and the claimed design, as they related to the accused design, the district court concluded that " in the context of nail buffers, a fourth side without a pad is not substantially the same as a fourth side with a pad." While the district court focused on the differences in the particular feature at issue rather than the effect of those differences on the appearance of the design as a whole, we are satisfied that the

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difference on which the district court focused is important, viewed in the context of the prior art.

Finally, although we do not adopt the " non-trivial advance" test employed by the panel in this case, we note that our analysis under the ordinary observer test is parallel to the panel's approach in an essential respect. The panel focused on viewing the difference between the claimed and accused designs in light of the prior art, as we do. The panel wrote: " The Swisa buffers have raised, abrasive pads on *all four* sides. When considering the prior art in the nail buffer field, this difference between the accused design and the patented design cannot be considered minor." 498 F.3d at 1358. That point captures the essence of the rationale of our decision today, even though the panel decision employed a different analytical approach. For the foregoing reasons, we sustain the district court's entry of summary judgment of no infringement, but we do so under the ordinary observer test in the form that we have adopted, and without using the point of novelty test that we have disapproved. In the language used by the Supreme Court in *Gorham*, 81 U.S. at 528, we hold that the accused design could not reasonably be viewed as so similar to the claimed design that a purchaser familiar with the prior art would be deceived by the similarity between the claimed and accused designs, " inducing him to purchase one supposing it to be the other."

*AFFIRMED.*

Notes:

[1] This court has required that in determining obviousness, a district court must attempt to " translate [the] visual descriptions into words" in order to communicate the reasoning behind the court's decision and to enable " the parties and appellate courts ... to discern the internal reasoning employed by the trial court." *Durling v. Spectrum Furniture Co.*, 101 F.3d 100, 102 (Fed.Cir.1996). Requiring such an explanation of a legal ruling as to invalidity is quite different from requiring an elaborate verbal claim construction to guide the finder of fact in conducting the infringement inquiry.

**Paddington Corporation v. Attiki Importers &  
Distributors, Inc. 996 F. 2d 577 (2<sup>nd</sup> Cir. 1993)**

**996 F.2d 577 (2nd Cir. 1993), 386, Paddington Corp. v. Attiki Importers & Distributors, Inc.**

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**996 F.2d 577 (2nd Cir. 1993)**

**27 U.S.P.Q.2d 1189**

**The PADDINGTON CORPORATION, Plaintiff-Appellant,**

**v.**

**ATTIKI IMPORTERS & DISTRIBUTORS, INC., Defendant-Appellee.**

**No. 386, Docket 92-7348.**

**United States Court of Appeals, Second Circuit**

**June 17, 1993**

Argued Oct. 8, 1992.

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[Copyrighted Material Omitted]

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[Copyrighted Material Omitted]

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Arnold P. Lutzker, New York City (Alan N. Sutin, Cary A. Green, Dow, Lohnes & Albertson, New York City and John M. Brickman, Peirez, Ackerman & Levine, Great Neck, NY, of counsel), for plaintiff-appellant.

Louis S. Ederer, New York City (Mary L. Kevlin, Cowan, Liebowitz & Latman, P.C., of counsel), for defendant-appellee.

Before: VAN GRAAFEILAND, PRATT, WALKER, Circuit Judges.

WALKER, Circuit Judge:

The Paddington Corporation ("Paddington") appeals from a February 18, 1992 judgment of the United States District Court for the Eastern District of New York (Thomas C. Platt, Jr., Chief Judge ) dismissing, pursuant to Fed.R.Civ.P. 52(c), Paddington's trademark and trade dress infringement action brought under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a),

together with state claims, against a rival in the importation and distribution of the Greek liqueur ouzo.

Paddington argues on appeal that the district court's reliance on lack of secondary meaning in its trade dress analysis is now faulty in light of the Supreme Court's ruling in *Two Pesos, Inc. v. Taco Cabana, Inc.*, --- U.S. ---, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992), handed down after the judgment ordering dismissal was entered in the district court. Paddington also contends that the district court erred in finding no likelihood of confusion on either the trademark or the trade dress claim.

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## BACKGROUND

Paddington is the United States importer and distributor of No. 12 Ouzo, a brand of the anise-based drink ouzo produced by Kaloyannis Bros., S.A. ("Kaloyannis"). Ouzo is the most popular alcoholic beverage in Greece, and No. 12 Ouzo, with a market share of more than forty percent, is the undisputed market leader in that country. Kaloyannis introduced its ouzo to the United States market with the unregistered mark "No. 12 Ouzo" and the current trade dress in 1969.

Attiki is the United States importer and distributor for Cavino S.A. ("Cavino"), a Greek ouzo producer that seeks, through Attiki, to bring an ouzo branded "#1 Ouzo" to the United States market. Attiki used to be the exclusive United States importer and distributor of No. 12 Ouzo, but in August, 1989, Kaloyannis dropped Attiki in favor of Paddington. Undaunted, in 1990, Attiki held discussions with Cavino about the prospect of introducing a rival ouzo brand into the United States. Cavino showed Attiki three potential labels, from which Attiki selected the #1 Ouzo label at issue in this case. Attiki and Cavino then entered an agreement under which Attiki would hold #1 Ouzo's United States trademark and trade dress rights.

Because the asserted trade dress similarity lies at the heart of this case, it is necessary to describe in some detail the physical appearances of the two ouzo bottles and their labels (see also Exhibit A).

### The Ouzo Bottles

No. 12 Ouzo is sold in a clear glass bottle with a large label on its side and a second, smaller label on its neck. Both labels are red, white, and black. The large label consists of a white background, inside of which is a rectangle consisting of a white top half and a red lower half, bordered by a thin black line. In the white half, there is a small "No" and a very large "12" in black block letters made to resemble a stencilled number on a crate or barrel. In the red lower half the word "ouzo" appears in white block letters with black shadowing, under which the word "Kaloyannis" is found in small, thin black letters, along with some other information in fine print. The neck label mirrors the large label in layout, except that a circle is used in place of the rectangle. The overall appearance of the bottle is simple, even stark.

The #1 Ouzo bottle also is clear, of a similar shape, and displays a large main label and a smaller neck label in the same tones of red, white, and black as found on the No. 12 Ouzo bottle. The large label is rectangular, with a white background and a red border. In the center of the

label is a large ellipse, separated into a white top half and a red bottom half, and bordered by a thin black line. In the white half there is a small "#" and a large "1" in black block letters. In the red half of the circle the word "ouzo" appears in plain white block letters. Above the ellipse is the word "LIQUEUR" in small black letters, and below it is miscellaneous fine print in black. The neck label contains a circle with a configuration identical to the ellipse on the bottle's large label. The overall appearance of the #1 Ouzo dress, like the No. 12 Ouzo bottle, is simple and clean.

#### Proceedings in the District Court

Paddington brought suit against Attiki on June 7, 1991, claiming trademark and trade dress infringement in violation of § 43(a) of the Lanham Act, and under New York law for common law unfair competition, dilution of a distinctive mark in violation of N.Y. General Business Law § 368-d, and deceptive acts in violation of N.Y. General Business Law § 349. It sought temporary and permanent injunctions against the use of the name "#1 Ouzo" and against the use of any trade dress that resembles that of No. 12 Ouzo. Paddington moved for a preliminary injunction on July 2, 1991, but this motion was withdrawn after Attiki agreed not to distribute #1 Ouzo pending the resolution of this action.

A bench trial was held by the district court on November 7, 1991. At the close of Paddington's case, Attiki moved for dismissal under former Fed.R.Civ.P. 41(b). The court granted the motion and entered judgment for Attiki on February 18, 1992. We note that on December 1, 1991, Rule 41(b)'s procedure for involuntary dismissal at the close of a plaintiff's case during a bench trial was replaced

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with Rule 52(c), which for purposes of this case is substantively identical. The district court should have converted the motion to a Rule 52(c) motion, and we will refer to it as such. The court concluded that Paddington had failed to prove that its trade dress and trademark had acquired secondary meaning, that is, that they had come to be identified by the public as Kaloyannis's product, as required by Second Circuit case law at the time. Also, applying the analysis set forth in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), cert. denied, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961), the court found that there was no likelihood of confusion between either the trade dresses or the trademarks. The court then dismissed Paddington's pendent state claims for lack of an independent basis of federal subject matter jurisdiction.

This appeal followed.

#### DISCUSSION

##### I. Trade Dress Infringement

Unregistered trademarks and trade dresses are protectable under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), which provides a private cause of action against any person who "in connection with any goods ... or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof ... which ... is likely to cause confusion, or to cause mistake, or to deceive ... as to the origin, sponsorship, or approval of his or her goods ...

by another person." 15 U.S.C. § 1125(a).

To prevail in an action for infringement of a trademark or trade dress under Lanham Act § 43(a), a plaintiff must prove (1) that its mark is distinctive and (2) that a likelihood of confusion exists between its product and the defendant's. *Two Pesos*, --- U.S. ----, ----, 112 S.Ct. 2753, 2758; *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1038-39 (2d Cir.1992). Additionally, functional packaging and product design are unprotected, and functionality may be raised as a defense to an action for trade dress infringement. *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 75-76 (2d Cir.1985).

#### A. Distinctiveness of the No. 12 Ouzo Trade Dress

A product's trade dress is its "total image ... includ[ing] features such as size, shape, color or color combinations, texture, [or] graphics." *Id.* at 75 (quoting *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir.1983) (second alteration in original)).

Prior to the Supreme Court's decision in *Two Pesos*, the Second Circuit required a plaintiff seeking § 43(a) protection of a trade dress to establish distinctiveness by proving secondary meaning. See, e.g., *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971, 974 (2d Cir.1987). If a plaintiff proved secondary meaning, then the plaintiff could recover if it could establish a likelihood of confusion between the two trade dresses. This stood in contrast to our treatment of trademark infringement under § 43(a), where a plaintiff can reach the likelihood-of-confusion issue if the mark either is inherently distinctive or has acquired secondary meaning.

The district court below, relying on our precedent, held that *Paddington's* action must fail because it had not established that its trade dress had acquired secondary meaning.

In *Two Pesos*, the Supreme Court specifically rejected the Second Circuit approach, reasoning that there is "no basis for requiring secondary meaning for inherently distinctive trade dress protection under § 43(a) but not for other distinctive words, symbols, or devices capable of identifying a producer's product." --- U.S. at ----, 112 S.Ct. at 2760. A secondary meaning requirement, the Court reasoned, would disfavor new market entrants who possessed a unique trade dress that had not become widely known, while favoring those who had enjoyed market success, without any basis for such a distinction in the Lanham Act. *Id.* at ----, ----, 112 S.Ct. at 2759, 2761. What is critical for Lanham Act § 43(a) analysis, the Court noted, is not whether a trade dress has in fact come to identify a specific producer, but

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whether it is "capable of identifying a particular source of the product." *Id.* at ----, 112 S.Ct. at 2759 (emphasis added).

Courts often evaluate the inherent distinctiveness of trademarks according to the test set forth by Judge Friendly in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir.1976). *Two Pesos*, --- U.S. at ----, 112 S.Ct. at 2757. This is the approach used in this circuit. *Bristol-Myers Squibb*, 973 F.2d at 1039. Under the *Abercrombie* test, marks are classified as either (1) generic; (2) descriptive; (3) suggestive; or (4) arbitrary or fanciful. *Abercrombie*, 537 F.2d at 9. While the Court in *Two Pesos* lists arbitrary and fanciful as two separate classifications, --- U.S. at ----, 112 S.Ct. at 2757, the substance of *Two Pesos* treats them as

being equivalent, in accordance with *Abercrombie*. Suggestive and arbitrary or fanciful marks are considered to be inherently distinctive, and therefore always satisfy the first prong of the test for Lanham Act § 43(a) trademark protection. *Id.* at ----, 112 S.Ct. at 2757; *Bristol-Myers Squibb*, 973 F.2d at 1039. If a mark is descriptive, however, the plaintiff must establish that it has acquired secondary meaning in order to become distinctive and thereby satisfy the first prong of Lanham Act trademark analysis. *Two Pesos*, --- U.S. at ---- - ----, 112 S.Ct. at 2757-58. Generic marks are never protectable. See *id.* at ----, 112 S.Ct. at 2757.

In classifying a trademark according to the *Abercrombie* test, a court examines the context in which the words constituting the mark are used. *Bristol-Myers Squibb*, 973 F.2d at 1041; *Abercrombie*, 537 F.2d at 12. As one commentator explained, "the word 'apple' would be arbitrary when used on personal computers, suggestive when used in 'Apple-A-Day' on vitamin tablets, descriptive when used in 'Tomapple' for combination tomato-apple juice and generic when used on apples." 1 J.T. McCarthy, *Trademarks and Unfair Competition* § 11:22, at 498-99 (2d ed. 1984) (quoted in *Bristol-Myers Squibb*, 973 F.2d at 1041 (upholding finding that the "pm" in "Excedrin PM" was descriptive rather than suggestive)); see also *Physicians Formula Cosmetics Inc. v. West Cabot Cosmetics, Inc.*, 857 F.2d 80, 82 (2d Cir.1988) ("*Physicians Formula*" is suggestive when used for skin creams and lotions); *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1132 (2d Cir.1979) (noting that district court found that registered trademark "*Drizzler*" is suggestive when applied to rain jackets, but only barely over the line between descriptive and suggestive).

While the applicability of the *Abercrombie* classifications to trade dress was not at issue in *Two Pesos*, the Court noted that the Fifth Circuit below had applied the *Abercrombie* classifications to the trade dress at issue and discussed them without disapproval. --- U.S. at ----, 112 S.Ct. at 2757; see *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1120 & n. 8 (5th Cir.1991). While the Court stated that the sole issue before it for decision was whether secondary meaning must be proven for an inherently distinctive trade dress and stopped just short of expressly ruling on whether the *Abercrombie* classifications apply to trade dress, we agree with the Fifth Circuit in *Two Pesos* that they do.

In *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695 (5th Cir.1981), cert. denied, 457 U.S. 1126, 102 S.Ct. 2947, 73 L.Ed.2d 1342 (1982), relied on heavily by the Court in *Two Pesos*, the Fifth Circuit determined that the plaintiff's bottles and packaging were inherently distinctive, noting that "the possible varieties of advertising display and packaging are virtually endless." *Id.* at 703. Since the choices that a producer has for packaging its products are, as the Fifth Circuit noted, almost unlimited, typically a trade dress will be arbitrary or fanciful and thus inherently distinctive, and the only real question for the courts will be whether there is a likelihood of confusion between the products, see *id.*, provided, of course, the trade dress is not functional.

However, where it is the custom of an industry to package products in a particular manner, a trade dress in that style would be generic and therefore not inherently distinctive. For example, packaging lime-flavored soda in green twelve-ounce cans is so common in the soft drink industry that such packaging probably is not inherently distinctive, although without the industry practice

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green cans would be either suggestive or arbitrary and therefore inherently distinctive.

Descriptive trade dresses also are not inherently distinctive. In *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 609 (7th Cir.1986), the court found that an advertisement for a sewer service company containing four boxes labeled north, south, east, and west, each containing the locations and phone numbers of different branches of the company within that area of the city, was a trade dress descriptive of the company's ability to service the entire city. Similarly, a trade dress featuring an illustration of a shining car on a bottle of car wax likely would be descriptive.

Trade dresses often utilize commonly used lettering styles, geometric shapes, or colors, or incorporate descriptive elements, such as an illustration of the sun on a bottle of suntan lotion. While each of these elements individually would not be inherently distinctive, it is the combination of elements and the total impression that the dress gives to the observer that should be the focus of a court's analysis of distinctiveness. If the overall dress is arbitrary, fanciful, or suggestive, it is inherently distinctive despite its incorporation of generic or descriptive elements. *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 936 (7th Cir.1989), cert. denied, 493 U.S. 1075, 110 S.Ct. 1124, 107 L.Ed.2d 1030 (1990). Cf. *LeSportsac*, 754 F.2d at 76 (despite functionality of individual elements of sports bag, bag is nonfunctional "when viewed in its entirety"). One could no more deny protection to a trade dress for using commonly used elements than one could deny protection to a trademark because it consisted of a combination of commonly used letters of the alphabet.

The No. 12 Ouzo bottle is inherently distinctive. There is no evidence in the record of any industry practice of using a design like the one that appears on the bottle's labels. There is nothing descriptive about the bottle and label design that conveys anything about its particular contents, except for the use of the trademark "No. 12 Ouzo," which will be discussed below, and the fact that the bottle is of a style such that it indicates to the observer that it contains a liquid that probably is potable. The tone and layout of the colors, the style and size of the lettering, and, most important, the overall appearance of the bottle's labeling, are undeniably arbitrary. They were selected from an almost limitless supply of patterns, colors and designs. Since the No. 12 trade dress is arbitrary, and therefore protectable under the Lanham Act, the secondary meaning analysis is unnecessary, and we turn to likelihood of confusion to determine if it should be protected in this case.

## B. Likelihood of Confusion

In both trademark and trade dress cases, in evaluating likelihood of confusion we are, of course, guided by the factors set forth by Judge Friendly in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.), cert. denied, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961). See *Bristol-Myers Squibb*, 973 F.2d at 1043 (trade dress); *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 75 (2d Cir.1988) (trademark). The factors we examine are: (1) the strength of the plaintiff's mark or dress; (2) the similarity between the two marks or dresses; (3) the proximity of the products in the marketplace; (4) the likelihood that the prior owner will bridge the gap between the products; (5) evidence of actual confusion; (6) the defendant's bad faith; (7) the quality of the defendant's product; and (8) the sophistication of the relevant consumer group. *Bristol-Myers Squibb*, 973 F.2d at 1043; *Hasbro*, 858 F.2d at 75. The eight-factor list is not exclusive. *Bristol-Myers Squibb*, 973 F.2d at 1043. Furthermore, the evaluation of the Polaroid factors is not a mechanical process "where the party with the greatest number of factors weighing in its favor wins." *Physicians Formula*, 857 F.2d at 85. Rather, a court should focus on the ultimate question of whether consumers are likely to be confused. See *Lang v. Retirement Living Publishing Co.*, 949 F.2d 576, 580 (2d Cir.1991).



In reviewing a district court's evaluation of the likelihood-of-confusion issue, we review the determination of each individual Polaroid factor under a clearly erroneous standard, but the ultimate evaluation of likelihood of confusion, which is based on a

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weighing of the factors, we review de novo. *Bristol-Myers Squibb*, 973 F.2d at 1043-44; *Western Publishing Co. v. Rose Art Indus.*, 910 F.2d 57, 61 (2d Cir.1990). While we used to apply de novo review to the similarity-of-the-mark inquiry, on the theory that an appellate court is in as good a position to examine a mark or dress as a trial court, e.g., *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1130 (2d Cir.1982), we held in *Bristol-Myers Squibb*, 973 F.2d at 1043-44, that this practice was inappropriate in light of a 1985 amendment to the Federal Rules requiring that findings of fact "whether based on oral or documentary evidence," should not be set aside unless clearly erroneous. Fed.R.Civ.P. 52(a); see 1985 Advisory Committee Note. While a few of our cases have applied the old de novo standard after the 1985 amendment's effective date, see *Western Publishing*, 910 F.2d at 62; *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1226 (2d Cir.1987); *Oral-B Laboratories, Inc. v. Mi-Lor Corp.*, 810 F.2d 20, 23 (2d Cir.1987), these decisions did not discuss the 1985 amendment and cited only pre-amendment cases as authority. We therefore follow *Bristol-Myers Squibb* and apply a clearly erroneous standard, which adjusted the Second Circuit standard to bring it in line with the Federal Rules.

The district court correctly found that there was no evidence of actual confusion and no evidence of a disparity in the quality of the two ouzos. We turn, then, to the remaining six Polaroid factors.

#### Strength of the No. 12 Trade Dress

The district court held that the No. 12 trade dress was weak based solely on Paddington's failure to establish secondary meaning. We believe this to have been clear error.

A mark's strength is its "distinctiveness ..., or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous, source." *McGregor-Doniger*, 599 F.2d at 1131. Such strength may result solely from the mark's inherent distinctiveness. If the mark or dress is such that it seems to the consumer uniquely intended to indicate a product's source, it will be strong whether or not the consumer is familiar with the mark or knows the source. Of course there is no bar to a court's consideration of secondary meaning in evaluating a mark's strength. *Lang*, 949 F.2d at 581; *McGregor-Doniger*, 599 F.2d at 1132-33. However, it is error for a court to hold that a mark cannot be strong absent proof of secondary meaning. *W.W.W. Pharmaceutical Co. v. Gillette Co.*, 984 F.2d 567, 573 (2d Cir.1993); *McGregor-Doniger*, 599 F.2d at 1132. This rule is bolstered by *Two Pesos*, which is grounded in the notion that a newcomer to the market with an inherently distinctive trade dress may be entitled to protection. *Two Pesos*, --- U.S. at ----, 112 S.Ct. at 2759, 2761. While *Two Pesos* dealt with the inherent distinctiveness prong of trade dress protection, it plainly informs the entire analysis of Lanham Act protectibility. To not require secondary meaning as a threshold matter but then bring it in through the back door in the strength-of-the-mark inquiry would undermine the core holding of *Two Pesos*.

It was clear error for the district court to find that the No. 12 trade dress was weak based

solely on the lack of secondary meaning. Based on the record before us, the No. 12 trade dress clearly is arbitrary and fanciful and would appear to a consumer to be intended to identify the origin of the product, and therefore it is a strong mark. See *Charles of the Ritz Group, Ltd. v. Quality King Distribs., Inc.*, 832 F.2d 1317, 1321 (2d Cir.1987) ("Opium" perfume's trademark and trade dress are arbitrary rather than generic or descriptive "and thus are among the strongest and most highly protected class of trademarks"); *Ambrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1539 (11th Cir.1986) (in analyzing the strength of a trade dress, "the scope of protection increases as the trade dress moves toward the arbitrary end of the spectrum"), cert. denied, 481 U.S. 1041, 107 S.Ct. 1983, 95 L.Ed.2d 822 (1987).

### Similarity of the Trade Dresses

The district court found that while there was some similarity between the two trade dresses, there were sufficient differences for this factor to weigh in favor of

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Attiki. We believe this to have been clear error.

The dresses of the two bottles bear substantial similarities, both in their details and their overall appearance. Both bottles are clear, with a large main label and a smaller neck label using identical shades of red, white, and black. The labels are both broken into two fields, a white top and a red bottom. Both use black block lettering, with the numbers in very large type and the "#" and "No" in small type. Both "Ouzo" 's are in white block lettering over red fields, the only difference being subtle black shadowing on the No. 12 labels. The neck labels of the two bottles are nearly identical to each other.

The differences are minimal: an ellipse versus a square on the large labels; a plain black block-lettered "#1" versus a stencilled-look black block-lettered "No 12" (and this distinction disappears if one takes a few steps back); a plain white block-lettered "ouzo" versus a shadowed white block-lettered "ouzo"; and a few other very minor distinctions such as subtle differences in bottle shape, the design of the label borders, and the cap design.

More significant than the striking similarities in various details are the dresses' similarity in overall appearance. See *Perfect Fit Indus. v. Acme Quilting Co.*, 618 F.2d 950, 954-55 (2d Cir.1980) (construing New York law of unfair competition). Each label's lettering style, layout, and coloration, taken together, convey the same impression: a design that is simple, clean, and stark. In light of the marked similarity between the two bottles, the district court's determination that they were not similar was clearly erroneous.

Attiki argues that we should examine the gift boxes in which the ouzos are shipped rather than the bottles (see Exhibit B). Although less similar, they are sufficiently so that this Polaroid factor still weighs in favor of Paddington. Both use the same colors and block lettering style as found on the labels. Each of the four side panels on the No. 12 Ouzo box is broken into a white field in the upper third and a red lower field. The top field contains a "No 12" identical to that on the bottle label, and the bottom has the same "ouzo" in large letters with the same thin "Kaloyannis" underneath it as on the bottle.

The #1 Ouzo box contains two different kinds of side panels. One is a drawing or

photograph of a #1 Ouzo bottle. The other has a white background with a circle in the middle that is identical to that on the main bottle label and neck label. Toward the top of the panel are the words "DRY GREEK APERITIF" in thin, medium-sized lettering.

Despite a few more differences in details than between the bottles, the boxes nonetheless are sufficiently similar in overall impression to suggest that they are made by the same manufacturer. The district court's decision does not specifically describe and compare the boxes, but it may have considered them in reaching a conclusion of non-similarity. To the extent that it did, this was clear error.

#### Competitive Proximity of the Two Products and Likelihood of Bridging the Gap

The district court correctly found that the two ouzos were similar products that would compete in the same market, a factor that, as the district court noted, weighs in favor of a finding of likelihood of confusion. Since the ouzos would compete in the same market, the district court correctly found that the likelihood-of-bridging-the-gap factor, which examines whether the prior user may wish to enter the defendant's market in the future, was irrelevant.

#### Junior User's Good or Bad Faith

The district court found that Attiki did not copy the No. 12 dress in bad faith since, although Attiki had been the distributor of No. 12 Ouzo for eight years, and thus undoubtedly was fully familiar with the No. 12 Ouzo trade dress, Attiki had not created the #1 Ouzo trade dress itself, but rather chose it from among three trade dresses and trademarks designed by Cavino.

Where a second-comer acts in bad faith and intentionally copies a trademark or trade dress, a presumption arises that the copier has succeeded in causing confusion. See *Warner Bros. Inc. v. American Broadcasting*

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*Cos.*, 720 F.2d 231, 246-47 (2d Cir.1983) (trademark); *Perfect Fit*, 618 F.2d at 954 (trade dress); see also *Bristol-Myers Squibb*, 973 F.2d at 1044-45; *Charles of the Ritz*, 832 F.2d at 1322 (intentional copying "bolsters a finding of consumer confusion"). In determining a defendant's intent, "actual or constructive knowledge" of the prior user's mark or dress may indicate bad faith. *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 259 (2d Cir.1987). Where such prior knowledge is accompanied by similarities so strong that it seems plain that deliberate copying has occurred, we have upheld findings of bad faith. See *id.* at 258-59; *Charles of the Ritz*, 832 F.2d at 1318-20, 1322.

Attiki, as the former distributor of No. 12 Ouzo, was of course intimately familiar with its trade dress. The similarities between the No. 12 and #1 Ouzo dresses are so striking that it is hard to imagine how Cavino and Attiki could have come up with the dress for #1 Ouzo without intentional copying. Intentional copying, of course, does not require identical copying. Where the copier references the prior dress in establishing her design with the apparent aim of securing the customers of the other based on confusion, intentional copying may be found. That is what occurred here. Attiki's bad faith is not diminished by the fact that it did not create the #1 Ouzo trade dress but rather selected it from three options presented to it by Cavino. Upon the full

record, we hold the district court's finding of the absence of bad faith to be clearly erroneous.

#### Sophistication of the Purchasers

The more sophisticated the consumers of a product are, "the less likely it is that similarities in trade dress or trade marks will result in confusion concerning the source or sponsorship of the product." *Bristol-Myers Squibb*, 973 F.2d at 1046. But see *Centaur Communications*, 830 F.2d at 1228 (noting that while customer sophistication typically weighs against a finding of likelihood of confusion, sophistication "might on occasion increase the likelihood of confusion, depending upon the circumstances of the market and the products").

The district court found that most ouzo drinkers in America are either Greek citizens or Greek-Americans, both of whom have a high level of brand awareness regarding the national drink of Greece. Therefore, the court found the potential purchasers of the two ouzos to be highly sophisticated. However, *Two Pesos* instructs that a user of a distinctive trade dress, even if a newcomer to a market or one whose product has not been successful, "should be able to maintain what competitive position it has and continue to seek wider identification among potential customers." --- U.S. at ----, 112 S.Ct. at 2759. While it may be true that today most consumers of the Greek national drink are Greek or of Greek descent, the Lanham Act protects *Paddington's* right to try to expand its market to include substantial numbers of people not of Greek origin and to rely on its distinctive trade dress to build brand loyalty. Thus it was error for the district court to confine the relevant market to persons of Greek origin in finding buyer sophistication, since a market of unsophisticated potential purchasers may exist as well.

#### Weighing the Factors

Weighing the various Polaroid factors, we find, based on *Paddington's* evidence at trial, upon which the district court based its Rule 52(c) dismissal, that #1 Ouzo's trade dress creates a strong likelihood of confusion with No. 12 Ouzo's dress. The #1 Ouzo dress is so similar to No. 12 Ouzo's distinctive trade dress that it is likely that consumers would be confused, whether by believing that #1 Ouzo came from the producer of No. 12 Ouzo, or by confusing the two products outright. We note that the district court made errors of law in evaluating the strength of the mark based solely on secondary meaning, and in focusing its analysis on too limited a consumer group in the "sophistication" inquiry. While the district court's opinion does not reflect consideration of all of the factors it should have in its strength-of-the-mark analysis, based on the evidence *Paddington* presented at trial, it is plain that "No. 12 Ouzo" is a strong mark, and it was clear error to hold otherwise. As to the sophistication-of-the-consumer prong, the district court never addressed whether there was a broader, untapped market of ouzo drinkers

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who were unsophisticated. However, we need not remand this issue to the district court since even if the district court were to find that no such market existed and adhered to its finding of a sophisticated consumer group, the other Polaroid factors weigh so heavily in favor of a likelihood of confusion that our balancing of the factors would be unaffected.

Accordingly, the district court erred in dismissing *Paddington's* claim under Rule 52(c). We therefore reverse the district court's dismissal of the trade dress claim.

## II. Trademark

Paddington contends that Attiki infringed its unregistered trademarks "No. 12 Ouzo" and "World's No. 1 Ouzo," a phrase Paddington uses in advertising No. 12 Ouzo, by using a mark, "#1 Ouzo," that will cause confusion since it uses one of the digits of "12" and since No. 12 Ouzo, not #1 Ouzo, is the world's number-one seller.

### A. Protectibility

Paddington's selection of the mark "No. 12 Ouzo" is arbitrary, and therefore is protectable under the Lanham Act without a showing of secondary meaning. The number "12" was selected from among an endless variety of names that could be given to an ouzo product. The district court found that at least four other brands of ouzo in Greece use a number designation for ouzo. This grew out of the former practice of ouzo producers in Greece to stamp barrels of ouzo with a number to distinguish their brand from another at a time when ouzo was sold in bulk. The district court correctly considered this common use of a number designation in evaluating the strength of the mark. We note that the common practice of using a number designation does not affect the arbitrary nature of the No. 12 Ouzo mark. While the decision to use a number designation for ouzo probably could not be considered arbitrary in light of the commonness of this practice in Greece, the choice of the number "12" was undeniably arbitrary.

### B. Likelihood of Confusion

Applying the first Polaroid factor, the district court found that the trademark "No. 12 Ouzo" was a weak mark. It based this determination largely on the fact that it is common in Greece to designate brands of ouzo by number. The district court also based its determination on the lack of secondary meaning of the No. 12 mark, which is a relevant consideration for determining a mark's strength, as discussed above. This determination was not clearly erroneous.

The district court also found that the marks were not similar. We agree. The "# 1 Ouzo" mark, while it shares the numeral "1" with "No. 12 Ouzo," cannot be said to be similar to it. The marks do not sound alike, nor do they look alike, except for the common use of the numeral "1". Furthermore, the use of the "#" symbol instead of "No." tends to reduce any similarity. We also note that in light of the common practice of ouzo producers of designating their ouzos by number, new market entrants likely will want to select a number for their ouzos. Were we to prevent them from using all of the integers already part of current ouzo producers' trademarks, or, as Paddington urges, prevent them from using the numbers surrounding the numbers of current brands, such as "# 11" or "# 13" Ouzo, the number of low-digit integers available would quickly disappear. Where there is no evidence of industry custom, and where larger numbers or numbers combined with letters are used for a trademark, courts have been more willing to find similarity between marks containing numbers. See *Nabisco Brands, Inc. v. Kaye*, 760 F.Supp. 25 (D.Conn.1991) ("A.2" mark for steak sauce infringed plaintiff's registered "A.1" steak sauce mark); *Clorox Co. v. State Chemical Mfg. Co.*, 197 U.S.P.Q. 840 (T.T.A.B. 1977) (denying registration of "Formula 999" for degreasing compound due to similarity to opposer's registered mark "Formula 409" for degreaser). We also reject Paddington's argument that the two marks are similar because "No. 12 Ouzo" is the world's number-one seller. This connection is too attenuated to create a similarity between the marks. We therefore hold that the district court was not clearly erroneous in finding no similarity between "No. 12 Ouzo" and "# 1 Ouzo."

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As noted in our earlier discussion of trade dress, the district court properly found that the products would be in direct competition, which weighs toward a finding of likelihood of confusion, and that the likelihood of bridging the gap factor and the evidence of actual confusion factor are not applicable here.

Our holding that the district court erred in finding no bad faith in Attiki's adoption of the # 1 Ouzo trade dress might normally militate toward a conclusion that the court erred in finding no bad faith as to the adoption of the trademark. However, in light of the fact that the trademarks are dissimilar and the common practice in Greece of branding ouzos with numbers, any bad faith by Attiki in choosing the trademark "# 1 Ouzo" is of minimal significance in evaluating likelihood of confusion. See *Warner Bros.*, 720 F.2d at 231 ("if comparison of the works reveals no fair jury issue concerning likelihood of confusion, then intent to copy, even if found from the proffered evidence, would not establish a Lanham Act violation.").

Finally, as discussed above, the district court erred in not considering whether there was a broader market of potential ouzo drinkers in the United States. However, balancing the various Polaroid factors, we hold that regardless of the existence or non-existence of such a market, there is not a likelihood of confusion between the two marks. We therefore affirm the district court's order dismissing Paddington's trademark claim under Rule 52(c) and its entry of judgment for Attiki on that claim.

#### CONCLUSION

The district court's Rule 52(c) dismissal of Paddington's trademark infringement claim and entry of judgment for Attiki on that claim is affirmed. The dismissal of Paddington's trade dress claim and its entry of judgment for Attiki is reversed. We remand the case to the district court for further proceedings, including Attiki's presentation of evidence. See *Trans-Orient Marine Corp. v. Star Trading & Marine, Inc.*, 925 F.2d 566, 571 (2d Cir.1991) (remand is correct procedure upon reversing dismissal under 41(b), the predecessor to Rule 52(c)). Our reversal of the district court's dismissal of Paddington's trade dress carries with it the reinstatement of Paddington's common law and state statutory claims.

Affirmed in part, reversed in part, and remanded. Costs are awarded to Paddington.

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#### APPENDIX A

NOTE: OPINION CONTAINS TABLE OR OTHER DATA THAT IS NOT VIEWABLE

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#### APPENDIX B

NOTE: OPINION CONTAINS TABLE OR OTHER DATA THAT IS NOT VIEWABLE

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**Three Boys Music Corporation v. Bolton, 212 F. 3d 477 (9<sup>th</sup> Cir. 2000) (copyright infringement by Michael Bolton).**



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**212 F.3d 477 (9th Cir. 2000), 97-55150, Three Boys Music Corp. v. Bolton**

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**212 F.3d 477 (9th Cir. 2000)**

**THREE BOYS MUSIC CORPORATION, Plaintiff-Appellee,**

**v.**

**MICHAEL BOLTON, individually and d/b/a MR. BOLTON'S MUSIC, INC.; ANDREW GOLDMARK;  
NON-PAREIL MUSIC, INC.; WARNER-CHAPPELL MUSIC LIMITED; WARNER TAMERLANE  
PUBLISHING CORP.; WB MUSIC CORP.; and SONY MUSIC ENTERTAINMENT, INC., Defendants-  
Appellants.**

**Nos. 97-55150, 97-55154**

**United States Court of Appeals, Ninth Circuit**

**May 9, 2000**

Argued and Submitted October 5, 1999

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[Copyrighted Material Omitted]

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[Copyrighted Material Omitted]

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COUNSEL: Robert G. Sugarman, Weil, Gotshal & Manges, New York, New York, for the defendants-appellants.

Russell J. Frackman, Mitchell, Silberberg & Knupp, Los Angeles, California, for the defendant-appellant.

Pierce O'Donnell, O'Donnell & Shaeffer, Los Angeles, California, for the plaintiff-appellee.

John P. McNicholas, McNicholas & McNicholas, Los Angeles, California, for the plaintiff-appellee.

Louis Petrich, Leopold, Petrich, & Smith, Los Angeles, California, for amici, Recording Industry Association of America, Inc. and Motion Picture Association of America, Inc.



Appeals from the United States District Court for the Central District of California; Lourdes G. Baird, District Judge, Presiding. D.C. No. CV-92-01177 LGB

Before: Betty B. Fletcher, Dorothy W. Nelson, and Melvin Brunetti, Circuit

Judges.

OPINION

D.W. NELSON, Circuit Judge:

In 1994, a jury found that Michael Bolton's 1991 pop hit, "Love Is a Wonderful Thing," infringed on the copyright of a 1964 Isley Brothers' song of the same name. The district court denied Bolton's motion for a new trial and affirmed the jury's award of \$5.4 million.

Bolton, his co-author, Andrew Goldmark, and their record companies ("Sony Music") appeal, arguing that the district court erred in finding that: (1) sufficient evidence supported the jury's finding that the appellants had access to the Isley Brothers' song; (2) sufficient evidence supported the jury's finding that the songs were substantially similar; (3) subject matter jurisdiction existed based on the Isley Brothers registering a complete copy of the song; (4) sufficient evidence supported the jury's attribution of profits to the infringing elements of the song; (5) Sony Music could not deduct its tax liability; and (6) the appellants' motion for a new trial based on newly discovered evidence was unwarranted.

We affirm.

#### I. BACKGROUND

The Isley Brothers, one of this country's most well-known rhythm and blues groups, have been inducted into the Rock and Roll Hall of Fame. They helped define the soul sound of the 1960s with songs such as "Shout," "Twist and Shout," and "This Old Heart of Mine," and they mastered the funky beats of the 1970s with songs such as "Who's That Lady," "Fight the Power," and "It's Your Thing." In 1964, the Isley Brothers wrote and recorded "Love is a Wonderful Thing" for United Artists. The Isley Brothers received a copyright for "Love is a Wonderful Thing" from the Register of Copyrights on February 6, 1964. The following year, they switched to the famous Motown label and had three top-100 hits including "This Old Heart of Mine."

Hoping to benefit from the Isley Brothers' Motown success, United Artists released "Love is a Wonderful Thing" in 1966. The song was not released on an album, only on a 45 record as a single. Several industry publications predicted that "Love is a Wonderful Thing" would be a hit - "Cash Box" on August 27, 1966, "Gavin Report" on August 26, 1966, and "Billboard" on September 10, 1966. On September 17, 1966, Billboard listed "Love is a Wonderful Thing" at number 110 in a chart titled "Bubbling Under the Hot 100." The song was never listed on any other Top 100 charts. In 1991, the Isley Brothers' "Love is a Wonderful Thing" was released

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on compact disc. See Isley Brothers, *The Isley Brothers -The Complete UA Sessions*, (EMI 1991).

Michael Bolton is a singer/songwriter who gained popularity in the late 1980s and early 1990s by reviving the soul sound of the 1960s. Bolton has orchestrated this soul-music revival in part by covering old songs such as Percy Sledge's "When a Man Love a Woman" and Otis Redding's "(Sittin' on the) Dock of the Bay." Bolton also has written his own hit songs. In early 1990, Bolton and Goldmark wrote a song called "Love Is a Wonderful Thing." Bolton released it as a single in April 1991, and as part of Bolton's album, "Time, Love and Tenderness." Bolton's "Love Is a Wonderful Thing" finished 1991 at number 49 on Billboard's year-end pop chart.

On February 24, 1992, Three Boys Music Corporation filed a copyright infringement action for damages against the appellants under 17 U.S.C. SS 101 et seq. (1988). The parties agreed to a trifurcated trial. On April 25, 1994, in the first phase, the jury determined that the appellants had infringed the Isley Brothers' copyright. At the end of second phase five days later, the jury decided that Bolton's "Love Is a Wonderful Thing" accounted for 28 percent of the profits from "Time, Love and Tenderness." The jury also found that 66 percent of the profits from commercial uses of the song could be attributed to the inclusion of infringing elements. On May 9, 1994, the district court entered judgment in favor of the Isley Brothers based on the first two phases.

The deadline for post-trial motions was May 25, 1994. On that day, the appellants filed a motion for judgment as a matter of law and a motion for new trial. The district court denied the motions on August 11, 1994. On June 8, 1994, the appellants filed a second motion for new trial based on newly discovered evidence on the issue of copyright ownership. The district court dismissed this motion as untimely.

On December 5, 1996, the district court adopted the findings of the Special Master's Amended Report about the allocation of damages (third phase). In the final judgment entered against the appellants, the district court ordered Sony Music to pay \$4,218,838; Bolton to pay \$932,924; Goldmark to pay \$220,785; and their music publishing companies to pay \$75,900. They timely appealed.

## II. DISCUSSION

Proof of copyright infringement is often highly circumstantial, particularly in cases involving music. A copyright plaintiff must prove (1) ownership of the copyright; and (2) infringement -that the defendant copied protected elements of the plaintiff's work. See *Smith v. Jackson*, 84 F.3d 1213, 1218 (9th Cir. 1996) (citation omitted). Absent direct evidence of copying, proof of infringement involves fact-based showings that the defendant had "access" to the plaintiff's work and that the two works are "substantially similar." *Id.*

Given the difficulty of proving access and substantial similarity, appellate courts have been reluctant to reverse jury verdicts in music cases. See, e.g., *id.* at 1221 (affirming a jury's verdict for the defendants in a copyright infringement case involving Michael Jackson and other musicians); *Gaste v. Kaiserman*, 863 F.2d 1061, 1071 (2d Cir. 1988) (affirming a jury's damages award against a defendant in a music copyright infringement case). Judge Newman's opinion in *Gaste* nicely articulated the proper role for an appeals court in reviewing a jury verdict:

The guiding principle in deciding whether to overturn a jury verdict for insufficiency of the evidence is whether the evidence is such that, without weighing the credibility of the witnesses or otherwise considering the weight of the evidence, there can be but one conclusion as to the verdict that reasonable men could have reached.

*Id.* at 1066 (internal quotations omitted). In *Arnstein v. Porter*, the seminal case

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about musical copyright infringement, Judge Jerome Frank wrote:

Each of these two issues -copying and improper appropriation -is an issue of fact. If there is a trial, the conclusions on those issues of the trier of the facts -of the judge if he sat without a jury, or of the jury if there was a jury trial -bind this court on appeal, provided the evidence supports those findings, regardless of whether we would ourselves have reached the same conclusions.

*Arnstein v. Porter*, 154 F.2d 464, 469 (2d Cir. 1946).

As a general matter, the standard for reviewing jury verdicts is whether they are supported by "substantial evidence" -that is, such relevant evidence as reasonable minds might accept as adequate to support a conclusion. See *Poppell v. City of San Diego*, 149 F.3d 951, 962 (9th Cir. 1998). The credibility

of witnesses is an issue for the jury and is generally not subject to appellate review. See *Gilbrook v. City of Westminster*, 177 F.3d 839, 856 (9th Cir.), cert. denied, 120 S.Ct. 614 (1999).

We affirm the jury's verdict in this case in light of the standard of review and copyright law's "guiding principles." Although we will address each of the appellant's arguments in turn, we focus on access because it is the most difficult issue in this case. Our decision is predicated on judicial deference -finding that the law has been properly applied in this case, viewing the facts most favorably to the appellees, and not substituting our judgment for that of the jury.

#### A. Access

[1] Proof of access requires "an opportunity to view or to copy plaintiff's work." *Sid and Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1172 (9th Cir. 1977). This is often described as providing a "reasonable opportunity" or "reasonable possibility" of viewing the plaintiff's work. 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, S 13.02[A], at 13-19 (1999); *Jason v. Fonda*, 526 F.Supp. 774, 775 (C.D. Cal. 1981), aff'd, 698 F.2d 966 (9th Cir. 1983). We have defined reasonable access as "more than a 'bare possibility.'" *Jason*, 698 F.2d at 967. Nimmer has elaborated on our definition: "Of course, reasonable opportunity as here used, does not encompass any bare possibility in the sense that anything is possible. Access may not be inferred through mere speculation or conjecture. There must be a reasonable possibility of viewing the plaintiff's work -not a bare possibility." 4 Nimmer, S 13.02[A], at 1319. "At times, distinguishing a 'bare' possibility from a 'reasonable' possibility will present a close question." *Id.* at 1320.

Circumstantial evidence of reasonable access is proven in one of two ways: (1) a particular chain of events is established between the plaintiff's work and the defendant's access to that work (such as through dealings with a publisher or record company), or (2) the plaintiff's work has been widely disseminated. See 4 Nimmer, S 13.02[A], at 13-20-13-21; 2 Paul Goldstein, *Copyright: Principles, Law, and Practice* S 8.3.1.1., at 90-91 (1989). Goldstein remarks that in music cases the "typically more successful route to proving access requires the plaintiff to show that its work was widely disseminated through sales of sheet music, records, and radio performances." 2 Goldstein, S 8.3.1.1, at 91. Nimmer, however, cautioned that "[c]oncrete cases will pose difficult judgments as to where along the access spectrum a given exploitation falls." 4 Nimmer, S 13.02[A], at 13-22.

Proof of widespread dissemination is sometimes accompanied by a theory that copyright infringement of a popular song was subconscious. Subconscious copying has been accepted since Learned Hand embraced it in a 1924 music infringement case: "Everything registers somewhere in our memories, and no one can tell what

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may evoke it . . . . Once it appears that another has in fact used the copyright as the source of this production, he has invaded the author's rights. It is no excuse that in so doing his memory has played him a trick." *Fred Fisher, Inc. v. Dillingham*, 298 F. 145, 147-48 (S.D.N.Y. 1924). In *Fred Fisher*, Judge Hand found that the similarities between the songs "amount[ed] to identity" and that the infringement had occurred "probably unconsciously, what he had certainly often heard only a short time before." *Id.* at 147.

In modern cases, however, the theory of subconscious copying has been applied to songs that are more remote in time. *ABKCO Music, Inc v. Harrisongs Music, Ltd.*, 722 F.2d 988 (2d Cir. 1983) is the most prominent example. In *ABKCO*, the Second Circuit affirmed a jury's verdict that former Beatle George Harrison, in writing the song "My Sweet Lord," subconsciously copied The Chiffons' "He's So Fine," which was released six years earlier. See *id.* at 997, 999. Harrison admitted hearing "He's So Fine" in 1963, when it was number one on the Billboard charts in the United States for five weeks and one of the top 30 hits in England for seven weeks. See *id.* at 998. The court found: "the evidence, standing alone, 'by no means compels the conclusion that there was access . . . it does not compel the conclusion that there was not.'" *Id.* (quoting *Heim v. Universal Pictures Co.*, 154 F.2d 480, 487 (2d Cir. 1946)). In *ABKCO*, however, the court found that "the similarity was so striking and where access was found, the remoteness of that access provides no basis for reversal." *Id.* Furthermore, "the mere lapse of a considerable period

of time between the moment of access and the creation of defendant's work does not preclude a finding of copying." 4 Nimmer, S 13.02[A], at 13-20 (citing ABKCO, 722 F.2d at 997-98).

The Isley Brothers' access argument was based on a theory of widespread dissemination and subconscious copying. They presented evidence supporting four principal ways that Bolton and Goldmark could have had access to the Isley Brothers' "Love is a Wonderful Thing":

(1) Bolton grew up listening to groups such as the Isley Brothers and singing their songs. In 1966, Bolton and Goldmark were 13 and 15, respectively, growing up in Connecticut. Bolton testified that he had been listening to rhythm and blues music by black singers since he was 10 or 11, "appreciated a lot of Black singers," and as a youth was the lead singer in a band that performed "covers" of popular songs by black singers. Bolton also testified that his brother had a "pretty good record collection."

(2) Three disk jockeys testified that the Isley Brothers' song was widely disseminated on radio and television stations where Bolton and Goldmark grew up. First, Jerry Blavitt testified that the Isley Brothers' "Love is a Wonderful Thing" was played five or six times during a 13-week period on the television show, "The Discophonic Scene," which he said aired in Philadelphia, New York, and Hartford-New Haven. Blavitt also testified that he played the song two to three times a week as a disk jockey in Philadelphia and that the station is still playing the song today. Second, Earl Rodney Jones testified that he played the song a minimum of four times a day during an eight to 14 to 24 week period on WVON radio in Chicago, and that the station is still playing the song today. Finally, Jerry Bledsoe testified that he played the song on WUFO radio in Buffalo, and WWRL radio in New York was playing the song in New York in 1967 when he went there. Bledsoe also testified that he played the song twice on a television show, "Soul," which aired in New York and probably in New Haven, Connecticut, where Bolton lived.

(3) Bolton confessed to being a huge fan of the Isley Brothers and a collector of their music. Ronald Isley testified that when Bolton saw Isley at the Lou Rawls United Negro College Fund Benefit concert in 1988, Bolton said, "I know this guy."

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I go back with him. I have all his stuff." Angela Winbush, Isley's wife, testified about that meeting that Bolton said, "This man needs no introduction. I know everything he's done."

(4) Bolton wondered if he and Goldmark were copying a song by another famous soul singer. Bolton produced a work tape attempting to show that he and Goldmark independently created their version of "Love Is a Wonderful Thing." On that tape of their recording session, Bolton asked Goldmark if the song they were composing was Marvin Gaye's "Some Kind of Wonderful."<sup>[1]</sup> The district court, in affirming the jury's verdict, wrote about Bolton's Marvin Gaye remark:

This statement suggests that Bolton was contemplating the possibility that the work he and Goldmark were creating, or at least a portion of it, belonged to someone else, but that Bolton wasn't sure who it belonged to. A reasonable jury can infer that Bolton mistakenly attributed the work to Marvin Gaye, when in reality Bolton was subconsciously drawing on Plaintiff's song.

The appellants contend that the Isley Brothers' theory of access amounts to a "twenty-five-years-after-the-facts subconscious copying claim." Indeed, this is a more attenuated case of reasonable access and subconscious copying than ABKCO. In this case, the appellants never admitted hearing the Isley Brothers' "Love is a Wonderful Thing." That song never topped the Billboard charts or even made the top 100 for a single week. The song was not released on an album or compact disc until 1991, a year after Bolton and Goldmark wrote their song. Nor did the Isley Brothers ever claim that Bolton's and Goldmark's song is so "strikingly similar" to the Isley Brothers' that proof of access is presumed and need not be proven.

Despite the weaknesses of the Isley Brothers' theory of reasonable access, the appellants had a full opportunity to present their case to the jury. Three rhythm and blues experts (including legendary Motown songwriter Lamont Dozier of Holland-Dozier-Holland fame) testified that they never heard of the Isley

Brothers' "Love is a Wonderful Thing." Furthermore, Bolton produced copies of "TV Guide" from 1966 suggesting that the television shows playing the song never aired in Connecticut. Bolton also pointed out that 129 songs called "Love is a Wonderful Thing" are registered with the Copyright Office, 85 of them before 1964.

The Isley Brothers' reasonable access arguments are not without merit. Teenagers are generally avid music listeners. It is entirely plausible that two Connecticut teenagers obsessed with rhythm and blues music could remember an Isley Brothers' song that was played on the radio and television for a few weeks, and subconsciously copy it twenty years later. Furthermore, Ronald Isley testified that when they met, Bolton said, "I have all his stuff." Finally, as the district court pointed out, Bolton's remark about Marvin Gaye and "Some Kind of Wonderful" indicates that Bolton believed he may have been copying someone else's song.

Finally, with regard to access, we are mindful of Judge Frank's words of caution in *Arnstein v. Porter*: "The judge characterized plaintiff's story as 'fantastic'; and in the light of the references in his opinion to defendant's deposition, the judge obviously accepted the defendant's denial of access and copying . . . . [Y]et plaintiff's credibility, even as to those improbabilities, should be left to the jury." *Arnstein*, 154 F.2d at 469. In this case, Judge Baird heeded Judge Frank's admonition:

[T]his Court is not in a position to find that the only conclusion that a reasonable jury could have reached is that

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Defendants did not have access to Plaintiff's song. One must remember that the issue this Court must address is not whether Plaintiff has proven access by a preponderance of evidence, but whether reasonable minds could find that Defendants had a reasonable opportunity to have heard Plaintiff's song before they created their own song.

Although we might not reach the same conclusion as the jury regarding access, we find that the jury's conclusion about access is supported by substantial evidence. We are not establishing a new standard for access in copyright cases; we are merely saying that we will not disturb the jury's factual and credibility determinations on this issue.

#### B. Substantial Similarity

Under our case law, substantial similarity is inextricably linked to the issue of access. In what is known as the "inverse ratio rule," we "require a lower standard of proof of substantial similarity when a high degree of access is shown." *Smith*, 84 F.3d at 1218 (citing *Shaw v. Lindheim*, 919 F.2d 1353, 1361-62 (9th Cir. 1990); *Krofft*, 562 F.2d at 1172). Furthermore, in the absence of any proof of access, a copyright plaintiff can still make out a case of infringement by showing that the songs were "strikingly similar." See *Smith*, 84 F.3d at 1220; *Baxter v. MCA, Inc.*, 812 F.2d 421, 423, 424 n.2 (9th Cir. 1987).

Proof of the substantial similarity is satisfied by a twopart test of extrinsic similarity and intrinsic similarity. See *Krofft*, 562 F.2d at 1164. Initially, the extrinsic test requires that the plaintiff identify concrete elements based on objective criteria. See *Smith*, 84 F.3d at 1218; *Shaw*, 919 F.2d at 1356. The extrinsic test often requires analytical dissection of a work and expert testimony. See *Apple Computer, Inc v. Microsoft Corp.*, 35 F.3d 1435, 1442 (9th Cir. 1994). Once the extrinsic test is satisfied, the factfinder applies the intrinsic test. The intrinsic test is subjective and asks "whether the ordinary, reasonable person would find the total concept and feel of the works to be substantially similar." *Pasillas v. McDonald's Corp.*, 927 F.2d 440, 442 (9th Cir. 1991) (internal quotations omitted).

We will not second-guess the jury's application of the intrinsic test. See *Krofft* 562 F.3d at 1166 ("Since the intrinsic test for expression is uniquely suited for determination by the trier of fact, this court must be reluctant to reverse it.") (citations omitted). Furthermore, we will not reverse factual determinations regarding the extrinsic test absent a clearly erroneous application of the law. See *id.* It is well settled that a jury may find a combination of unprotectible elements to be protectible under the

extrinsic test because "the over-all impact and effect indicate substantial appropriation." *Id.* at 1169 (quoting *Malkin v. Dubinsky*, 146 F.Supp. 111, 114 (S.D.N.Y. 1956)).

### 1. Evidence of Substantial Similarity

Bolton and Goldmark argue that there was insufficient evidence of substantial similarity because the Isley Brothers' expert musicologist, Dr. Gerald Eskelin, failed to show that there was copying of a combination of unprotectible elements. On the contrary, Eskelin testified that the two songs shared a combination of five unprotectible elements: (1) the title hook phrase (including the lyric, rhythm, and pitch); (2) the shifted cadence; (3) the instrumental figures; (4) the verse/chorus relationship; and (5) the fade ending. Although the appellants presented testimony from their own expert musicologist, Anthony Ricigliano, he conceded that there were similarities between the two songs and that he had not found the combination of unprotectible elements in the Isley Brothers' song "anywhere in the prior art." The jury heard testimony from both of these experts and "found infringement based on a unique compilation of those elements." We refuse to interfere with the jury's credibility determination, nor do we find

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that the jury's finding of substantial similarity was clearly erroneous.

### 2. Independent Creation

Bolton and Goldmark also contend that their witnesses rebutted the Isley Brothers' prima facie case of copyright infringement with evidence of independent creation. By establishing reasonable access and substantial similarity, a copyright plaintiff creates a presumption of copying. The burden shifts to the defendant to rebut that presumption through proof of independent creation. See *Granite Music Corp. v. United Artists Corp.*, 532 F.2d 718, 721 (9th Cir. 1976).

The appellants' case of independent creation hinges on three factors: the work tape demonstrating how Bolton and Goldmark created their song, Bolton and Goldmark's history of songwriting, and testimony that their arranger, Walter Afanasieff, contributed two of five unprotectible elements that they allegedly copied. The jury, however, heard the testimony of Bolton, Goldmark, Afanasieff, and Ricigliano about independent creation. The work tape revealed evidence that Bolton may have subconsciously copied a song that he believed to be written by Marvin Gaye. Bolton and Goldmark's history of songwriting presents no direct evidence about this case. And Afanasieff's contributions to Bolton and Goldmark's song were described by the appellants' own expert as "very common." Once again, we refuse to disturb the jury's determination about independent creation. The substantial evidence of copying based on access and substantial similarity was such that a reasonable juror could reject this defense.

### 3. Inverse-Ratio Rule

Although this may be a weak case of access and a circumstantial case of substantial similarity, neither issue warrants reversal of the jury's verdict. An amicus brief on behalf of the recording and motion picture industries warns against watering down the requirements for musical copyright infringement. This case presents no such danger. The Ninth Circuit's inverse-ratio rule requires a lesser showing of substantial similarity if there is a strong showing of access. See *Smith*, 84 F.3d at 1218. In this case, there was a weak showing of access. We have never held, however, that the inverse ratio rule says a weak showing of access requires a stronger showing of substantial similarity. Nor are we redefining the test of substantial similarity here; we merely find that there was substantial evidence from which the jury could find access and substantial similarity in this case.

### C. Sufficiency of the Deposit Copy

The appellants argue that the district court did not have jurisdiction over this case because the Isley Brothers failed to register a complete copy of the song upon which the lawsuit was based. Although the 1909 Copyright Act requires the owner to deposit a "complete copy" of the work with the copyright office, our definition of a "complete copy" is broad and deferential: "Absent intent to defraud and prejudice,

inaccuracies in copyright registrations do not bar actions for infringement." *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1335 (9th Cir. 1984) (citations omitted).

Bolton and Goldmark argue that in 1964 the Isley Brothers deposited sheet music ("deposit copy") of "Love is a Wonderful Thing" that differed from the recorded version of the song. Furthermore, they claimed that the deposit copy does not include the majority of the musical elements that were part of the infringement claim. At trial, the Isley Brothers' expert, Dr. Eskelin, testified that the deposit copy included all of the song's essential elements such as the title hook, chorus, and pitches. Dr. Eskelin even played the deposit copy for the jury on the keyboard. We refuse to disturb the jury's finding that the Isley Brothers deposited a "complete copy" because (1) there was no intent to defraud and prejudice and (2) any inaccuracies

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in the deposit copy were minor and do not bar the infringement action.

#### D. Attribution of Profits

Sony Music claims that the district court improperly applied an assumption that all profits from Bolton and Goldmark's song go to the Isley Brothers, and that no evidence supported the jury's apportionment of profits. A successful copyright plaintiff is allowed to recover only those profits that are "attributable to infringement." 17 U.S.C.S 504(b) (1994). "In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." *Id.* See also *Cream Records, Inc. v. Jos. Schlitz Brewing Co.*, 754 F.2d 826, 828 (9th Cir. 1985) (holding that when all profits do not clearly derive from the infringing material, the copyright owner is not entitled to recover all of the profits); *Gaste*, 863 F.2d at 1070 (finding that where there is "imprecision in the computation of expenses, a court should err on the side of guaranteeing the plaintiff a full recovery"). Thus, the statutory burden of proof lies with Sony Music to prove what percentage of their profits were not attributable to copying the Isley Brothers' "Love is a Wonderful Thing."

Sony Music presented evidence that Bolton's "Love Is a Wonderful Thing" produced only 5-10% of the profits from his album, "Time, Love and Tenderness," and that the song's infringing elements resulted in only 10-15% of the profits from the song. The Isley Brothers, however, attacked the credibility of one of Sony Music's experts. Furthermore, they presented evidence that Bolton's infringing song was the album's lead single, that it was released 19 days before the album, and that Bolton engaged in telephone promotion of the song. The jury found that 28% of the album's profits derived from the song, and that 66% of the song's profits resulted from infringing elements.

We affirm the jury's apportionment of the profits for several reasons. First, the jury instructions adequately conveyed the burden of proof. Second, the burden of proof was on Sony Music, and the jury chose not to believe Sony Music's experts. Finally, a jury verdict apportioning less than 100% of the profits but more than the percentage estimates of Sony Music's experts does not represent clear error.

#### E. Deduction of Tax Liability

Sony Music also argues that the district court erred in allowing Bolton and Goldmark, but not Sony Music, to deduct income taxes due to profits from the album. Whether income taxes are considered "deductible expenses" under S 504(b) is an issue of first impression in this circuit. The Supreme Court held that willful infringers could not deduct income taxes, but it left open the possibility that non-willful infringers could deduct their income taxes from the infringing profits. See *L.P. Larson, Jr., Co. v. Wm. Wrigley, Jr., Co.*, 277 U.S. 97, 99-100 (1928). The circuits are split over whether non-willful infringers such as Bolton, Goldmark, and Sony Music can deduct income taxes from their infringing profits. Compare *In Design v. K-Mart Apparel Corp.*, 13 F.3d 559, 567 (2d Cir. 1994) (allowing the deduction of income taxes) with *Schnadig Corp. v. Gaines Mfg. Co., Inc.*, 620 F.2d 1166, 1169-70 (6th Cir. 1980) (not allowing the deduction of income taxes).

The Second Circuit allowed the deduction of income taxes because if infringers are liable for pre-tax profits, they may end up paying more money than they ever received. See *In Design*, 13 F.3d at 567. Under the Second Circuit's rule, the infringer receives a windfall by (1) paying a smaller damages award and (2) deducting the entire, pre-tax award from gross income on a subsequent tax return. The Sixth Circuit rejected the deduction of income taxes because the increased pre-tax

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profits paid to the copyright holder will be balanced out by an eventual tax refund based on the pre-tax award. See *Schnadig*, 620 F.2d at 1169-70. Under the Sixth Circuit's rule, the copyright holder receives a windfall by receiving a larger, pre-tax award.

During the third phase of this trial, the district court adopted the findings of the special master's report regarding the deduction of income taxes. The district court followed the Second Circuit rule and allowed Bolton and Goldmark, as non-willful infringers, to deduct the income taxes and management fees that they paid relating to the infringing song. The district court, however, refused to allow Sony Music to deduct its Net Operating Loss Carry-forward (NOL) because the NOL did not have a "concrete financial impact."

We uphold the district court's decision to allow non-willful infringers to deduct income taxes, but not NOL. In this case, Bolton and Goldmark actually paid income taxes and management fees on the infringing profits. Sony Music, however, never actually paid income taxes on its infringing profits. Rather, Sony Music claimed it offset nearly \$1.7 million in taxes on the infringing profits against its parent company's NOL. No court has ever found that NOL is a deductible expense under S 504(b). Furthermore, we find that the district court's distinctions between taxes actually paid and taxes not actually paid was a fair one. Thus, we affirm the district court's calculation of a \$4,218,838 damages award against Sony Music.

#### F. Second New Trial Motion

Finally, Bolton and Goldmark claim that the district court erred in rejecting their second motion for new trial. The district court's denial of a motion for a new trial pursuant to Federal Rule of Civil Procedure 60(b) is reviewed for an abuse of discretion. See *Browning-Ferris Indus. v. Kelco Disposal, Inc.*, 492 U.S. 257, 278 (1989); *Scott v. Ross*, 140 F.3d 1275, 1281 (9th Cir. 1998). The abuse of discretion standard applies particularly when the district court's denial is based on the motion's untimeliness. See *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1294-96 (9th Cir. 1992).

Bolton and Goldmark's second motion for a new trial was based on the discovery of new evidence that disputed the Isley Brothers' claim of authorship. A day before the deadline for post-trial motions, the appellees discovered evidence alleging that the Turkcords, a group that played with the Isley Brothers in the mid-1960s, claimed to have written the 1964 song, "Love is a Wonderful Thing." Bolton and Goldmark did not immediately notify the district court of this new evidence. Instead, fourteen days after the deadline for post-trial motions had passed, they filed an additional motion for new trial. The district court rejected the second motion for new trial as untimely filed.

We affirm the district court's denial of the second motion for new trial because the evidence, if true, goes at most to the weight and credibility of the evidence before the jury. At trial, Ronald Isley claimed to have written the song with the deceased guitar legend, Jimi Hendrix. (As a young man, Hendrix played in the Isley Brothers' band.) The Turkcords' claims of authorship are dubious for several reasons. The Turkcords knew about the re-release of "Love is a Wonderful Thing" by United Artists in 1991, yet they claimed that the Isley Brothers had agreed to share the song's royalties with them only after hearing about the damages award in this case on "Inside Edition." Furthermore, Bolton and Goldmark knew about this new evidence before the deadline for the post-trial motions, yet they did not immediately notify the district court.

Even if the Turkcords' claims of authorship are true, a new trial is not warranted in the interests of justice because the Isley Brothers' copyright ownership is not jeopardized. Registration is



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prima facie evidence of the validity of a copyright. See 17 U.S.C. S 410(c) (1994). This presumption can be rebutted by the defendant's showing that the plaintiff's work is not original. See *North Coast Indus. v. Jason Maxwell, Inc.*, 972 F.2d 1031, 1033 (9th Cir. 1992). North Coast 's definition of originality is broad: "All that is needed to satisfy both the Constitution and the statute is that the "author " contributed something more than a "merely trivial" variation, something recognizably "his own." Originality in this context means "little more than a prohibition of actual copying." " Id. (quoting Krofft, 562 F.2d at 1163 n.5 (quoting *Alfred Bell & Co. v. Catalda Fine Arts*, 191 F.2d 99, 102-03 (2d Cir. 1951))). See also *Kamar Int'l Inc. v. Russ Berrie and Co.*, 657 F.2d 1059, 1061 (9th Cir. 1981) (employing a broad definition of originality relating to toy stuffed animals).

In this case, the Isley Brothers undoubtedly contributed something original to "Love is a Wonderful Thing." Their proteges, the Turkcords, purportedly wrote the song, then gave the Isley Brothers' permission to record it after the voice of the Turkcords' lead singer allegedly "cracked." Members of the Turkcords allegedly sang back-up on the record. Yet the Turkcords never copyrighted their song. They relied on the Isley Brothers' alleged promise to share the royalties with them.

The district court did not abuse its discretion in rejecting Bolton and Goldmark's second motion for a new trial based on this evidence. The Turkcords' claims of authorship would not have affected the outcome of the case and at most go to the weight and credibility of the evidence. Bolton and Goldmark's second motion was a last-ditch attempt to discredit the jury's verdict. The district court heard all of the evidence in this case, instructed the jury on the applicable law, yet refused to reverse the jury's verdict pursuant to motion for a judgment as a matter of law. Having found that the law was properly applied in this case, we leave the district court's decisions and the jury's credibility determinations undisturbed.

AFFIRMED.

Notes:

[1] Marvin Gaye also referred to the song's chorus, "She's some kind of wonderful," in his song, "Too Busy Thinking About My Baby." See Marvin Gaye, *Too Busy Thinking About My Baby*, on MPG, (Motown 1969).

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**Bill before Congress S3523** (to protect certain fashion designs for a limited period of time)

112TH CONGRESS  
2D SESSION

# S. 3523

To amend title 17, United States Code, to extend protection to fashion design, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 10, 2012

Mr. SCHUMER (for himself, Mr. HATCH, Mrs. GILLIBRAND, Mr. WHITEHOUSE, Mr. GRAHAM, Mr. BLUMENTHAL, Mr. KOHL, Mr. CARDIN, Ms. SNOWE, and Mrs. BOXER) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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## A BILL

To amend title 17, United States Code, to extend protection to fashion design, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Innovative Design Pro-  
5 tection Act of 2012”.

6 **SEC. 2. AMENDMENTS TO TITLE 17, UNITED STATES CODE.**

7 (a) **DESIGNS PROTECTED.**—Section 1301 of title 17,  
8 United States Code, is amended—

1 (1) in subsection (a), by adding at the end the  
2 following:

3 “(4) FASHION DESIGN.—A fashion design is  
4 subject to protection under this chapter.”;

5 (2) in subsection (b)—

6 (A) in paragraph (2), by inserting “, or an  
7 article of apparel,” after “plug or mold”; and

8 (B) by adding at the end the following:

9 “(8) A ‘fashion design’—

10 “(A) is the appearance as a whole of an  
11 article of apparel, including its ornamentation;  
12 and

13 “(B) includes original elements of the arti-  
14 cle of apparel or the original arrangement or  
15 placement of original or non-original elements  
16 as incorporated in the overall appearance of the  
17 article of apparel that—

18 “(i) are the result of a designer’s own  
19 creative endeavor; and

20 “(ii) provide a unique, distinguishable,  
21 non-trivial and non-utilitarian variation  
22 over prior designs for similar types of arti-  
23 cles.

1           “(9) The term ‘design’ includes fashion design,  
2           except to the extent expressly limited to the design  
3           of a vessel.

4           “(10) The term ‘apparel’ means—

5                   “(A) an article of men’s, women’s, or chil-  
6                   dren’s clothing, including undergarments, outer-  
7                   wear, gloves, footwear, and headgear;

8                   “(B) handbags, purses, wallets, tote bags,  
9                   and belts; and

10                   “(C) eyeglass frames.

11           “(11) In the case of a fashion design, the term  
12           ‘substantially identical’ means an article of apparel  
13           which is so similar in appearance as to be likely to  
14           be mistaken for the protected design, and contains  
15           only those differences in construction or design  
16           which are merely trivial.”; and

17           (3) by adding at the end the following:

18           “(c) RULE OF CONSTRUCTION.—In the case of a  
19           fashion design under this chapter, those differences or  
20           variations which are considered non-trivial for the pur-  
21           poses of establishing that a design is subject to protection  
22           under subsection (b)(8) shall be considered non-trivial for  
23           the purposes of establishing that a defendant’s design is  
24           not substantially identical under subsection (b)(11) and  
25           section 1309(e).”.

1 (b) DESIGNS NOT SUBJECT TO PROTECTION.—Sec-  
2 tion 1302(5) of title 17, United States Code, is amend-  
3 ed—

4 (1) by striking “(5)” and inserting “(5)(A) in  
5 the case of a design of a vessel hull,”;

6 (2) by striking the period and inserting “; or”;  
7 and

8 (3) by adding at the end the following:

9 “(B) in the case of a fashion design, em-  
10 bodied in a useful article that was made public  
11 by the designer or owner in the United States  
12 or a foreign country before the date of enact-  
13 ment of this chapter or more than 3 years be-  
14 fore the date upon which protection of the de-  
15 sign is asserted under this chapter.”.

16 (c) REVISIONS, ADAPTATIONS, AND REARRANGE-  
17 MENTS.—Section 1303 of title 17, United States Code, is  
18 amended by adding at the end the following: “The pres-  
19 ence or absence of a particular color or colors or of a pic-  
20 torial or graphic work imprinted on fabric shall not be con-  
21 sidered in determining the protection of a fashion design  
22 under section 1301 or 1302 or in determining infringe-  
23 ment under section 1309.”.

24 (d) TERM OF PROTECTION.—Section 1305(a) of title  
25 17, United States Code, is amended to read as follows:

1       “(a) IN GENERAL.—Subject to subsection (b), the  
2 protection provided under this chapter—

3               “(1) for a design of a vessel hull, shall continue  
4 for a term of 10 years beginning on the date of the  
5 commencement of protection under section 1304;  
6 and

7               “(2) for a fashion design, shall continue for a  
8 term of 3 years beginning on the date of the com-  
9 mencement of protection under section 1304.”.

10       (e) NOTICE.—Section 1306 of title 17, United States  
11 Code, is amended by adding at the end the following:

12       “(d) FASHION DESIGN.—

13               “(1) IN GENERAL.—In the case of a fashion de-  
14 sign, the owner of the design shall provide written  
15 notice of the design protection to any person the de-  
16 sign owner has reason to believe has violated or will  
17 violate this chapter.

18               “(2) CONTENTS.—The written notice required  
19 under paragraph (1) shall contain, at a minimum—

20                       “(A) the date on which protection for the  
21 design commenced;

22                       “(B) a description of the protected design  
23 which specifies how the protected design falls  
24 within the meaning of section 1301(b)(8);

1           “(C) a description of the allegedly infring-  
2           ing design which specifies how the allegedly in-  
3           fringing design infringed upon the protected de-  
4           sign as described under section 1309(e); and

5           “(D) the date on which the protected de-  
6           sign or an image thereof was available such  
7           that it could be reasonably inferred from the to-  
8           tality of the surrounding facts and cir-  
9           cumstances that the owner of the allegedly in-  
10          fringing design saw or otherwise had knowledge  
11          of the protected design.

12          “(3) COMMENCEMENT OF ACTION.—An action  
13          for infringement of a fashion design under this chap-  
14          ter shall not commence until the date that is 21  
15          days after the date on which written notice required  
16          under this subsection was provided to the defendant.

17          “(4) LIMITATION ON DAMAGES.—A person al-  
18          leged to be undertaking action leading to infringe-  
19          ment under this chapter shall be held liable only for  
20          damages and profits accrued after the date on which  
21          the action for infringement is commenced against  
22          such person under paragraph (3).”

23          (f) INFRINGEMENT.—Section 1309 of title 17, United  
24          States Code, is amended—

25                 (1) in subsection (b)—



1 (A) by amending the matter preceding  
2 paragraph (1) to read as follows:

3 “(b) ACTS OF SELLERS, IMPORTERS AND DISTRIBUTU-  
4 TORS.—A retailer, seller, importer or distributor of an in-  
5 fringing article who did not make the article shall be  
6 deemed to have infringed on a design protected under this  
7 chapter only if that person—”; and

8 (B) in paragraph (1), by striking “, or an  
9 importer to import”;

10 (2) in subsection (c)—

11 (A) by inserting “offer for sale” after  
12 “sell,”; and

13 (B) by inserting “either actual or reason-  
14 ably inferred from the totality of the cir-  
15 cumstances,” after “created without knowl-  
16 edge”;

17 (3) by redesignating subsections (e), (f), and  
18 (g) as subsections (f), (g), and (h), respectively;

19 (4) by inserting after subsection (d) the fol-  
20 lowing:

21 “(e) ACTS OF THIRD PARTIES.—Acts that do not  
22 constitute acts of infringement under subsections (a) or  
23 (b) do not otherwise constitute acts of infringement under  
24 this chapter. It shall not be infringement under this sec-  
25 tion to be engaged in—

1           “(1) the provision of a telecommunications serv-  
2           ice, or of an Internet access service or Internet in-  
3           formation location tool (as those terms are defined  
4           in section 231 the Communications Act of 1934 (47  
5           U.S.C. 231)); or

6           “(2) the transmission, storage, retrieval,  
7           hosting, formatting, or translation (or any combina-  
8           tion thereof) of a communication, without selection  
9           or alteration of the content of the communication,  
10          except that deletion of a particular communication  
11          or material made by another person in a manner  
12          consistent with section 230(c) of the Communica-  
13          tions Act of 1934 (47 U.S.C. 230(c)).”;

14          (5) by amending subsection (f), as so redesign-  
15          ated, to read as follows:

16          “(f) INFRINGING ARTICLE DEFINED.—

17                 “(1) IN GENERAL.—As used in this section, an  
18                 ‘infringing article’ is any article the design of which  
19                 has been copied from a design protected under this  
20                 chapter, or from an image thereof, without the con-  
21                 sent of the owner of the protected design. An in-  
22                 fringing article is not an illustration or picture of a  
23                 protected design in an advertisement, book, peri-  
24                 odical, newspaper, photograph, broadcast, motion  
25                 picture, or similar medium.

1           “(2) VESSEL HULL DESIGN.—In the case of a  
2 design of a vessel hull, a design shall not be deemed  
3 to have been copied from a protected design if it is  
4 original and not substantially similar in appearance  
5 to a protected design.

6           “(3) FASHION DESIGN.—In the case of a fash-  
7 ion design, a design shall not be deemed to have  
8 been copied from a protected design if that design—

9                   “(A) is not substantially identical in overall  
10 visual appearance to and as to the original ele-  
11 ments of a protected design; or

12                   “(B) is the result of independent cre-  
13 ation.”; and

14           (6) by adding at the end the following:

15           “(i) HOME SEWING EXCEPTION.—

16                   “(1) IN GENERAL.—It is not an infringement of  
17 the exclusive rights of a design owner for a person  
18 to produce a single copy of a protected design for  
19 personal use or for the use of an immediate family  
20 member, if that copy is not offered for sale or use  
21 in trade during the period of protection.

22                   “(2) RULE OF CONSTRUCTION.—Nothing in  
23 this subsection shall be construed to permit the pub-  
24 lication or distribution of instructions or patterns for  
25 the copying of a protected design.”.

1 (g) APPLICATION FOR REGISTRATION.—Section  
2 1310(a) of title 17, United States Code, is amended—

3 (1) by striking “Protection under this chapter”  
4 and inserting “In the case of a design of a vessel  
5 hull, protection under this chapter”; and

6 (2) by adding “Registration shall not apply to  
7 fashion designs.” after “first made public.”.

8 (h) REMEDY FOR INFRINGEMENT.—Section 1321 of  
9 title 17, United States Code, is amended—

10 (1) by striking subsection (a) and inserting the  
11 following:

12 “(a) IN GENERAL.—

13 “(1) VESSEL HULL.—In the case of a vessel  
14 hull, the owner of a design is entitled, after issuance  
15 of a certificate of registration of the design under  
16 this chapter, to institute an action for any infringe-  
17 ment of the design.

18 “(2) FASHION DESIGN.—In the case of a fash-  
19 ion design, the owner of a design is entitled to insti-  
20 tute an action for any infringement of the design  
21 after—

22 “(A) the design is made public under the  
23 terms of section 1310(b) of this chapter; and

24 “(B) the 21-day period described in section  
25 1306(d).”; and

1 (2) by adding at the end the following:

2 “(e) PLEADING REQUIREMENT FOR FASHION DE-  
3 SIGNS.—

4 “(1) IN GENERAL.—In the case of a fashion de-  
5 sign, a claimant in an action for infringement shall  
6 plead with particularity facts establishing that—

7 “(A) the design of the claimant is a fash-  
8 ion design within the meaning of section  
9 1301(b)(8) of this title and thus entitled to pro-  
10 tection under this chapter;

11 “(B) the design of the defendant infringes  
12 upon the protected design as described under  
13 section 1309(e); and

14 “(C) the protected design or an image  
15 thereof was available in such location or loca-  
16 tions, in such a manner, and for such duration  
17 that it can be reasonably inferred from the to-  
18 tality of the surrounding facts and cir-  
19 cumstances that the defendant saw or otherwise  
20 had knowledge of the protected design.

21 “(2) CONSIDERATIONS.—In considering wheth-  
22 er a claim for infringement has been adequately  
23 pleaded, the court shall consider the totality of the  
24 circumstances.”.

1 (i) PENALTY FOR FALSE REPRESENTATION.—Sec-  
2 tion 1327 of title 17, United States Code, is amended—

3 (1) by inserting “or for purposes of obtaining  
4 recovery based on a claim of infringement under this  
5 chapter” after “registration of a design under this  
6 chapter”;

7 (2) by striking “\$500” and inserting “5,000”;  
8 and

9 (3) by striking “\$1,000” and inserting  
10 “\$10,000”.

11 (j) NONAPPLICABILITY OF ENFORCEMENT BY  
12 TREASURY AND POSTAL SERVICE.—Section 1328 of title  
13 17, United States Code, is amended—

14 (1) in subsection (a), in the first sentence, by  
15 striking “The Secretary” and inserting “In the case  
16 of designs of vessel hulls protected under this chap-  
17 ter, the Secretary”;

18 (2) in subsection (b), in the first sentence, by  
19 striking “Articles” and inserting “In the case of de-  
20 signs of vessel hulls protected under this chapter, ar-  
21 ticles”; and

22 (3) by adding at the end the following:

23 “(c) NONAPPLICABILITY.—This section shall not  
24 apply to fashion designs protected under this chapter.”.

1 (k) COMMON LAW AND OTHER RIGHTS UNAF-  
2 FECTED.—Section 1330 of title 17, United States Code,  
3 is amended—

4 (1) in paragraph (1), by striking “or” after the  
5 semicolon;

6 (2) in paragraph (2), by striking the period and  
7 inserting “; or”; and

8 (3) by adding at the end the following:

9 “(3) any rights that may exist under provisions  
10 of this title other than this chapter.”.

11 **SEC. 3. EFFECTIVE DATE.**

12 This Act and the amendments made by this Act shall  
13 take effect on the date of enactment of this Act.

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