

# Bright Ideas

A publication of the Intellectual Property Law Section of the New York State Bar Association



## Message from the Chair

The time for me to pass the torch, or for those who know me better, the tiara, is almost here. My two-year term as Chair of the Section expires May 31, and, as such, I write my last Message from the Chair with mixed emotions and after a long period of reflection. I looked back on not only what we have accomplished over the past two years, but how each of the previous Chairs has left his or her mark on the Section and laid the foundation for future growth. I distinctly remember being both inspired and intimidated by their legacy and wondering whether I could help the Section perpetuate the dynamic growth it has enjoyed since it was founded in 1992.



Debra I. Resnick

Thanks to a remarkable Executive Committee and slate of officers, we have accomplished so much over the past two years. As previously announced, our Section recently made a gift of \$15,000 to the New York Bar Foundation. This gift will establish three \$5,000 Intellectual Property Law Fellowships for law students to work with public interest intellectual property organizations or charities with intellectual property needs. In addition to working with the grantee, each fellow also will be invited to be a guest member of the Section and to attend its Executive Committee meetings during the term of the fellowship. One fellowship will take place in fall 2008 and spring and summer 2009. More information about the fellowship and grant process is available at [www.tnybf.org](http://www.tnybf.org). I am indebted to our membership, sponsors, and the Executive Committee for providing the financial means and moral support to make this very substantial and meaningful gift.

I am also pleased to report that the Governmental Relations arm of the NYSBA is examining an expanded presence in federal legislative activity. Members of our Executive Committee are currently working with the “Big Bar” on initiatives of interest, including amending the Patent Act to provide for compulsory forum-administered arbitration in civil actions against the PTO. We are very excited about this development and encourage all who wish to have a voice in legislative activity affecting the intellectual property community to reach out to our Legislative and Amicus Committee co-chairs. See page 38 of this issue of *Bright Ideas* for information on this and our other committees.

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We have continued to provide exemplary programming for both newly admitted and seasoned practitioners. A record number of attorneys attended our Annual Meeting in January and participated in discussions addressing cutting-edge intellectual property issues such as the criminalization of intellectual property, recent Supreme Court and CAFC decisions, Indian intellectual property issues, post-mortem rights of publicity, new patent and trademark rules, the ethics of competitive intelligence, and building global brands. Our Section was fortunate to have Judge Randall R. Rader from the CAFC discuss not only developments in India's intellectual property laws and legal system but also patent infringement decisions of his Court. Following the meeting, the Section hosted a cocktail reception in honor of young intellectual property lawyers and students involved with our Section, and the guests were greeted with warm welcoming remarks by NYSBA President Kathryn Grant Madigan. Thanks for this spectacular meeting go to my co-chair Tamara Carmichael and to our sponsors, Thomson CompuMark, Holland & Knight, Arent Fox, DeVore & DeMarco, and Fross Zelnick Lehrman & Zissu.

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*"It has been my pleasure to be Chair of this vibrant Section for the past two years. The experience was personally and professionally rewarding, and I thank you all for the opportunity to lead our 2,300 plus members through the constantly changing world of intellectual property law."*

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Our Trademark Law and Young Lawyers Committees held an interactive roundtable in February on Best Practices Before the Trademark Trial and Appeals Board. The Honorable Ellen Seeherman of the TTAB and Linda McLeod from Finnegan Henderson Farabow Garrett and Dunner discussed tips for *inter partes* practice before the TTAB and the latest developments in TTAB practice and procedure. Thanks to Holland & Knight for hosting this fantastic program.

The calendar for the spring and summer is quickly filling up with additional roundtables and other annual programming such as Women in Intellectual Property Law, and our second Annual Summer Meeting co-sponsored with the Intellectual Property Institute of Canada. We welcome ideas for programming from our membership, and I encourage you to join our Meetings and Membership Committee.

It is fitting to begin and end my term by acknowledging all those who put their heart and soul into our Section. I am thankful to Joyce Creidy (Chair-Elect), Paul

Fakler (Vice Chair-Elect), and Kelly Slavitt (Treasurer-Elect) for all of their hard work and dedication in conducting the affairs of our Section. They will be joined in June by Charles Weigell, the Secretary-Elect, who has proven himself invaluable as Co-Chair of the Meetings and Membership Committee. The enthusiasm and energy of the officers and of the Executive Committee have left a lasting impression on the Section and on me personally. As laughter permeates our committee meetings, e-mails and programming, it comes as no surprise that newcomers to our Section and program attendees frequently remark on the warmth of the membership and the obvious enjoyment we get from working together.

The Section is privileged to have Joyce Creidy as my successor. In addition to being the force behind our Diversity Initiative, Joyce has spearheaded one of our Section's most successful annual events, the Women in Intellectual Property Law program. This program, which sells out every year, brings together a diverse group of women to discuss issues of interest in the intellectual property field, including work/life balance, rainmaking, and alternative career paths. I thank her for being my close friend and Vice-Chair and can think of no one better suited to lead our Section.

Many members may be unaware that our Section has three delegates to the House of Delegates, the decision- and policy-making body of the NYSBA. Our delegates—Miriam Netter, Susan Farley, and Jeffrey Cahn—have been tireless advocates for our membership, and I am grateful to them for their hard work and dedication.

Our Section would not function so effortlessly if not for the tireless work of the NYSBA staff in Albany, and my heartfelt thanks go out to Pat Stockli, Cathy Teeter, Naomi Pitts, Linda Castilla, Kathleen Heider, and everyone else at the NYSBA. Finally, I wish to thank Jonathan Bloom, the editor of this newsletter. In addition to enabling three issues of *Bright Ideas* to be published annually, he is the Co-Editor (along with Paul Fakler) of our Section's upcoming *Intellectual Property Law Desk Reference* and an otherwise integral member of our Section.

It has been my pleasure to be Chair of this vibrant Section for the past two years. The experience was personally and professionally rewarding, and I thank you all for the opportunity to lead our 2,300 plus members through the constantly changing world of intellectual property law. Although I am transitioning to the status of "Immediate Past-Chair," I will continue, as have my predecessors, to be very involved in our Section, and I look forward to having more time to act as a mentor to our young lawyers and law students (not to mention an opportunity to just be an attendee at future events).

**Debra I. Resnick**

# Seagate Changes the Equation: Federal Circuit Creates New Test for Proving Willful Infringement and Preserves the Attorney-Client Privilege

By Brian Ferguson

## I. Introduction

In a landmark decision, a unanimous Federal Circuit, sitting *en banc*, established a new, more stringent standard for proving willful patent infringement and reaffirmed the sanctity of the attorney-client privilege in our adversarial system of justice. The case, *In re Seagate Technology LLC*,<sup>1</sup> will have a profound effect on future patent litigation, as a finding of willful infringement often leads to an award of enhanced monetary damages to the patentee under 35 U.S.C. § 284. The decision also provides much-needed clarity concerning the scope of waiver of the attorney-client privilege when a patent infringement defendant asserts the “advice of counsel” defense to a charge of willful patent infringement.

## II. Willful Infringement and the Advice of Counsel Defense

Patent infringement is a form of strict liability tort; a defendant may be found liable for patent infringement regardless of his or her motive or intent.<sup>2</sup> However, the nature of a defendant’s actions may be relevant to the question of *willful* infringement.<sup>3</sup> In the absence of any statute defining what constitutes willful infringement, the courts historically equated willful infringement with bad faith or wanton and malicious conduct.<sup>4</sup> As noted, a finding of willful infringement is significant because it opens the door to the possibility of the patentee being awarded enhanced damages pursuant to 35 U.S.C. § 284.<sup>5</sup> While the statute is silent as to what justifies an award of enhanced damages, the Federal Circuit has long held that an award of enhanced damages generally requires a showing of willful infringement.<sup>6</sup>

Prior to the formation of the Federal Circuit, a “widespread disregard of patent rights was undermining the national innovation incentive.”<sup>7</sup> This widespread disregard was contrary to the Constitution, which empowered Congress to “promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”<sup>8</sup> The judicial system’s inability or refusal to enforce patent rights was seen as a disincentive to scientists to continue to innovate, as unscrupulous infringers were allowed to take the fruits of the inventors’ labor without any adverse consequences.<sup>9</sup> This was the legal landscape of patent law when the Federal Circuit came into being on October 1, 1982.<sup>10</sup>

One of the Federal Circuit’s purposes was to “promote greater uniformity” in the area of patent law.<sup>11</sup> One of its early efforts in this regard was the *Underwater Devices* case.<sup>12</sup> In that case, the court was confronted with a fact pattern typical of the time: A competitor of the patentee was essentially told by its attorney that it should not be overly concerned about its competitor’s patent rights because “courts, in recent years, have—in patent infringement cases—found [asserted patents] invalid in approximately 80% of the cases.”<sup>13</sup> The attorney thus concluded that it was unlikely his client would ever be sued for patent infringement.<sup>14</sup>

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*“In re Seagate Technology LLC will have a profound effect on future patent litigation, as a finding of willful infringement often leads to an award of enhanced monetary damages to the patentee under 35 U.S.C. § 284.”*

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The Federal Circuit did not approve of such “willful disregard” for the patent rights of others.<sup>15</sup> It thus established the modern test for determining willful infringement: “where . . . a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing.”<sup>16</sup> This “duty of due care standard” reflected the fact that “patent property should receive the same respect that the law imposes on all property. Industrial innovation would falter without the order that patent property contributes to the complexities of investment in technologic R&D and commercialization in a competitive marketplace.”<sup>17</sup>

As expressed in *Underwater Devices*, the duty of due care included “the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.”<sup>18</sup> This resulted in the “advice of counsel defense” to a charge of willful infringement. “Under this defense, an accused willful infringer aims to establish that due to reasonable reliance on advice from counsel, its continued accused activities were done in good faith. Typically, counsel’s opinion concluded that the patent is invalid, unenforceable, and/or not infringed.”<sup>19</sup>

As implemented, the duty of due care standard effectively resulted in a *de facto* requirement that a defendant

accused of willful infringement produce an opinion of counsel in defense to the claim.<sup>20</sup> This was especially the case prior to 2004, when the law imposed an “adverse inference” on defendants who failed to produce an opinion of counsel in defense to a willfulness charge: “[A defendant’s] silence on the subject, in alleged reliance on the attorney-client privilege, would warrant the conclusion that it either obtained no advice of counsel or did so and was advised that its [activities] would be an infringement of valid U.S. patents.”<sup>21</sup>

In the face of the duty of due care standard and the adverse inference, patent defendants routinely obtained, and then produced during litigation, opinions of counsel as part of the advice of counsel defense to a willful infringement claim.<sup>22</sup> This practice resulted in numerous complications for courts and defendants alike. First, reliance on an advice of counsel defense results in waiver of the attorney-client privilege. This was a serious concern, as “the attorney-client privilege rests at the center of our adversary system and promotes ‘broader public interests in the observance of law and administration of justice’ and ‘encourages full and frank communication between attorneys and their clients.’”<sup>23</sup> Given the importance of the attorney-client privilege to the effective administration of the adversarial system, it is little wonder the courts would interpret the scope of any waiver narrowly.<sup>24</sup> In 1991, the Federal Circuit recognized the tension between the duty of due care standard and the importance of the attorney-client privilege: “[P]roper resolution of the dilemma of an accused infringer who must choose between the lawful assertion of the attorney-client privilege and avoidance of a willfulness finding if infringement is found, is of great importance not only to the parties but to the fundamental values sought to be preserved by the attorney-client privilege.”<sup>25</sup> Waiving the attorney-client privilege in the hope of insulating a defendant from a finding of willful infringement allows the patentee insights into possible weaknesses in the defendant’s case concerning the underlying issues on the merits: infringement and validity.<sup>26</sup>

Second, the question of whether a defendant would rely on the advice of counsel defense, and the associated questions regarding the scope of any resulting waiver of privilege, resulted in the courts and parties having to engage in extensive and expensive satellite litigation before the actual trial on questions of invalidity and infringement. This was eloquently explained by then-district court judge Roderick McKelvie in 1995:

[T]hese decisions [*Underwater Devices et al.*] have changed how patent cases are litigated. The current convention in patent litigation strategy is as follows: the patent owner opens with a claim for willful infringement; the alleged infringer answers by denying willful infringement and asserts good faith reliance on advice

of counsel as an affirmative defense; then the owner serves contention interrogatories and document requests seeking the factual basis for that good faith reliance defense and the production of documents relating to counsel’s opinion; the alleged infringer responds by seeking to defer responses and a decision on disclosure of the opinion; the owner counters by moving to compel; and the alleged infringer moves to stay discovery and for separate trials. In this case, the parties have played out their moves. Now it is the court’s turn to join in.<sup>27</sup>

Judge McKelvie further recognized the potential prejudice a defendant faced by having to make the decision whether to assert the advice of counsel defense to a charge of willfulness before the patentee had established liability on the underlying merits; nonetheless, the Federal Circuit’s precedent left no other option.<sup>28</sup>

Third, another unappealing result of the application of the duty of due care standard was the rise of so-called “window-dressing” opinions. Companies obtained such opinions not for the purpose of making informed business decisions but solely for protection from a willful infringement claim in any litigation concerning the patents in question.<sup>29</sup> This unnecessarily added to the already expensive cost of patent litigation.

But perhaps the most alarming consequence of the duty of due care standard was that it had facilitated “opportunities for abusive gamesmanship” by certain patentees.<sup>30</sup> In many instances, patent holders would send a copy of the patent in question to large numbers of potential defendants and demand the companies buy a license to the patent without providing any analysis or other rationale. This resulting “knowledge” of the patentee’s rights, satisfying the notice requirement, exposed the recipients to an increased threat of willful infringement under the duty of due care standard, even when the companies were provided no real basis for believing they were infringing the patent in question. Many companies viewed the risk of trebled damages in a later litigation to be unacceptable and would agree to pay the patentee for a license that they arguably did not need.

This unintended result of the duty of due care standard was brought to the forefront in 2003, when the Federal Trade Commission (FTC) reported that companies were wary of investigating what patents existed in their industries for fear of later being charged with willfully infringing those patents.<sup>31</sup> The FTC concluded that this fear stifled, rather than encouraged, innovation.<sup>32</sup> Thus, the threat to innovation—the underlying goal of the patent system—had come full circle since the Department of Commerce’s 1979 report cited by the Federal Circuit in *Knorre-Bremse*.<sup>33</sup>

The Federal Circuit took its first major step toward reversing the impact of the duty of due care standard with the 2004 *en banc* decision in *Knorre-Bremse*. There, the court recognized that the adverse inference imposed “inappropriate burdens on the attorney-client relationship”<sup>34</sup> and held that maintaining the attorney-client privilege for opinions of counsel would not give rise to an adverse inference.<sup>35</sup> The court also stated that an accused infringer’s failure to obtain legal advice would likewise not give rise to an adverse inference.<sup>36</sup> However, with the duty of due care standard still requiring “the duty to seek and obtain competent legal advice from counsel,”<sup>37</sup> few companies felt comfortable forgoing obtaining opinions of counsel. Thus, issues regarding the timing of the production of opinions, and the attendant scope of the attorney-client privilege waiver, remained.

In addition, the district courts continued to struggle with the question of the scope of the waiver. While it had long been the rule that if a defendant chose to rely on the advice of counsel in defense to a willfulness claim, the associated waiver would extend to all communications with counsel who provided such advice,<sup>38</sup> it was far from clear whether the waiver should extend to communications on the same subject matter with other attorneys, particularly those with defendants’ trial counsel. District courts reached varying results in addressing this question. Some extended waiver to communications with trial counsel; others declined to do so; and still others looked for a middle-ground approach.<sup>39</sup>

Further confusing the matter was the Federal Circuit’s 2006 *EchoStar* decision.<sup>40</sup> There, the court affirmed a lower court’s holding that there should be no distinction between in-house counsel who provides advice concerning patents and outside counsel; the waiver rules were the same.<sup>41</sup> The court also stated the following:

[O]nce a party announces that it will rely on advice of counsel, for example, in response to an assertion of willful infringement, the attorney-client privilege is waived. “The widely applied standard for determining the scope of the waiver of attorney-client privilege is that the waiver applies to all other communications relating to the same subject matter.”<sup>42</sup>

While *EchoStar* did not concern trial counsel, the above language nevertheless resulted in some district courts extending the scope of the waiver to communications with trial counsel.<sup>43</sup> With the district courts issuing widely varying answers to this question concerning the scope of the waiver, the patent bar was badly in need of guidance from the Federal Circuit.<sup>44</sup>

### III. *Seagate*

In July 2000, Seagate Technology LLC (“Seagate”)<sup>45</sup> was sued for patent infringement in the Southern District of New York. Prior to the lawsuit, Seagate had retained opinion counsel to provide advice regarding the patents in question. Seagate also retained trial counsel, and Seagate’s opinion and trial counsel were kept separate and distinct at all times.<sup>46</sup>

With the case progressing in the pre-*Knorre-Bremse* era, Seagate chose to rely on the advice of counsel defense to the patentee’s claim of willful infringement. Seagate produced the noninfringement opinions from its opinion counsel, and depositions of Seagate’s decision-makers and opinion counsel were taken. The patentee thereafter moved to compel discovery of all communications and work product of Seagate’s other counsel, including trial counsel. In May 2004, a magistrate judge agreed with the patentee that Seagate’s waiver extended to communications with trial counsel.<sup>47</sup> Seagate filed objections with the district court, which were denied by the district court in July 2006. After Seagate unsuccessfully requested that the district court certify its discovery orders for interlocutory appeal under 28 U.S.C. § 1292(b), Seagate filed a petition for a writ of mandamus with the Federal Circuit on September 29, 2006. On the same day, the Federal Circuit stayed the district court’s discovery orders while it considered the merits of Seagate’s petition.

On January 26, 2007, the Federal Circuit issued an order *sua sponte* to hear Seagate’s petition *en banc*.<sup>48</sup> As part of that order, the court asked the parties to address the following three questions:

1. Should a party’s assertion of the advice of counsel defense to willful infringement extend waiver of the attorney-client privilege to communications with that party’s trial counsel? *See In re EchoStar Commc’n Corp.*, 448 F.3d 1294 (Fed. Cir. 2006).
2. What is the effect of any such waiver on work-product immunity?
3. Given the impact of the statutory duty of due care standard announced in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), on the issue of waiver of attorney-client privilege, should this court reconsider the decision in *Underwater Devices* and the duty of care standard itself?

The parties thereafter briefed the three issues, and the Federal Circuit heard oral argument on June 7, 2007. On August 20, 2007, the court handed down its unanimous ruling.

## A. The Federal Circuit's *Seagate* Decision

### 1. A New Standard for Proving Willful Infringement

The court first addressed the question concerning the duty of due care standard. The court noted that the term “willful” is not unique to patent law but has a well-established meaning in the civil context.<sup>49</sup> Citing to decisions in the copyright infringement realm, the court pointed out that a finding of willful copyright infringement requires reckless behavior.<sup>50</sup> The court also relied on a recent Supreme Court case addressing willful violations of the Fair Credit Reporting Act, where the Court held that the “standard civil usage” of “willful” required “reckless behavior.”<sup>51</sup>

The duty of due care standard, in contrast, did not require such reckless behavior. Rather, it “sets a lower threshold for willful infringement that is more akin to negligence. This standard fails to comport with the general understanding of willfulness in the civil context.”<sup>52</sup> Therefore, the court concluded that the current duty of due care standard would allow for punitive damages to be assessed for merely negligent acts, in a manner inconsistent with Supreme Court precedent:

Accordingly, we overrule the standard set out in *Underwater Devices* and hold that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness. Because we abandon the duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.<sup>53</sup>

The court also set forth a new, two-part test for determining whether willful infringement had occurred. First, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.<sup>54</sup> Of particular note, “the state of mind of the accused infringer is not relevant to this objective inquiry.”<sup>55</sup>

Second, if the threshold objective standard is met, the patentee also must demonstrate that this objectively defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.<sup>56</sup> In other words, not only must the patentee show that the defendant was objectively reckless in its conduct, it must also show that the defendant either knew it was acting recklessly or clearly should have known its actions were reckless.

### 2. Waiver Does Not Extend to Communications with Trial Counsel

Turning to the question of the scope of any associated waiver of the attorney-client privilege, the court found persuasive *Seagate*'s argument that opinion counsel and trial counsel perform significantly different functions:

Whereas opinion counsel serves to provide an objective assessment for making informed business decisions, trial counsel focuses on litigation strategy and evaluates the most successful manner of presenting a case to a judicial decision maker. And trial counsel is engaged in an adversarial process. . . . Therefore, fairness counsels against disclosing trial counsel's communications on an entire subject matter in response to an accused infringer's reliance on opinion counsel's opinion to refute a willfulness allegation.<sup>57</sup>

The court also reaffirmed the importance of maintaining the confidentiality of trial counsel's thought process, stating that the “demands of our adversarial system of justice will far outweigh any benefits of extending waiver to trial counsel.”<sup>58</sup> The court thus held, as general proposition, that “asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel.”<sup>59</sup>

### 3. Waiver Does Not Extend to Trial Counsel's Work Product

For similar reasons, the court held that “relying on opinion counsel's work product does not waive work-product immunity with respect to trial counsel.”<sup>60</sup> While the court distinguished between “tangible work product,” which is addressed in Fed. R. Civ. P. 26(b)(3),<sup>61</sup> and “non-tangible work product,” wherein courts continue to apply the Supreme Court's *Hickman v. Taylor* decision, its decision was the same for both. The court noted that the distinction was relevant because the patentee in the *Seagate* case sought to depose *Seagate*'s trial counsel: “[W]e agree that work product protection remains available to ‘nontangible’ work product under *Hickman*. Otherwise, attorneys' files would be protected from discovery, but attorneys themselves would have no work product objection to depositions.”<sup>62</sup>

The court thus granted *Seagate*'s petition and remanded to the district court in order to reconsider its discovery orders in light of its opinion.<sup>63</sup>

## IV. The Federal Circuit's Holdings Were Correct

The Federal Circuit's decision was welcome and needed. With respect to the standard for proving willfulness, Judge Dyk pointed out in his concurring and dissenting opinion in *Knorr-Bremse* that the duty of due care standard neither conformed to other areas of the law that defined “willful” behavior<sup>64</sup> nor was it of any recent benefit to the patent system.<sup>65</sup> The court's new “objectively reckless” standard brings this area of the patent law in line with Supreme Court precedent and places the burden of proving willful infringement back on the patentee. As

to the first point, as the court stated, the Supreme Court defines willful conduct in the context of its “standard civil usage,” i.e., reckless behavior and/or reckless disregard of the law. Second, since the *Underwater Devices* decision, a *de facto* requirement that a defendant obtain an opinion of counsel once it had notice of a patent effectively turned the *patentee’s burden* of proving willful infringement into a *presumption* of willfulness that required rebuttal by defendants. By restoring the burden to prove willful infringement on the patentee and clarifying that there is “no affirmative obligation” to obtain an opinion of counsel, the court’s decision brings the focus in patent cases back to the underlying merits—infringement and validity—as opposed to the willfulness/attorney-client privilege waiver sideshow into which too many cases devolve. Further, the decision motivates organizations involved in research and development to more freely explore technological advances, with the resulting benefit being increased innovation and product development.

As to the scope-of-waiver issues, the court balanced the patentee’s need for trial counsel’s communications with the defendant’s right to full and frank advice from its attorneys and correctly concluded the latter far outweighed the former. Prior to the *Seagate* decision, the uncertainty surrounding the scope of the waiver left accused infringers with a Hobson’s choice between relying on the advice of counsel defense to a charge of willful infringement and losing the right to communicate openly with trial counsel. In many cases where the district court extended waiver to trial counsel, the defendant’s litigation strategy was exposed to its adversary. In such cases, merely alleging willfulness would have ensured the patentee access to strategic communications between trial counsel and its client with respect to the ultimate issues in the case: infringement, invalidity, and unenforceability. This turned the question of *willfulness* of the infringement, rather than infringement itself, into the paramount issue in the case—a consequence the law never intended. *Seagate* eliminates this dilemma and recognizes the different roles played by opinion counsel and trial counsel in a patent case. The court’s decision further instills confidence in the patent bar by confirming the sanctity and vital importance of the attorney-client privilege and the work-product immunity doctrine.

## V. Questions Not Answered by the *Seagate* Decision

*Seagate* provides broad rules of law but leaves it to future cases to develop the application of the new willfulness standard.<sup>66</sup> Provided below is a brief overview of two questions that will undoubtedly arise in the wake of the decision.

### A. Are Opinions of Counsel a Thing of the Past?

The short answer is “no.” While the new willfulness standard undoubtedly makes it harder to prove willful infringement, until the courts sort out exactly what type

of conduct is “objectively reckless,” it will still be prudent, at least in certain situations, to obtain opinions of counsel.

For example, contrast the situation where a patentee sends a letter that explains in detail why the patentee believes the target company needs a license, identifying specific products and including claim charts and other analysis, with one where the patentee merely sends a letter enclosing the patent with no in-depth analysis. In the former, the courts may well determine that it would be objectively reckless to ignore the patent in question. On the other hand, the patentee in the second instance should not expect to prove the target company was objectively reckless in a later litigation merely for choosing to forgo the expense associated with obtaining an opinion of counsel. A “wait and see” approach in the latter case may well be a reasonable one.

Another factor in determining whether to obtain an opinion is when the accused infringer first learned of the patent in question. Certainly, the court made it clear that there is no need to obtain an opinion if the defendant first learned of the patent upon being sued.<sup>67</sup> The court noted that in ordinary circumstances, willfulness will depend on an infringer’s pre-litigation conduct; a willfulness claim asserted in the original complaint “must necessarily be grounded exclusively in the accused infringer’s pre-filing conduct.”<sup>68</sup> A defendant who first learned of the patent upon being sued could not have engaged in pre-suit willful infringement by definition.<sup>69</sup> Thus, opinions obtained after litigation commenced “will likely be of little significance.”<sup>70</sup>

Ultimately, we may well see the law develop to the point where opinions of counsel are simply not relevant in determining the issue of willful infringement. After all, the point of opinions of counsel is to “provide an objective assessment for making informed business decisions,”<sup>71</sup> not to protect a company from a finding of willful infringement. These business decisions typically include deciding whether a company should introduce a new product to the marketplace or enter a new market altogether. The real value provided by opinions of counsel is in analyzing the risks associated with the making of such decisions vis-à-vis the patent rights of others; indeed, most prudent and conscientious companies obtain opinions for this very purpose. These companies should be allowed to rely on such standard business practices to demonstrate their lack of objective recklessness in any future patent litigation without requiring them to waive the attorney-client privilege as to specific communications regarding specific patents. Conversely, companies that have a “shoot first, ask questions later” attitude should not be heard to complain if their actions are later found to be objectively reckless.

Ultimately, eliminating the use of opinions of counsel in patent litigation would be a welcome development. It would simplify the case for both the parties and the court by removing the often complex issues associated with de-

termining the scope of any waiver. It would also reduce the amount of discovery that would take place. The net result would be a decrease in the cost of patent litigation for everyone involved.

## B. Can Opinion Counsel Also Be Trial Counsel?

The *Seagate* decision does not answer this question. As explained above in *Seagate*, opinion counsel and trial counsel were separate and distinct.<sup>72</sup> This remains the preferred course, as courts prior to *Seagate*, faced with facts showing that trial counsel and opinion counsel were the same, have held that the waiver extends to all communications the client had with that counsel concerning the subject matter of the opinions, regardless of whether they were in the context of discussing the litigation.<sup>73</sup>

There are other concerns associated with having opinion counsel also act as trial counsel. In most cases where the client asserts the advice-of-counsel defense at trial, the attorney who prepared the opinions will be a witness in the case. But ethical rules governing the conduct of attorneys, such as The Model Rules of Professional Conduct, prevent an attorney from acting as both an advocate and a witness in a case.<sup>74</sup> This results in the likelihood that the attorney will be disqualified from representing the client in the litigation. Accordingly, the wiser choice for a company is to retain separate opinion counsel and trial counsel.<sup>75</sup>

## VI. The *Seagate* Decision: The Early Returns Are In

Since the August 20, 2007 decision in *Seagate*, several district courts have had the opportunity to consider the new willfulness standard, and a sampling of the early results demonstrates that the courts recognize the new standard makes willfulness much more difficult to prove.

In *Lucent Tech. Inc. v. Gateway, Inc.*, Judge Marilyn Huff in the Southern District of California granted the defendants summary judgment of no willfulness. The court noted that “close questions” of invalidity (including evidence that the PTO granted a request to reexamine the patent in suit), as well as the fact that the case involved complex technology with competing expert analyses, precluded any reasonable possibility that the patentee would be able to show the defendants’ conduct was objectively reckless by clear and convincing evidence.<sup>76</sup>

Similarly, in *Franklin Electric v. Dover Corp.*,<sup>77</sup> Judge John Shabaz granted the defendant summary judgment of no willfulness, based on his earlier grant of a summary judgment motion of noninfringement, even though the Federal Circuit overturned that ruling on appeal. According to the court, “given the substantial support in the language of the patent, the specification and prosecution history for defendants’ non-infringement contention, plaintiff cannot meet its burden to prove objective recklessness. . . .”<sup>78</sup>

In *Broadcom Corp. v. Qualcomm Inc.*,<sup>79</sup> Judge James Selna granted Qualcomm a new trial on the issue of willfulness based on a jury instruction “drawn from a now-discredited line of authority.”<sup>80</sup> The Court also provisionally ordered a new trial on the question of infringement because “where trial of an issue such as willfulness is necessarily bound up with the basic liability determination, a new trial on all issues should be granted.”<sup>81</sup>

In *TGIP, Inc. v. AT&T Corp.*,<sup>82</sup> Judge Ron Clark granted AT&T’s motion for judgment as a matter of law on the issue of willfulness following an adverse jury verdict. This case was particularly significant because the jury was instructed on the new willfulness standard set forth in *Seagate*. As Judge Clark found, “[e]ven though AT&T did not prove its invalidity defense by clear and convincing evidence, its position was hardly objectively unreasonable. . . . Even if the jury’s finding of infringement is ultimately upheld, it was, at best, a very close question.”<sup>83</sup>

A similar result obtained in *Trading Tech. Int’l, Inc. v. eSpeed, Inc.*<sup>84</sup> There, Judge James Moran granted the defendants’ motion for judgment as a matter of law that it did not willfully infringe plaintiff’s patent, even though the jury so held. As in *AT&T*, the jury was instructed based on the new *Seagate* willfulness standard. The district court found that “validity of plaintiff’s patents has been hotly contested in this litigation . . . . [T]hose defenses were neither unreasonable nor frivolous.”<sup>85</sup>

These cases demonstrate that district courts, not juries, are more readily able to distinguish between when a defendant’s conduct resulted in a violation of a “duty of due care” versus conduct that is “objectively reckless.” These cases also show that district courts will not be reluctant to grant motions for summary judgment on the issue of willfulness, thereby reducing the complexity and cost of the case going forward. Accordingly, defendants in patent cases going forward should give serious consideration to filing a motion for summary judgment on the question of willfulness before the issue reaches a jury.

## Conclusion

The *Seagate* decision truly represents a “sea change” in the law governing patent litigation. The Federal Circuit’s holdings were welcome, as they reconciled the standards for proving willful patent infringement to other areas of the law and upheld the importance of the attorney-client privilege and work-product immunity in patent cases.

## Endnotes

1. 497 F.3d 1360 (Fed. Cir. Aug. 20, 2007) (*en banc*), *cert. denied*, \_\_\_ U.S. \_\_\_ (Feb. 25, 2008).
2. *Seagate*, 497 F.3d at 1368; *see also Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1523 (Fed. Cir. 1995), *rev’d on other grounds*, 520 U.S. 17 (1997) (“Accidental or ‘innocent’ infringement is still infringement.”).



3. *Seagate*, 497 F.3d at 1368.
4. See *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996) (holding that bad-faith infringement is a type of willful infringement); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 479, 508 (1961) (willful or bad faith infringement); *Seymour v. McCormick*, 57 U.S. 480, 489 (1853) (“wanton or malicious” injury).
5. The current version of section 284 provides in relevant part that “the court may increase the damages up to three times the amount found or assessed.” The courts have had such discretion since 1836. Patent Act of 1836, ch. 357, 5 Stat. 117 (1836) (“it shall be in the power of the court to render judgment for any sum above the amount found by such verdict . . . not exceeding three times the amount thereof, according to the circumstances of the case”).
6. See *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991); but see Judge Gajarsa’s concurring opinion in *Seagate*, advocating the elimination of “the grafting of willfulness onto section 284.” *Seagate*, 497 F.3d at 1377 (Gajarsa, J., concurring). In Judge Gajarsa’s view, enhanced damages should not be limited to instances of willfulness but left to the discretion of the trial judge based on the circumstances of each case. *Id.*
7. See *Knorr-Bremse Systeme Fuer Nutzfahreuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (*en banc*), citing Advisory Committee on Industrial Innovation, Final Report, Dep’t of Commerce (Sept. 1979).
8. U.S. Constitution, art. I, sec. 8.
9. See, e.g., *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1575 (Fed. Cir. 1988) (the courts’ historical refusal to grant injunctions to individual patentees resulted “in a lowered respect for the rights of such patentees and a failure to recognize the innovation-encouraging social purpose of the patent system. . . . That ‘survival of the fittest’ jungle mentality was intended to be replaced, not served, by the law”).
10. The court was enacted as part of the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25. See *South Corp. v. United States*, 690 F.2d 1368, 1371 (Fed. Cir. 1982).
11. See, e.g., *Manildra Milling Corp. v. Ogilvie Mills*, 76 F.3d 1178, 1181 (Fed. Cir. 1996).
12. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983).
13. *Id.* at 1385.
14. *Id.*
15. *Id.* at 1390.
16. *Id.* at 1389.
17. *Seagate*, 497 F.3d at 1385 (Newman, J. concurring).
18. *Underwater Devices*, 717 F.2d at 1390 (emphasis in original).
19. *Seagate*, 497 F.3d at 1369.
20. In *Seagate*, the Federal Circuit acknowledged this *de facto* requirement stemming from the *Underwater Devices* decision: “[A]lthough an infringer’s reliance on favorable advice of counsel, or conversely his failure to proffer any favorable advice, is not dispositive of the willfulness inquiry, it is crucial to the analysis.” *Seagate*, 497 F.3d at 1369 (emphasis added).
21. *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986). See also *Electro Medical Sys., S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1057 (Fed. Cir. 1994) (the district court was free to draw an adverse inference).
22. *Seagate*, 497 F.3d at 1369 (“in light of the duty of due care, accused willful infringers commonly assert an advice of counsel of defense”).
23. *United States v. Philip Morris, Inc.*, 314 F.3d 612, 618 (D.C. Cir. 2003), quoting *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981).
24. See, e.g., *In re Lott*, 424 F.3d 446, 453 (6th Cir. 2005) (“Courts must impose a waiver no broader than needed to ensure the fairness of the proceedings before it. A broad waiver would no doubt inhibit the kind of frank attorney-client communications and vigorous investigation of all possible defenses that the attorney-client and work product privileges are designed to promote”); *Bittaker v. Woodford*, 331 F.3d 715, 720 (9th Cir.) (*en banc*), cert. denied, 540 U.S. 1013 (2003) (“Courts, including ours, that have imposed waivers under the fairness principle have therefore closely tailored the scope of the waiver to the needs of the opposing party in litigating the claim in question.”). As the Sixth Circuit recognized in *Lott*, a narrow interpretation of the waiver is required, because “if we eat away at the privilege by expanding the fiction of waiver, pretty soon there will be little left of the privilege.” 424 F.3d at 446.
25. *Quantum Corp. v. Plus Development Corp.*, 940 F.2d 642, 643 (Fed. Cir. 1991).
26. See *id.* at 643-44 (an accused infringer “should not, without the trial court’s careful consideration, be forced to choose between waiving the privilege in order to protect itself from a willfulness finding, in which case it may risk prejudicing itself on the question of liability, and maintaining the privilege, in which case it may risk being found to be a willful infringer if liability is found”).
27. *Johns Hopkins Univ. v. CellPro*, 160 F.R.D. 30, 34 (D. Del. 1995).
28. *Id.* at 35-36 (“[Defendant] is correct that moving forward with discovery will subject it to the harm of having to disclose the advice of counsel before it has been found liable to the plaintiffs. That is the natural consequence of the Federal Circuit’s decisions that suggest an alleged infringer must respond to a claim of willful infringement by disclosing the advice of counsel or face a negative inference for invoking the attorney-client privilege.”).
29. See *Johns Hopkins Univ. v. CellPro*, 978 F. Supp. 184, 193 (D. Del. 1997), *aff’d in part, rev’d in part*, 152 F.3d 1342 (Fed. Cir. 1998) (the opinions in question “were so obviously deficient, one might expect a juror to conclude the only value they had to [Defendant] in the world outside the courtroom would have been to file them in a drawer until they could be used in a cynical effort to try to confuse or mislead what [Defendant], its Board, and counsel must have expected would be an unsophisticated jury”); *Scott Paper Co. v. Moore Business Forms, Inc.*, 594 F. Supp. 1051, 1085 (D. Del. 1984) (“the opinions of counsel were nothing more than window dressing”); *Knorre-Bremse*, 383 F.3d at 1351 (Dyk, J. concurring-in-part and dissenting-in-part: “[the duty of due care standard has resulted in] a cottage industry of window-dressing legal opinions by third party counsel designed to protect the real decision-making process between litigating counsel and the company’s executives”).
30. *Seagate*, 497 F.3d at 1385 (Newman, J. concurring).
31. To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy, A Report by the FTC, at Ch. IV, p. 29 (Oct. 2003).
32. *Id.* at Ch. V, p. 49.
33. *Knorre-Bremse*, 383 F.3d at 1343, citing Advisory Committee on Industrial Innovation, Final Report, Dep’t of Commerce (Sept. 1979).
34. *Id.*
35. *Id.* at 1344-45.
36. *Id.* at 1345-46.
37. *Underwater Devices*, 717 F.2d at 1390.
38. “The voluntary waiver by a client, without limitation, of one or more privileged documents passing between a certain attorney and the client discussing a certain subject waives the privilege as to all communications between the same attorney and the same client on the same subject.” *Hercules Inc. v. Exxon Corp.*, 434 F. Supp. 136, 156 (D. Del. 1977) (emphasis added); see also *Duplan Corp. v. Deering Milliken Research Corp.*, 397 F. Supp. 1146, 1161 (D.S.C. 1974).
39. See *Seagate*, 497 F.3d at 1372-73 (collecting cases).
40. *In re EchoStar Commc’ns Corp.*, 448 F.3d 1294 (Fed. Cir. 2006).

41. *Id.* at 1299 (“when [Defendant] chose to rely on the advice of in-house counsel, it waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter”).
42. *Id.* (quoting *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005)).
43. See *Informatica Corp. v. Business Objects Data Integration, Inc.*, 454 F. Supp. 2d 957, 959, *aff’d* 2006 U.S. Dist. LEXIS 58976 (N.D. Cal. Aug. 9, 2006); *Iridex Corp. v. Synergetics, Inc.*, 2007 U.S. Dist. LEXIS 7747, \*2-3 (E.D. Mo. Feb. 2, 2007).
44. “An uncertain privilege, or one which purports to be certain but results in widely varying applications by the courts, is little better than no privilege at all.” *Upjohn*, 449 U.S. at 393.
45. Seagate is one of the world’s leaders in the development and marketing of computer disc drives. See [www.seagate.com](http://www.seagate.com).
46. *Seagate*, 497 F.3d at 1366 (“there is no dispute that Seagate’s opinion counsel operated separately and independently of trial counsel at all times”).
47. See *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98 (S.D.N.Y. 2004).
48. *In re Seagate Tech., LLC*, 214 Fed. Appx. 997 (Fed. Cir. 2007).
49. *Seagate*, 497 F.3d at 1370.
50. *Id.* (citing, *inter alia*, *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 112 (2d Cir. 2001)).
51. *Seagate*, 497 F.3d at 1370 (citing *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. \_\_\_, 127 S. Ct. 2201 (2007)).
52. *Seagate*, 497 F.3d at 1371 (citing *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 132-33 (1988)).
53. *Id.*
54. *Id.*
55. *Id.*
56. *Id.*
57. *Id.* at 1373. The court cited to its *Crystal Semiconductor Corp. v. TriTech Microelectronics Int’l, Inc.* opinion where it previously recognized that “defenses prepared [by litigation counsel] for a trial are not equivalent to the competent legal opinion of non-infringement or invalidity which qualify as ‘due care’ before undertaking any potentially infringing activity.” 246 F.3d 1336, 1352 (Fed. Cir. 2001).
58. *Seagate*, 497 F.3d at 1373 (citing, *inter alia*, *Hickman v. Taylor*, 329 U.S. 495 (1947); and *Jaffee v. Redmond*, 518 U.S. 1 (1996)).
59. *Seagate*, 497 F.3d at 1374. The court qualified this holding by noting that trial courts could, in unique situations, extend waiver to trial counsel, such as if a party or counsel engages in “chicanery.” *Id.* at 1375.
60. *Id.* at 1376. The court again qualified this holding, should a trial court determine that the defendant or its counsel engaged in chicanery.
61. Fed. R. Civ. P. 26(b)(3) provides in pertinent part:
 

[A] party may obtain discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and prepared in anticipation of litigation or for trial by or for another party or by or for that other party’s representative (including the other party’s attorney, consultant, surety, indemnitor, insurer, or agent) only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party’s case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means. In ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.
62. *Seagate*, 497 F.3d at 1376.
63. *Id.*
64. *Knorre-Bremse*, 383 F.3d at 1348-49 (Dyk, J. concurring-in-part, dissenting-in-part).
65. *Id.* at 1351-52.
66. *Seagate*, 497 F.3d at 1371.
67. *Id.* at 1374.
68. *Id.*
69. *Id.*
70. *Id.* The court noted that a patentee who wishes to prove a defendant’s post-filing conduct is reckless should ordinarily move for a preliminary injunction. If the patentee is unsuccessful, “it is likely the infringement did not rise to the level of recklessness. . . . A substantial question about invalidity or infringement is likely sufficient not only to avoid a preliminary injunction, but also a charge of willfulness based on post-filing conduct.” *Id.*
71. *Id.* at 1373.
72. *Id.* at 1366.
73. See, e.g., *Akeva L.L.C. v. Mizuna Corp.*, 243 F. Supp. 2d 418, 419-20 (M.D.N.C. 2003).
74. See Model Rules of Professional Conduct, Rule 3.7(a): “A lawyer shall not act as advocate at a trial in which the lawyer is likely to be a necessary witness unless: (1) the testimony relates to an uncontested issue; (2) the testimony relates to the nature and value of legal services rendered in the case; or (3) disqualification of the lawyer would work substantial hardship on the client.”
75. This does not necessarily mean different law firms. Many companies use a single law firm for opinion work and trial work, but use different attorneys for each role. This is expressly permitted under the Model Rules of Professional Conduct. See Rule 3.7(b).
76. The case is *Lucent Tech. Inc. v. Gateway, Inc.*, Case No. 07-cv-2000H (S.D. Cal.) (Judge Huff) (Oct. 30, 2007 Order).
77. 2007 U.S. Dist. Ct. LEXIS 84588 (W.D. Wisc. Nov. 15, 2007).
78. *Id.* at \*23.
79. 2007 U.S. Dist. Ct. LEXIS 86627 (C.D. Cal. Nov. 21, 2007).
80. *Id.* at \*7.
81. *Id.* at \*17.
82. 2007 U.S. Dist. Ct. LEXIS 79919 (E.D. Tex. Oct. 29, 2007).
83. 2007 U.S. Dist. LEXIS 79919 at \*37.
84. 2008 U.S. Dist. Ct. LEXIS 295 (N.D. Ill. Jan. 3, 2008).
85. 2008 U.S. Dist. LEXIS 295 at \*7-8.

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# The Death of Celebrity Art: Why the Right of Publicity Should Not Survive Death

By Christopher Serbagi and David Marcus

## I. Introduction

“I knew I belonged to the public and to the world, not because I was talented or even beautiful, but because I had never belonged to anything or anyone else.”

– Marilyn Monroe

We represent the family of the late Sam Shaw, one of the great photographers of Marilyn Monroe. Sam Shaw was a great artist and a close friend of Monroe, who gave him virtually unprecedented access to her during some of her most intimate moments. He took many of the most iconic photographs of Monroe, including many of the flying skirt over the New York subway grating images, as well as thousands of others. This article addresses the ongoing litigation against Marilyn Monroe LLC and CMG Worldwide, Inc. in addition to the radical changes to post-mortem right of publicity legislation it has spawned—legislation that, in our view, significantly stifles artistic creativity, chills First Amendment rights, and makes a few undeserving beneficiaries vastly more rich.

A right of publicity protects the use of an individual’s name, likeness, image, and, in some states, other manifestations of an individual’s persona. As the quote above indicates, Marilyn Monroe understood that, as is true of many celebrities, a large part of what she became was the product of the photographers, publicists, movie producers, stylists, and others who contributed to the creation of her image. She and other celebrities are themselves largely the creation of society. Many celebrities understand this and appreciate that many of the benefits they reap do not flow solely from their own efforts. This is why those who advocate most vociferously for a post-mortem right of publicity are often not the celebrities themselves but family members and beneficiaries of celebrity estates who seek millions in licensing revenues from fame they did nothing to engender.

The law generally disfavors the grant of exclusive rights. Exceptions exist, however, where the grant of such rights results in substantial social benefits. As distinct from all other forms of intellectual property law, however, a right of publicity that survives death is a significant impediment to artistic creation, cultural diversity, and free expression. It takes but gives nothing in return. It promotes censorship, stifles creativity, and, without any justifiable societal purpose, enriches a few celebrity beneficiaries. It violates all precepts of intellectual property law because it provides a state-sponsored monopoly on an extremely valuable property right to those who contributed nothing to society in return. It obliterates the

value of existing copyrights in photographs of deceased celebrities and the ability of those who did create something to obtain fair market value in return for their artistic contributions. In short, post-mortem right of publicity legislation takes from those who have created and would create and provides a property right of astronomical value to a small number of relatives, spouses, and beneficiaries who in many instances did not even know the celebrity in question. It is bad public policy because it benefits a handful of persons but negatively impacts society as a whole.

New York currently does not recognize a post-mortem (transferable, descendible) right of publicity—one that survives the death of the celebrity. However, the New York legislature is not only considering amending the current Civil Rights Law to recognize a post-mortem right of publicity, but it is actually considering reaching back seventy years and vesting a post-mortem right of publicity retroactively in those who died without owning such a right. That New York is even considering this amendment is the result of the efforts of Anna Strasberg—the principal beneficiary and administratrix of the Monroe estate—and a few of her celebrity friends, who have convinced some legislators that action is necessary to “protect” the image of Marilyn Monroe and other dead celebrities. We do not believe the legislation is really intended to “protect” any image; instead, in our view, the representatives of dead celebrities who are advocating the amendment are concerned solely with continuing to reap tens of millions of dollars in licensing revenue. It is an extraordinary power play designed to reinvigorate a right of publicity in Marilyn Monroe that two federal judges have ruled never existed.

Anna Strasberg inherited seventy-five percent of what constituted the estate of Marilyn Monroe from her late husband, Lee Strasberg of the Strasberg Actor’s Studio. For years, Anna Strasberg and her licensing agent CMG Worldwide, Inc. (CMG) have demanded licensing fees for the use of images of Marilyn Monroe in connection with commercial products. In March 2005, Marilyn Monroe LLC (“MMLLC”), a company founded by Anna Strasberg to hold Monroe’s property, and CMG sued the Shaw family in Indiana for using an image of Marilyn Monroe in a documentary. MMLLC and CMG also sued the descendants of a number of California photographers,

including Milton Greene and Tom Kelley, also in Indiana. The case against Greene and Kelley was transferred to California federal court, and the case against the Shaw family was transferred to New York federal court. In May 2007, Judge Colleen McMahon of the Southern District of New York and Judge Margaret M. Morrow of the Central District of California sided with the Shaw family, Greene, and Kelley against CMG and MMLLC. Both judges rejected the claim that the photographers violated Monroe's right of publicity by selling images of Marilyn Monroe without the consent of MMLLC. The courts held that when Monroe died, in 1962, neither New York nor California (the only states where Monroe could have been domiciled when she died) recognized a post-mortem right of publicity.<sup>1</sup> Thus, the courts held that Monroe had no right of publicity to pass to her heirs or beneficiaries through the residuary clause of her will. Not surprisingly, that was not the end of the story.

The ink was barely dry on the California and New York decisions when Anna Strasberg set out to change the right of publicity law in New York and California. Strasberg succeeded in California, where she and her agents played an instrumental role in convincing the California Legislature to pass SB 771 (effective January 1, 2008), which provides that a right of publicity is "deemed to have existed" in any deceased personality who died prior to January 1, 1985. SB 771 specifically provides that it is the intent of the California legislature to "abrogate" the prior federal court decisions in the Marilyn Monroe case. The California legislation is extremely broad and expressly retroactive in that it exposes parties to liability for conduct that was legal when it occurred, which raises obvious constitutional issues. The Shaw family's request that the court declare SB 771 to be facially unconstitutional on, *inter alia*, due process grounds currently is pending before Judge McMahon in New York. In particular, the Shaw family argues that the California statute is unconstitutionally retroactive because it attaches new legal consequences to events completed before its enactment and deprives private persons of vested property rights.<sup>2</sup> The ultimate result of this litigation, which may well end up in the hands of the New York Legislature, will have a profound impact on right of publicity law in general and retroactive legislation in particular.

Strasberg also has convinced the New York legislature to consider amending New York Civil Rights Law §§ 50, 51 in a manner that would provide a right of publicity in deceased personalities who died seventy years prior to January 1, 2008, e.g., Marilyn Monroe. Strasberg and her agents attempted to rush the amendment through the New York legislature during the last session, less than one month after MMLLC lost before Judge McMahon. But constitutional concerns and numerous objections to the proposed amendment rightly gave the New York legislature pause, and it did not pass the proposed amendment on the rush basis sought by Strasberg. The

legislature likely will reconsider the amendment in some form during the current session.

The proposed New York legislation is bad for art, bad for First Amendment protection, and bad for New York. But in order to help evaluate whether a post-mortem right of publicity should exist, we will begin by examining the origins of and justifications for a right of publicity. We then discuss the rulings in favor of the Marilyn Monroe photographers in California and New York as well as the retroactive legislation and proposed legislation it spawned. Finally, against this background, we will consider the impact on art and artistic expression that a post-mortem right of publicity would have.

## II. Origins of New York's Right of Publicity Law

Professor McCarthy defines the right of publicity as "the inherent right of every human being to control the commercial use of his or her identity."<sup>3</sup> The right of publicity is a state law-created intellectual property right, the invasion of which is considered a tort under the law of unfair competition.<sup>4</sup> Every human being has a right of publicity.<sup>5</sup> It generally is not limited to celebrities.<sup>6</sup> The standard story, as McCarthy tells it, is that the right of publicity was "carved out of the general right of privacy"—"like Eve from Adam's rib."<sup>7</sup> But we agree with Professor Michael Madow, who says that "publicity was created not so much from the right of privacy as from frustration with it."<sup>8</sup>

Numerous law review articles and cases have influenced the creation of the right of publicity. In 1890, Samuel D. Warren and Louis D. Brandeis published a seminal work in the *Harvard Law Review* entitled "The Right to Privacy."<sup>9</sup> The authors cited principles of natural law for their argument that a private cause of action should lie for the publication of truthful but embarrassing facts about one's life.<sup>10</sup> But the concerns of Warren and Brandeis went well beyond newspaper gossip—they were concerned about famous people being able to control the commercial use of their photographs.<sup>11</sup>

Legislative initiatives often result from judicial decisions. In *Roberson v. Rochester Folding Box Co.*<sup>12</sup> the New York Court of Appeals held that the plaintiff, whose image was used without permission to sell flour, could not recover for a violation of her right of privacy because such a right did not exist.<sup>13</sup> In reaction to the *Roberson* decision, the New York legislature enacted New York's right of privacy statute in 1903.<sup>14</sup> While this statute was designed to overturn the decision in *Roberson*, it was not designed to incorporate the broader privacy concepts espoused by Brandeis and Warren.<sup>15</sup> The statute provided recovery only for appropriation for "commercial use type of invasion of privacy."<sup>16</sup>

Courts and commentators had difficulty with the prospect of using right of privacy law to protect celebrities, who actively sought acclaim, as opposed to the

typical right-of-privacy plaintiff, who just wished to be left alone.<sup>17</sup> Judge Jerome Frank addressed this apparent incongruity by coining the term “right of publicity” in a 1953 Second Circuit decision, *Haelan Labs., Inc. v. Topps Chewing Gum, Inc.*<sup>18</sup> *Haelan Labs.* addressed the issues of whether a baseball player could assign to a baseball card manufacturer the right to produce a card bearing his image.<sup>19</sup> The Second Circuit held that the player’s right to his image was assignable and was not just a personal interest, as is the case with a right of privacy.<sup>20</sup> The court asserted that unless celebrities were able to grant a licensee protection against third parties, their photographs would “usually yield them no money.”<sup>21</sup> However, the court provided no rationale for the new property right, except that celebrities would be denied image revenues and thus “feel sorely deprived.”<sup>22</sup> The court did not consider, much less weigh, the countervailing costs of recognizing a right of publicity.<sup>23</sup>

Immediately following the *Haelan Labs.* decision, Professor Melville B. Nimmer wrote a seminal article on the nascent right of publicity.<sup>24</sup> Nimmer argued that since the right of privacy focused on protecting one’s feelings, it was insufficient to protect the commercial value of one’s identity.<sup>25</sup> He also argued that this new right of publicity should be assignable.<sup>26</sup> Although Nimmer made cursory references to “community needs,” it was what he identified as “the needs of Broadway and Hollywood” that appeared to concern him.<sup>27</sup> As Professor Madow has noted aptly, “Nimmer’s article can perhaps best be read as a high-class form of special-interest pleading for the star image industry.”<sup>28</sup>

Several years later, in 1960, Professor William Prosser wrote an article that divided privacy law into four distinctive torts: (i) intrusion; (ii) disclosure; (iii) false light; and (iv) appropriation.<sup>29</sup> In 1977, the Second Restatement of torts adopted these four torts.<sup>30</sup>

Until the late 1970s, New York Courts appeared to recognize a common-law right of publicity as well as the statutory right of privacy.<sup>31</sup> This changed in 1984 with the Court of Appeals’ decision in *Stephano v. News Group Publications, Inc.*<sup>32</sup> In *Stephano*, a male model sued over the unauthorized use of a photograph of him modeling a bomber jacket in a magazine article.<sup>33</sup> The Court held that the “right of publicity” in New York is encompassed entirely within Civil Rights Law §§ 50, 51 and that there is no common-law right of publicity.<sup>34</sup> The Court stated that although New York’s right of privacy statute protected the sentiments, thoughts, and feelings of individuals, it was not limited to these types of cases.<sup>35</sup> The Court held that the right of privacy also applied to the unauthorized use of a name, portrait, or picture for commercial purposes.<sup>36</sup>

In one of the seminal decisions on the issue of whether the right of privacy survives death, Babe Ruth’s daughters and heirs sued over the use of Ruth’s image

in a calendar.<sup>37</sup> The Second Circuit held that New York’s right of privacy protection is limited to living people.<sup>38</sup> In *Orbach v. Hilton Hotels Corp.*<sup>39</sup> the court grappled with the issue of what happens when a litigant dies after the action is commenced.<sup>40</sup> The defendant argued that actor Jerry Orbach’s Section 51 claim was extinguished upon his death, and his executrix could not maintain the action.<sup>41</sup> However, the Supreme Court held that because the action had been filed before the actor’s death, his executrix could maintain the action in her place.<sup>42</sup>

### III. Fame Should Not Be a Property Right, Commonly Understood

Celebrity images obviously enhance the commercial value of commodities with which they are associated.<sup>43</sup> First, there is a heavy demand for celebrity news stories, gossip items, docudramas, interviews, and biographies.<sup>44</sup> Second, there is a large and increasingly lucrative market for merchandise (posters, greeting cards, tee shirts, coffee mugs, buttons, dolls, and so on).<sup>45</sup> Third, celebrity advertising enhances the value of a wide array of goods and services.<sup>46</sup> Theoretically, society could choose to assign all these economic benefits in the same direction, either to the celebrity herself or to the public domain.<sup>47</sup> Historically, society has avoided both these extremes, permitting a celebrity to monopolize some, but not all the economic value of her persona.<sup>48</sup> The general rule has been that a celebrity’s name and likeness can be used freely in news reports, novels, plays, film, and biographies.<sup>49</sup> On the other hand, celebrity merchandising and advertising values are privately held.<sup>50</sup> Thus, by what is known as the “right of publicity,” “the commercial value of a celebrity’s name, likeness, and other identifying characteristics is her private property, which she may exploit, transfer, or bequeath.”<sup>51</sup>

Proponents of publicity rights argue that a property right is something that a celebrity “deserves” simply by acquiring fame.<sup>52</sup> For example, Professor McCarthy, the author of the standard treatise on the subject, characterizes the right of publicity as “a self-evident legal right, needing little rationalization to justify its existence.”<sup>53</sup> That celebrities should have exclusive control of the commercial use of their identities, McCarthy says, is “commonsensical.”<sup>54</sup> “[O]ne wonders what all the fuss is about.”<sup>55</sup>

Professor Madow postulates that fame is hardly a test of merit, and many “celebrities” become famous through sheer happenstance, through criminal conduct, or through involvement in public scandal.<sup>56</sup> Thus, if society decides that celebrities are morally entitled to a property right in the commercial value of their identities, it must be on some ground other than their fame itself.<sup>57</sup> Although the most common justification, described by Nimmer in his seminal 1954 article, is that each of us is entitled to the fruits of his labor;<sup>58</sup> we should at least consider that there is a great deal more to celebrity fame than old-fashioned

hard work. Once we appreciate what else is involved in the creation of fame, the labor-based moral justification for a right of publicity loses its luster.<sup>59</sup> For example, as Professor Madow has stated:

[C]elebrities generally do not create commercially marketable images in anything like the way carpenters make chairs. The notion that a star's public image is nothing else than congealed star labor is just the folklore of celebrity, the bedtime story the celebrity industry prefers to tell us and, perhaps, itself.<sup>60</sup>

Madow postulates that fame is a phenomenon conferred largely by others, and while a person can, within limits, make himself stronger or more learned, he cannot in the same sense, make himself famous, any more than he can make himself loved.<sup>61</sup> And celebrity is often provided or withheld, as love is, for reasons other than merit.<sup>62</sup> The reasons one person wins widespread acclaim and another does not may have less to do with individual merit than with the "needs, interests, and purposes of the audience."<sup>63</sup> For example, that Einstein became a celebrity while Bohr and Heisenberg are virtually unrecognized in popular culture has less to do with the quality of their respective accomplishments than with society's "needs and preoccupations."<sup>64</sup> Similarly, unjustifiably wide disparities in fame exist in the entertainment and athletic fields, with similar disparities in income, which often have little to do with merit.<sup>65</sup> We think everyone would agree that the state should not be in the business of magnifying and compounding these disparities, but that is exactly what publicity rights do.<sup>66</sup> They channel additional dollars to the very people who "happen to draw first-prize tickets in the fame lottery."<sup>67</sup> The media obviously plays a huge role in the creation of "unjustified disparities in fame."<sup>68</sup> As Madow puts it:

The mainstream press selected Einstein for celebrity, and it chose him in part because he served the media's own institutional interests: he granted interviews, spoke quotably, had the "right appearance." No doubt the media would have looked elsewhere for a symbol of "scientific genius" had Einstein been dour, taciturn, and unphotogenic.<sup>69</sup>

Take modern film stars: Their images are derived not only from hard work, but largely from what people say or write about them, from the promotion of the star, to interviews, biographies, and press coverage, and the use of that image in advertisements, novels, and songs.<sup>70</sup> And no matter how a celebrity may try to shape her own image, the media and the public pay a very large role in the image-making process.<sup>71</sup>

#### IV. Right of Publicity Laws, Even for Living Persons, Impair Artistic Expression and First Amendment Rights

To fairly evaluate whether the right of publicity should survive death, one must first understand that there are significant societal and cultural costs in recognizing a right of publicity in the first instance. These costs are not commonly understood or appreciated.

The First Amendment insulates a wide range of expression, from written words to spoken expression to works of visual art, fostering the goal of preserving an uninhibited marketplace of ideas and self-expression free of government intrusion.<sup>72</sup> There is a significant tension between the right of publicity and the First Amendment. The goals of the First Amendment are, first, to preserve an uninhibited marketplace of ideas and to foster a robust and wide-open debate on public issues and, second, to promote respect for individual development, self-expression, and individual dignity.<sup>73</sup>

The right of publicity is well positioned to frustrate both of these purposes. Because celebrities take on public meaning, the use of their images may play an important role in debate on public issues, particularly debate concerning culture and values.<sup>74</sup> The creative use of a celebrity image can be an important aspect of individual expression.<sup>75</sup> As Professor Madow has stated:

Entertainment and sports celebrities are the leading players in our Public Drama. We tell tales, both tall and cautionary, about them. We monitor their comings and goings, their missteps and heart-breaks. We copy their mannerisms, their styles, their modes of conversation and of consumption. Whether or not celebrities are "the chief agents of moral change in the United States," they certainly are widely used—far more than are institutionally anchored elites—to symbolize individual aspirations, group identities, and cultural values. Their images are thus important expressive and communicative resources: the peculiar, yet familiar idiom in which we conduct a fair portion of our cultural business and everyday conversation.<sup>76</sup>

As Chief Justice Bird stated in her oft-cited concurrence in *Guglielmi*:

Our courts have often observed that entertainment is entitled to the same constitutional protection as the exposition of ideas. That conclusion rests on two propositions. First, the line between informing and entertaining is too elusive for the protection of the basic right.

Everyone is familiar with instances of propaganda through fiction. What is one man's amusement, teaches another doctrine. Second, entertainment, as a mode of expression, is entitled to constitutional protection irrespective of its contribution to the marketplace of ideas. For expression is an integral part of the development of ideas, of mental exploration and of the affirmation of self.<sup>77</sup>

There are many good reasons to demand a comprehensive justification for publicity rights. One is that government acts that render the rich more rich require a compelling justification.<sup>78</sup> Why should the law bestow yet more wealth on athletes and entertainers who already earn astronomical salaries?<sup>79</sup> Why not treat the face of a famous person "as a common asset to be shared, an economic opportunity available in the free market system"?<sup>80</sup>

In recent times, as David Lange and other writers have observed, the law has moved more and more of our cultural resources out of the public domain and into private hands.<sup>81</sup> In the anti-dilution context, consider the Gay Olympics case, in which the Supreme Court upheld the right of the United States Olympic Committee to prohibit a nonprofit gay rights organization from employing the word "Olympic" in connection with its own athletic competition, even without any likelihood of consumer confusion or deception.<sup>82</sup> The same "centralizing process" has been at play in the right of publicity area.<sup>83</sup>

Celebrity images often are used by individuals and groups in their everyday lives to identify themselves and to create and communicate "meanings of their own making."<sup>84</sup> People make creative use of celebrity images "to construct themselves and their social relations" and to express their individualized experience in the world.<sup>85</sup> It is because celebrities convey this meaning that they so enhance the commercial value of products with which they are associated.<sup>86</sup> When we buy and display cultural commodities such as tee shirts, posters, greeting cards and the like, we "are actively contributing to the social circulation" of meanings about the celebrity.<sup>87</sup> "The choice of which Madonna T-Shirt to buy," as John Fisk has noted, "is a choice about which meanings of Madonna to circulate."<sup>88</sup> It is a "consumption decision in the first instance, yet it is something more."<sup>89</sup>

Right of publicity law exacts a higher cost in free expression and cultural diversity than is commonly recognized.<sup>90</sup> Ardent proponents of publicity rights often frame the question in a manner that can only lead to one answer by asking "Who should benefit from a celebrity's publicity rights—the celebrity who created them or some freeloading stranger?"<sup>91</sup> But the question of who should benefit from Madonna can be phrased differently, by asking: "Who is responsible for creating Madonna? Is it

Madonna herself or is she largely the artistic creation of society at large, including MTV, movie studios, advertising executives, magazine publishers, book publishers, and so on?" Did Madonna's fame derive solely from her own labor or from the collective efforts of the MTV generation that made her successful? The question of who should benefit from Madonna's fame also can be phrased as "Who gets to decide what Madonna means to our culture—what meaning(s) her image will be used to generate and circulate, and what meaning(s) she will have for us?" As Professor Madow has stated: "By centralizing this meaning-making power in the celebrity herself or her assignees, the right of publicity facilitates top-down management of popular culture and constricts the space available for alternative and oppositional cultural practice."<sup>92</sup> Thus, because Madonna is the cultural and artistic product of those who created her, shouldn't society be permitted to share in the continued development of her image?

The difficulty in distinguishing what is First Amendment-protected expression and commercial use was played out in the Three Stooges case.<sup>93</sup> In that case, the defendant drew a picture of Larry, Curly, and Moe, silk-screened the picture onto tee shirts, and produced lithographic prints of the drawing, which he sold.<sup>94</sup> The plaintiff, the owner of the rights to the Three Stooges, brought a right of publicity action.<sup>95</sup> Although the California Supreme Court held that visual art is protected by the First Amendment, the Court found that the drawing was not sufficiently creative to merit First Amendment protection because the artist did not contribute something "recognizably his own"<sup>96</sup> to the representation of the Three Stooges. Similarly, in the Elvis Presley case, the court determined that an Elvis impersonator copied Elvis in such a manner that "the primary purpose of defendant's activity was to appropriate the commercial value of the likeness of Elvis Presley."<sup>97</sup>

These rulings are troubling because in both cases, significant artistic expression was hindered. Whether or not one ultimately decides that a living celebrity should have the right to control the use of her image for commercial purposes, there should at least be an appreciation that a right of publicity for celebrities exacts a significant price in lost art and other free expression.

## V. There Is No Public Policy Justification for a Post-Mortem Right of Publicity

Even accepting the rationale that celebrities are entitled to a right of publicity so that they can reap the fruits of their labor, what conceivable reason could society have to extend this right post-mortem? We note that post-mortem publicity rights are not novel: at least twenty-four states recognize a right of publicity that survives death.

Broad right of publicity protection stifles creative expression and has a chilling effect on newspapers, au-

thors, playwrights, photographers, and movie studios, who will be concerned that their portrayal of historical figures and deceased celebrities may subject them to financially devastating litigation. While the resolution of the First Amendment issues will turn on whether the use is primarily commercial, the problem is that the line between commercial and non-commercial use is becoming increasingly blurred. Even assuming that publicity rights are needed to encourage the creation of socially useful works, there must be a careful balancing of these interests because society has a concomitant interest in free speech.<sup>98</sup> While there is a very strong case in support of the argument that celebrity publicity rights for the living upset the balance, there is no question that the balance is upset when society extends the right post-mortem.

Post-mortem right of publicity legislation generally results from the lobbying efforts of celebrity “estates” and their licensing agents, many of whom have no familial relation to the celebrity in question. For example, Hebrew University of Jerusalem purports to own a right of publicity in Albert Einstein, and Anna Strasberg (via MMLLC) purports to own a right of publicity in Marilyn Monroe. But celebrity beneficiaries cannot reveal to the legislatures that what they are really after is the millions of dollars in licensing revenue a post-mortem right of publicity would provide. Instead, they maintain that they want to “protect” the celebrity’s image against those who would profit from its use.

Celebrity family members and spouses sometimes tell legislatures that they are upset over false news accounts or slanderous portrayals. There is no question that in some cases, family members or spouses legitimately may be “upset” by the depiction of a celebrity, but that is not a sufficient reason to provide such a broad and expansive intangible property right to a select group of people at the expense of society at large. To extend publicity rights post-mortem for this reason is to provide the deceased a defamation right, which would be an unprecedented departure from the long-standing principle that the tort of defamation does not survive death.

But even assuming that the motivation of a celebrity estate in obtaining a post-mortem right of publicity were not purely financial, the very premise that celebrities need protecting and that celebrity heirs and beneficiaries are best suited to that task is dubious. Some of the most iconic and revered American movie stars are also deeply flawed individuals. The “image” that society creates for these celebrities often is not real, so society has no compelling interest in permitting the heirs and beneficiaries of celebrity estates to “protect” their image from what some may consider to be distasteful uses. By way of example, in the late 1980s a bill was introduced to create a descendible right of publicity in New York.<sup>99</sup> During hearings on the bill, some of the testimony referred to a greeting card that was alleged to be sold mainly in gay bookstores.<sup>100</sup> The card contained an image of John

Wayne wearing a cowboy hat and bright red lipstick with the caption “It’s such a bitch being butch.”<sup>101</sup> Wayne’s children, among others, objected to the card on grounds that it was “tasteless” and demeaned their father’s conservative macho image.<sup>102</sup>

The same debate is now before the New York legislature again, where the Monroe Estate is contending that it needs to “protect” the image of Marilyn Monroe from those who would profit from it. If the New York Legislature were to make publicity rights descendible, it would confer on a select few the power to determine what particular celebrity depiction is distasteful and to enforce that arbitrary determination by denying a license to the greeting card maker. Celebrity estates would thereafter have the “power to fix, or at least try to fix, the meaning that John Wayne has in our culture: his meaning for us.”<sup>103</sup> Thus, as Professor Madow has stated:

What it comes down to, then, is that the power to license is the power to suppress. When the law gives a celebrity a right of publicity, it does more than funnel additional income her way. It gives her (or her assignee) a substantial measure of power over the production and circulation of meaning and identity in our society: power, if she so chooses, to suppress readings or appropriations of her persona that depart from, challenge, or subvert the meaning she prefers; power to deny to others the use of her persona in the construction and communication or alternative or oppositional identities and social relations; power to deny others the use of her persona in the construction and communication of alternative or oppositional identities and social relations; power, ultimately, to limit the expressive and communicative opportunities of the rest of us. The result is a potentially significant narrowing of the space available for alternative cultural and dialogic practice.<sup>104</sup>

Thus, there are significant societal costs in free expression in extending a right of publicity to living celebrities. Those costs are magnified when the right is extended post-mortem. In the case of Marilyn Monroe, it would provide Anna Strasberg—someone who did not even know Monroe—with monopoly power to determine how her image is employed.

## VI. There Is No Legal Justification for Post-Mortem Publicity Rights

The right of publicity is an intellectual property right, but overextending intellectual property is as harmful to society as underprotecting it.<sup>105</sup> Intellectual property law



involves careful balancing of what is set aside for the owner and what is left in the public domain.<sup>106</sup> While there is some basis for providing this property right while a celebrity is alive because the celebrity arguably provides something in return, that justification fails post-mortem.

As noted, the law generally disfavors the grant of monopoly rights. The primary objective of copyright law is “to promote the Progress of Science and useful Arts,” and to do so “by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>107</sup> Although there are a variety of conceivable justifications for copyright protection,<sup>108</sup> the incentive scheme set forth in the Copyright Clause is essentially economic in nature. “The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance the public welfare through the talents of authors and inventors in ‘Science and useful Arts.’”<sup>109</sup> In sum, the Copyright Clause grants limited property rights to authors “as a financial incentive to create,”<sup>110</sup> all with a view to promoting the “general good.”<sup>111</sup>

Copyright protects the primary and, in and many cases, the only source of income for artists. The right of publicity, by contrast, protects only a collateral source of income for actors, entertainers, and athletes. Even without a right of publicity, a celebrity would be able to earn a living from the activities that generated the marketable fame.<sup>112</sup> Copyright protects the income of struggling and second-tier artists, while the right of publicity protects only established stars.<sup>113</sup> In other words, the right of publicity helps those who need it the least.<sup>114</sup>

Likewise, the principal rationale underlying trademark law is avoiding confusion in the marketplace.<sup>115</sup> Because of the benefits to society resulting from the ability to easily recognize the goods or services of a purveyor or manufacturer, trademark law grants the exclusive right to employ an identifying mark. A reciprocal benefit results. The merchant is permitted to profit from a well-earned reputation, and the public is assisted in choosing the products produced by those who have satisfied them in the past, avoid those that have disappointed, and recognize an unknown quantity as exactly that. The benefits are great, and because potential identifying marks exist in virtually inexhaustible supply, the cost of the monopoly to society is minimal.

By contrast to the foregoing socially beneficial purposes of intellectual property protection, the Marilyn Monroe publicity rights litigation is a classic example of how post-mortem right of publicity legislation would significantly impede artistic expression by providing one woman, who had no connection to Monroe during her lifetime, with significant control over how and under

what circumstances the world will see Marilyn Monroe. The litigation also illustrates how a post-mortem right of publicity can eviscerate the value of federal copyrights in the iconic images of Marilyn Monroe we have come to know and love.

## VII. The Marilyn Monroe Cases

### A. The New York Litigation

Shaw Family Archives, Ltd. owns thousands of the photographs taken by the late Sam Shaw and the late Larry Shaw. It licenses some of these photographs to third parties for various commercial purposes. Hundreds of Shaw Family photographs have never been published. Anna Strasberg’s MMLLC purports to own various intellectual property rights, including the right of publicity in the name, likeness, and image of Marilyn Monroe. MMLLC bases its claim to a right of publicity in Marilyn Monroe on the residuary clause of Monroe’s will, which passed whatever Marilyn Monroe owned to Lee Strasberg and Dr. Marianne Kris. The residuary clause states:

All the rest, residue and remainder of my estate, both real and personal of whatsoever nature and whatsoever situate, of which I shall die seized or possessed or to which I shall be in any way entitled, or over which I shall possess any power of appointment by Will at the time of my death, including any lapsed legacies, I give, devise and bequeath as follows:

- (a) To MAY REIS the sum of \$40,000.00 or 25% of the total remainder of my estate, whichever shall be the lesser.
- (b) To DR. MARIANNE KRIS 25% of the balance thereof, to be used by her as set forth in ARTICLE FIFTH (d) of my Last Will and Testament.
- (c) To LEE STRASBERG the entire remaining balance.

May Reis received \$40,000, Marianne Kris 25 percent, and Lee Strasberg 75 percent. The will also named Aaron Frosch, Monroe’s New York-based attorney, as the executor. It was subject to primary probate in New York County Surrogate’s Court.

In 1968, six years after the probate of the Monroe estate had begun, Lee Strasberg married Anna Strasberg. Lee Strasberg died in 1982, leaving his wife, Anna Strasberg, as the sole beneficiary under his will. Upon the death of Mr. Frosch in 1989, the New York Surrogate’s Court appointed Anna Strasberg as Administratrix, c.t.a., of the Monroe estate. The Monroe estate remained open until June 19, 2001, on which date the Surrogate’s Court authorized Administratrix Strasberg to close the estate and transfer the residuary assets to MMLLC, a Delaware

company formed by Strasberg to hold and manage the intellectual property assets of the residuary beneficiaries of Marilyn Monroe's will. The New York State Surrogate's Court ruled that the Anna Freud Centre was the successor-in-interest to Dr. Kris's 25 percent right in the Monroe estate.

For years, Anna Strasberg and CMG vigorously asserted that they owned a right of publicity in Marilyn Monroe. They demanded licensee fees from anyone who wanted to use images of Marilyn Monroe in connection with commercial merchandise and repeatedly threatened lawsuits against those who refused to pay. According to CMG's website, MMLLC earned approximately \$8 million in licensing fees in 2004 and total licensing revenue in the neighborhood of \$30 million. During much of this time, our clients, the Shaw family, went about attempting to license the copyrights in many of the iconic images that Sam Shaw took of Marilyn Monroe. The photographic art that Sam Shaw created and the Shaw family licensed is a far more substantial social contribution than the so-called right of publicity claimed by Strasberg and CMG in the name, likeness, and image of Marilyn Monroe. But because the Shaw Family's licensees and potential licensees often thought that they had to pay Anna Strasberg for the right to use images of Marilyn Monroe, very little licensing revenue was left for the Shaw Family.

In March 2005, MMLLC and CMG sued the Shaw Family and its licensing agent, Bradford Licensing Associates, in the Southern District of Indiana for, *inter alia*, violation of their right of publicity in Marilyn Monroe pursuant to Indiana's right of publicity statute for the use of a Marilyn Monroe image in a documentary. The Indiana right of publicity statute, which CMG was instrumental in passing, provides mandatory attorney's fees to the prevailing party.

In April 2005, the Shaw Family commenced an action in the Southern District of New York seeking, *inter alia*, a declaratory judgment that MMLLC does not own a right of publicity in Marilyn Monroe. Thereafter, MMLLC filed a motion to dismiss/transfer the New York action to Indiana, and the Shaw family moved to dismiss/transfer the Indiana action to New York. In March 2006, the Indiana court ordered the Indiana action transferred to New York, and in May 2006 the New York court ordered that the New York action be consolidated with the Indiana action.

In October 2006, MMLLC and CMG moved for summary judgment against the Shaw Family for violation of the Indiana right of publicity statute based on the use of a Marilyn Monroe image on the sale of a single tee shirt in Indiana by a purported Shaw family licensee. MMLLC claimed that it is the successor-in-interest to the post-mortem right of publicity that was devised through the residuary clause of Monroe's will and that the unauthorized commercial use of Ms. Monroe's image by the Shaw Family and its licensing agent, Bradford Licensing As-

sociates, violated its rights under Indiana's 1994 Right of Publicity Act.<sup>116</sup> MMLLC argued that the Indiana statute, passed more than three decades after Monroe's death, creates a descendible and transferable right of publicity that survives for 100 years after a personality's death, regardless of domicile.<sup>117</sup>

The Shaw family and Bradford filed cross-motions for summary judgment and requested that the court dismiss MMLLC's and CMG's right of publicity claim. The Shaw family made the following arguments:

- The law of the state where Monroe was domiciled at the time of her death determines whether any posthumous right of publicity exists.
- California and New York were the only possible states in which Marilyn Monroe was domiciled at the time of her death.
- Because neither California nor New York recognized a post-mortem right of publicity when Monroe died, she had nothing to pass to her heirs and beneficiaries.
- Monroe could not pass, through the residuary clause of her will, a right she did not own at the time of her death.

In a decision handed down on May 2, 2007, Judge McMahon accepted the Shaw family's arguments.<sup>118</sup> The court first concluded that regardless of Monroe's domicile at the time of her death, and regardless of any rights purportedly conferred by the Indiana Right of Publicity Act, Monroe could not have devised by will a property right that she did not own at the time of her death.<sup>119</sup> And because descendible post-mortem publicity rights did not exist in New York, California, or Indiana at the time Monroe died, "any publicity rights she enjoyed during her lifetime were extinguished at her death by operation of law."<sup>120</sup> In response to MMLLC's argument that Monroe's will should be construed as devising post-mortem publicity rights that were later conferred on her by statute, Judge McMahon responded that (i) Indiana follows the majority rule that a testator's domicile at death applies to all questions of a will's construction and (ii) whether Monroe was domiciled in New York or California, neither of those states permitted a testator to dispose of by will property she did not own at death.<sup>121</sup>

The court next addressed MMLLC's argument that Marilyn Monroe intended to bequeath a post-mortem right of publicity to her testamentary legatees.<sup>122</sup> Adhering to a well-settled principle of probate law, the court held that Monroe could not have "intended" to dispose of property over which she had no testamentary power, including property that she did not own at the time of her death.<sup>123</sup> Finally, the court noted that neither the California nor Indiana post-mortem publicity statutes allow for a testamentary disposition that one did not own at the time

of death.<sup>124</sup> Accordingly, the court recognized that “even if a postmortem right of publicity in Monroe’s persona could have been created after her death, neither of the statutes that arguably bestowed that right allows it to be transferred through the will of a ‘personality’ who, like Monroe, was already deceased at the time of the statute’s enactment.”<sup>125</sup> The court thus granted the Shaw Family’s motion for summary judgment and dismissed MMLLC’s and CMG’s right of publicity cause of action.

## B. The California Litigation

In March 2005, CMG and MMLLC also sued, in Indiana, the copyright holders of the photographic images of Marilyn Monroe taken by Tom Kelley, Milton Greene, and Andre De Diennes. These three cases were transferred to California.<sup>126</sup> Kelley and Greene filed a motion for partial summary judgment on MMLLC’s right of publicity claim. They argued that MMLLC could not own a right of publicity in Marilyn Monroe because Monroe died a New York domiciliary (which does not recognize a post-mortem right of publicity). Greene and Kelly argued that in the event Monroe died a California domiciliary, she lacked the intent and testamentary capacity to bequeath property she did not own at the time of her death, and the post-mortem publicity rights created by the California statute lapsed because on January 1, 1985 (the statute’s effective date) she did not have any surviving familial heirs.

In a May 14, 2007 ruling, the court held that MMLLC and CMG do not have a right of publicity in Marilyn Monroe.<sup>127</sup> The court relied on well-settled probate law in New York and California to the effect that a testator cannot bequeath property he did not own prior to death<sup>128</sup> and found that neither New York, California, nor Indiana recognized posthumous publicity rights when Monroe died.<sup>129</sup> MMLLC argued that California’s post-mortem right of publicity statute is retroactive and vests the right pursuant to the decedent’s will. The court rejected this argument, concluding that it was the intent of the California legislature that the post-mortem right of publicity vest in familial heirs of a celebrity who died prior to 1985.<sup>130</sup> The court stated:

Given the clear common law prescription that a testator cannot devise property not owned at the time of death, and the presumption that the California legislature knew of this prescription, it is not surprising that, as respects personalities who died before its enactment, the California right of publicity statute vests the posthumous right in designated heirs rather than in the “personality” himself or herself.<sup>131</sup>

The court noted that the legislative history of the statute supported this interpretation of the vesting scheme.<sup>132</sup> Given the “plain language of the California

posthumous right of publicity statute, the common law background against which it was enacted, and its legislative history,” the court held that the statute vested the posthumous right of publicity to the statutory designated familial heirs, not the residuary beneficiaries under Monroe’s will.<sup>133</sup>

The court concluded by noting that it had reached its decision reluctantly because some charities that had been exercising posthumous rights of publicity might be divested of those rights.<sup>134</sup> The court stated that nothing in its order prevented legislatures from enacting legislation that would vest the right of publicity directly in residuary beneficiaries of deceased personalities’ estates, rather than in familial heirs.<sup>135</sup>

CMG’s response to the federal court decisions in New York and California was to assert the following on its Web site:

We want to be very clear; we will not allow Marilyn’s reputation and integrity to be trampled on by those seeking a quick profit at her expense. We will do everything at our disposal to protect the rights she so clearly sought to control in her life. In so doing, we are protecting Marilyn the person, which is our duty to her and to all her true fans.<sup>136</sup>

Whether CMG is more concerned about “protecting” Marilyn Monroe or monopolizing Marilyn Monroe—about stopping those who would make a quick profit or making sure that it continues to make tremendous profits off her image for itself—we leave it to the reader to assess. We also leave it to the reader to determine whether CMG and non-familial heir Anna Strasberg should be the gatekeepers and sole arbiters of the manner in which Marilyn Monroe is presented.

## VIII. California Amends Its Post-Mortem Right of Publicity Statute

Immediately following Judge Morrow’s May 14, 2007 decision, Anna Strasberg and her agents successfully convinced the California Legislature to amend its posthumous right of publicity statute in order to abrogate the New York and California decisions. Specifically, on October 10, 2007, the California legislature amended section 3344.1 of the Civil Code to provide a right of publicity to deceased personalities who died before or after January 1, 1985. The amendment, SB 771, nominally creates a post-mortem right of publicity and is applicable to any deceased personality who died prior to January 1, 1985. This legislation attempts to circumvent the historical fact that Marilyn Monroe died without a descendible right of publicity by providing that the right is “deemed to have existed at the time of the death of any personality who died prior to January 1, 1985.” In particular, SB 771 provides:

The rights recognized under this section are property rights, freely transferable or descendible, in whole or in part, by contract or by means of any trust or any other testamentary instrument, executed before or after January 1, 1985. The rights recognized under this section shall be deemed to have existed at the time of death of any deceased personality who died prior to January 1, 1985, and, except as provided in subdivision (O), shall vest in the persons entitled to these property rights under the testamentary instrument of the deceased personality effective as of the date of his or her death. In the absence of an express transfer in a testamentary instrument of the deceased personality's rights in his or her name, voice, signature, photograph, or likeness, a provision in the testamentary instrument that provides for the disposition of the residue of the deceased personality's assets shall be effective to transfer the rights recognized under this section in accordance with the terms of that provision. The rights established by this section shall also be freely transferable or descendible by contract, trust, or any other testamentary instrument by any subsequent owner of the deceased personality's rights as recognized by this section. Nothing in this section shall be construed to render invalid or unenforceable any contract entered into by a deceased personality during his or her lifetime by which the deceased personality assigned the rights, in whole or in part, to use his or her name, voice, signature, photograph or likeness, regardless of whether the contract was entered into before or after January 1, 1985.<sup>137</sup>

Section two of the legislation states the intent of the legislature to "abrogate the summary judgment orders" entered in the Milton Green Archives and Shaw Family Archives decisions.<sup>138</sup> Violators are liable for \$750 in damages per violation or actual damages as well as lost profits not considered in the computation of actual damages.<sup>139</sup> SB 771 provides that punitive damages are available and that a prevailing party "shall be entitled to attorney's fees and costs."<sup>140</sup>

## IX. The Effort to Amend the New York Right of Publicity Statute

Following Judge McMahon's decision, Anna Strasberg convinced New York Assemblywoman Helene Weinstein and Senator Martin Golden to sponsor an amendment to New York's right of publicity statute, Civil

Rights Law §§ 50, 51.<sup>141</sup> The proposed bill would create a retroactive post-mortem right of privacy and publicity in New York extending seventy years prior to January 1, 2008. It deems this right to have been owned by the deceased prior to death, and it requires photographers to obtain consent to display photographs in an exhibition. The new proposed section 50 would permit the use of an individual's name, likeness, image, or voice for the purposes of a "play, book, magazine, newspaper, motion picture, musical composition, audiovisual work, radio or television program, single and original work of art, work of political explanation." An advertisement or commercial announcement for any of these uses would not violate the statute. But these uses would not be exempt if a claimant can show that the use is

so directly connected with a product, article or merchandise, good, or service as to constitute an act of advertising, selling or soliciting purchases of that product, articles of merchandise, good, or service by the living or deceased personality without prior consent.

The proposed amendment would create a perpetual right of publicity in New York that (for the first time) would be freely transferable and descendible. As amended, the statute could be used to criminally prosecute past acts that were legal when committed. In the Senate version, moreover, there is no exception for any advertisement of a journalistic or creative work. Both versions of the bill would give rise to the possibility that a magazine or newspaper would violate the statute with advertising depicting past issues that contain pictures of celebrities, whether living or dead.

Constitutional concerns and numerous objections to the proposed amendment gave the New York legislature pause, and the proposed amendment failed to pass in the last legislative term. The New York Legislature did not put the two bills up for vote, but Anna Strasberg and her agents have been heavily lobbying and promise that they will have more success this legislative session.

## X. The Impact of the Retroactive California Legislation on the Monroe Litigations

Before SB 771 even became effective, MMLLC requested that Judge Morrow reconsider her May 2007 decision that MMLLC has no right of publicity in Marilyn Monroe. On January 7, 2008, the court granted MMLLC's motion for reconsideration and held that if Monroe died a domiciliary of California, MMLLC would own a right of publicity in her name, likeness, and image.<sup>142</sup> The issue of Monroe's domicile is therefore front and center, because while Judge Morrow granted MMLLC's motion for reconsideration based on the California statute, the California statute would not apply if Monroe died a New York domiciliary.

Relevant to this issue is the fact that Anna Strasberg, as administratrix, and Aaron Frosch, as executor, both repeatedly represented during the administration of the Monroe estate that Marilyn Monroe died a New York domiciliary. The California parties thus briefed the issue of whether MMLLC was judicially estopped from asserting that Monroe died anything other than a New York domiciliary based on the prior judicial representations of its privies, Anna Strasberg and Aaron Frosch. On March 17, 2008, the court ruled that MMLLC is judicially estopped from arguing that Marilyn Monroe died anything but a New York domiciliary.<sup>143</sup> The court characterized MMLLC as having played “fast and loose” with the court by previously having told the California inheritance tax authorities that Monroe died a New York domiciliary, but having represented before Judge Morrow that Marilyn Monroe died a California domiciliary.<sup>144</sup> Based on this ruling, the court reinstated its prior decision that there is no right of publicity in Marilyn Monroe.

The “spokesman” for Anna Strasberg responded to Judge Morrow’s decision in a manner that, while entirely predictable, highlights why a post-mortem right of publicity is a bad thing. He stated that the ruling “could mean that anyone, theoretically, could put a product out, no matter how tawdry or obscene, and put her image on it.”<sup>145</sup> These statements obviously were directed to the New York legislature, which they hope to persuade that Strasberg should have the right to decide how the image of Marilyn Monroe can be used in commerce. Of course, even if Strasberg sincerely wishes to safeguard the integrity of Monroe’s image, we fail to understand why she believes she is entitled to be the sole arbiter of what uses of Marilyn Monroe’s image are proper. Indeed, this is exactly what is wrong with a post-mortem right of publicity: It places in the hands of a few the ability to control important expressive and communicative resources. We believe Strasberg is more concerned about the loss of tens of millions of dollars in licensing revenues than with tawdry or obscene uses of Monroe’s image. We further believe, as noted, that the post-mortem right of publicity in Marilyn Monroe that Strasberg seeks is completely undeserved. She is not related to Marilyn Monroe; she did not know Marilyn Monroe; and she certainly contributed nothing of value, artistic or otherwise, in return for the property right of astronomical value she now seeks. That the relief Strasberg seeks from the New York Legislature is at the expense of the artists and copyright holders of Marilyn Monroe images is all the more reason that the legislature should deny her request.

Meanwhile, in the New York litigation, Judge McMahon invited the parties to brief the constitutionality of the amended California statute. The Shaw family argued, *inter alia*, that SB 771 violates substantive due process rights by interfering with settled property relationships. In particular, at the time of Monroe’s death, her common-law right of publicity expired, and the economic right

of photographers to exploit their copyrighted works of Monroe could no longer be limited by it.

The court also permitted the Shaw Family an opportunity to brief whether MMLLC is judicially or collaterally estopped from arguing that Monroe was not domiciled in New York when she died. The issue of whether SB 771 is constitutional is now fully briefed. We expect a decision shortly, which we hope will send a message to the New York legislature that Strasberg’s efforts to reinvigorate her control over Monroe’s image are unconstitutional, unfair to the copyright holders and other artists, and bad public policy. The outcome of this litigation could have an enormous impact on the efforts of celebrity estates to retroactively create post-mortem rights of publicity that did not exist when the celebrity died.

## Endnotes

1. The majority rule, and the law in Indiana, where the photographers were sued, is that the situs of personal property, such as Marilyn Monroe publicity rights, is the legal domicile of its owner. *Carter v. Estate of Davis*, 813 N.E.2d 1209, 1216 (Ind. App. 2004). This is why the issue of where Marilyn Monroe was domiciled when she died is a central issue in the case against the photographers.
2. The Shaw Family’s motion on the constitutionality of SB 771 was briefed by Professor Marci Hamilton, a recognized constitutional scholar with particular expertise in the area of retroactive legislation.
3. J. Thomas McCarthy, “The Rights of Publicity and Privacy,” § 1:3 (2d ed., rev. March 2002).
4. *Id.*
5. *Id.*
6. *Id.*
7. McCarthy, *supra* note 3, at § 5.8[B], at 5-66.
8. See Michael Madow, “Private Ownership of Public Image: Popular Culture and Publicity Rights,” 81 Cal. L. Rev. 125, 167 (1993).
9. Samuel D. Warren & Louis D. Brandeis, “The Right To Privacy,” 4 Harv. L. Rev. 193 (1890).
10. *Id.* at 196.
11. *Id.* at 195-96 & n. 7.
12. 171 N.Y. 538, 64 N.E. 442 (1902).
13. *Roberson*, 171 N.Y. at 556.
14. New York Sessions Laws 1903, ch. 132, §§ 1-2; McCarthy, *supra* note 3, at § 1:16.
15. *Id.*
16. *Id.* § 6:73.
17. *Id.* at § 1:17.
18. 202 F.2d 866 (2d Cir. 1953).
19. *Id.* at 867.
20. *Id.* at 868-69.
21. *Id.* at 868.
22. See Madow, *supra* note 8 at 173-74 (citing *Haelan Labs.*, 202 F.2d at 868).
23. *Id.* at 174-75.
24. Melville B. Nimmer, “The Right of Publicity,” 19 Law & Contemp. Probs. 203 (1954).

25. *Id.*
26. *Id.* at 203-04.
27. See Madow, *supra* note 8, at 174.
28. *Id.* at 174.
29. William L. Prosser, "Privacy," 48 Cal. L. Rev. 383, 389 (1960).
30. RESTATEMENT (SECOND) OF TORTS §§ 652B-E (1977); McCarthy, *supra* note 3, at § 1:24.
31. See *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215 (2d Cir. 1978).
32. 64 N.Y.2d 174, 474 N.E.2d 580 (1984).
33. *Id.*
34. *Id.* at 184.
35. *Stephano*, 64 N.Y.2d at 182-83.
36. *Id.* at 183.
37. *Pirone v. MacMillan*, 894 F.2d 579, 81 (2d Cir. 1990).
38. *Pirone*, 894 F.2d at 585.
39. 2005 N.Y. Misc. LEXIS 2916 (N.Y. Sup. Ct. July 26, 2005).
40. *Orbach v. Hilton Hotels Corp.*, 2005 N.Y. Misc. LEXIS 2916, \*6 (N.Y. Sup. Ct., July 26, 2005).
41. *Id.* at \*4.
42. *Id.* at \*6.
43. Madow, *supra* note 8, at 128.
44. *Id.* at 129.
45. *Id.*
46. *Id.*
47. *Id.* at 130.
48. *Id.*
49. *Id.*
50. *Id.*
51. *Id.*
52. *Id.* at 179.
53. *Id.* at 136 (citing McCarthy, *supra* note 3, § 1.1(B)(2), at 1-5).
54. *Id.* (citing McCarthy, *supra* note 3, at § 1.11[C], at 1-46).
55. *Id.*
56. *Id.* at 179.
57. Madow, *supra* note 8, at 181.
58. Nimmer, *supra* note 24, at 216.
59. Madow, *supra* note 8, at 181-82.
60. *Id.* at 184.
61. *Id.* at 188.
62. *Id.*
63. *Id.*
64. *Id.*
65. *Id.* at 189.
66. *Id.*
67. *Id.*
68. *Id.*
69. *Id.* at 189-90.
70. *Id.* at 193.
71. *Id.*
72. *Guglielmi v. Spelling-Goldberg Prods.*, 25 Cal.3d 860, 866 (1979).
73. *Id.*
74. *Comedy III Prods., Inc. v. Gary Saderup, Inc.*, 21 P.3d 797, 803 (Cal. 2001).
75. *Id.*
76. Madow, *supra* note 8, at 128.
77. *Guglielmi*, 25 Cal.3d at 867.
78. Madow, *supra* note 8, at 136-37.
79. *Id.*
80. *Id.* (citing *Memphis Dev. Found v. Factors Etc., Inc.*, 616 F.2d 956, 960 (6th Cir. 1980)).
81. Madow, *supra* note 8, at 142.
82. *Id.* at 5; *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522 (1987).
83. Madow, *supra* note 8, at 143.
84. *Id.*
85. *Id.*
86. *Id.* at 142.
87. *Id.* at 143.
88. *Id.* (citing Fiske, *Understanding Popular Culture* 174 (1989)).
89. *Id.* at 143.
90. *Id.* at 134.
91. *Id.*
92. *Id.* at 3.
93. *Id.*
94. *Id.* at 801.
95. *Id.* at 800.
96. *Id.* at 810-11.
97. *Estate of Presley v. Russen*, 513 F. Supp. 1339, 1360 (D.N.J. 1981).
98. Rhett H. Laurens, "Year of Living Dead: California Breathes New Life into Celebrity Publicity Rights," 24 *Hastings Comm. & Ent. L.J.* 109, 134 (2001).
99. Madow, *supra* note 8, at 144.
100. *Id.*
101. Madow, *supra* note 8, at 144.
102. *Id.*
103. *Id.* at 6.
104. *Id.* at 145-46.
105. David Tan, "Beyond Trademark Law: What the Right of Publicity Can Learn from Cultural Studies," 25 *Cardozo Arts & Ent. L.J.* 913, 993 (2008).
106. *Id.*
107. U.S. Const. art I, § 8, cl. 8.
108. See generally Edwin Hettinger, "Justifying Intellectual Property," 18 *Phil. & Pub. Aff.* 31 (1989).
109. *Mazer v. Stein*, 347 U.S. 201, 219 (1954).
110. *Attia v. Society of the New York Hosp.*, 201 F.3d 50, 54 (2d Cir. 1999).
111. *Id.*
112. Madow, *supra* note 8, at 209-10.
113. *Id.* at 213.
114. *Id.*
115. *Proctor & Gamble Co. v. Johnson & Johnson Inc.*, 485 F. Supp. 1185, 1211 (S.D.N.Y. 1979).
116. 32 Ind. Code Ind. Code, art. 36, ch. 1, §§ 1-20.
117. *Id.* at §§ 32-36-1-1 to -20.

118. *Shaw Family Archives Ltd. v. CMG Worldwide, Inc.*, 486 F. Supp. 2d 309 (S.D.N.Y. 2007).
119. *Id.* at 314.
120. *Id.*
121. *Id.* at 314-15.
122. *Id.* at 317-18.
123. *Id.*
124. *Id.* at 319.
125. *Id.*
126. Shirley De Diennes settled with MMLLC and CMG.
127. *The Milton H. Greene Archives, Inc. v. CMG Worldwide Inc, et. al.*, CV 05-2200 (MMM) (C.D.C.A. May 14, 2007).
128. *Id.* at 14-29.
129. *Id.* at 17-18.
130. *Id.* at 30-31.
131. *Id.*
132. *Id.* at 31-32.
133. *Id.* at 34.
134. *Id.* at 36.
135. *Id.*
136. <http://www.marilynmonroe.com/about/viewheadline.php?id=4273>, posting 05-24-2007.
137. Cal. Civ. Code § 3344.1(b).
138. *Id.* at § 2.
139. *Id.* at § 1(a)(1).
140. *Id.*
141. A.8836 (Weinstein)/S.6005 (Golden).
142. *The Milton H. Greene Archives, Inc. v. CMG Worldwide, Inc.*, CV 05-02200 MMM (MCx), 2008 U.S. Dist. LEXIS 22213, 57-59 (C.D.C.A. Jan. 7, 2008).
143. *The Milton H. Greene Archives, Inc. v. CMG Worldwide, Inc.*, No. CV 05-2200 MMM (MCx) (Mar. 17, 2008).
144. *Id.* at 61-62.
145. Nathan Koppel, "Monroe Estate Takes Hit," Wall St. J., Mar. 31, 2008.

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# Second Circuit Holds In-State Goodwill Required for New York Unfair Competition Claim

By Bharati Bakshani and Matthew Asbell

## I. Introduction

In *ITC v. Punchgini*, the Second Circuit considered whether the owner of a trademark, famous outside the United States but abandoned domestically, nevertheless could successfully assert a claim of unfair competition under the New York common law against former employees who used the mark in the United States.<sup>1</sup> Based on the response to two questions certified to the New York Court of Appeals, the court held that in addition to showing defendants intentionally copied the mark, a famous foreign mark holder must offer evidence of goodwill in the state. According to the court, the defendant's potential customers must "primarily associate the mark with the foreign holder."<sup>2</sup> In short, the fame of the mark abroad is irrelevant if it is not shown to be familiar to consumers within the state.

## II. Factual Background

The plaintiffs own a well-known restaurant called Bukhara, located in a hotel in New Delhi and franchised in several cities worldwide.<sup>3</sup> In the United States, the plaintiffs owned a federal trademark registration for BUKHARA for "restaurant services" (U.S. Reg. No. 1,461,445) based on their ownership and operation of a Bukhara restaurant in New York City from 1986 to 1991 and their franchise agreement with operators of a Bukhara restaurant in Chicago from 1987 to 1997. The plaintiffs did not own, operate, or license any restaurants in the United States after August 28, 1997.

In 1999, the defendants, some of whom were former employees of the New York City and New Delhi Bukhara restaurants, incorporated Punchgini, Inc. and opened a Bukhara Grill in New York. After some initial success, some of the defendants incorporated Bukhara Grill II, Inc. in order to open a second New York restaurant, Bukhara Grill II.

In March 2000, the plaintiffs sent a cease-and-desist letter accusing the defendants of unlawfully appropriating their reputation and goodwill. The defendants replied on March 30, 2000, expressing an interest in avoiding litigation but also suggesting that the plaintiffs appeared to have abandoned the BUKHARA mark by not using it in the United States for several years. In the absence of further communication from the plaintiffs, the defendants sent a second letter on June 22, 2000, stating that if no response was forthcoming, they would assume the rights in the mark were abandoned. The plaintiffs did not reply.

In 2001, over three years after the closing of their last U.S. restaurant, the plaintiffs began investigating the possibility of offering packaged food products in the United States under the BUKHARA label and applied for a federal trademark for DAL BUKHARA for packaged foods. They began selling DAL BUKHARA products in 2003.

In April 2002, the plaintiffs again wrote to the defendants, reiterating their demands. The defendants responded by reasserting the claim that the rights were abandoned.

## III. Court Proceedings

The plaintiffs then sued in the Southern District of New York, alleging that the defendants had committed trademark infringement, unfair competition, and false advertising under the Lanham Act and New York common law.<sup>4</sup> The defendants asserted as an affirmative defense that the plaintiffs had abandoned their rights and filed a counterclaim seeking cancellation of the BUKHARA federal registration.

The district court granted summary judgment in favor of the defendants on all claims.<sup>5</sup> On appeal, the Second Circuit affirmed as to all but the New York common-law unfair competition claim.<sup>6</sup> As to that claim, the court certified two questions to the New York Court of Appeals: (1) "Does New York common law permit the owner of a federal mark or trade dress to assert property rights therein by virtue of the owner's prior use of the mark or dress in a foreign country?" and (2) "If so, how famous must a foreign mark be to permit a foreign mark owner to bring a claim for unfair competition?"<sup>7</sup> In its ruling, the Court of Appeals found that prior use in a foreign country does indeed allow the owner to pursue an unfair competition claim *if it has renown in New York*.<sup>8</sup> It stated as to the second question that the plaintiff's mark, when used by the defendant in New York, must call to mind the plaintiff's goodwill such that consumers in New York primarily associate the mark with the foreign plaintiff.<sup>9</sup>

Based on the response of the Court of Appeals, the Second Circuit affirmed the grant of summary judgment in favor of the defendants, holding that the plaintiffs had adduced sufficient evidence of the bad-faith intentional copying by the defendants but had not provided sufficient evidence of secondary meaning.<sup>10</sup>

In the Second Circuit six factors are recognized as relevant to secondary meaning: (1) advertising expenditure; (2) consumer studies linking the mark to a source; (3) un-



solicited media coverage of the product; (4) sales success; (5) attempts to plagiarize the mark; and (6) length and exclusivity of the mark's use.<sup>11</sup> According to the Second Circuit, the plaintiffs did not offer evidence of direct targeting of its advertising of foreign Bukhara restaurants to the United States,<sup>12</sup> nor did they attempt to prove their goodwill through consumer studies.<sup>13</sup> Media coverage was entirely in foreign markets, and the plaintiffs did not provide any evidence that these reports would reach the relevant consumer market in New York.<sup>14</sup> Furthermore, they did not rebut evidence that a number of unaffiliated BUKHARA restaurants coexisted in the United States. The court also found the plaintiffs' contention that a substantial proportion of defendants' customers are either Indian or appreciate Indian food failed to support the conclusion that these consumers *primarily associate* the BUKHARA name with the plaintiffs.<sup>15</sup> It also found that the defendants' advertising of an implied connection with the plaintiffs indicated intentional copying rather than secondary meaning.<sup>16</sup>

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*"[F]or the foreign owner to prevail in a claim of unfair competition under New York common law, it has the burden of showing that the relevant consumers primarily associate the mark with its own goods or services."*

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Finally, the court concluded the plaintiffs' suggestion that the BUKHARA mark had residual goodwill as a result of the New York and Chicago restaurants was insufficient in view of the amount of time that had passed since abandonment and the absence of a showing that any of the defendants' potential customers primarily associated the defendants' restaurant with those of the plaintiffs.<sup>17</sup>

#### IV. Conclusion

The population of New York City is extremely diverse and consists of many well-traveled individuals. When one considers the many thousands of restaurants of varying ethnicity in Manhattan alone, it is easy to imagine that consumers of restaurant services in New York are likely to be familiar with renowned restaurants abroad. It would therefore seem reasonable to infer that the relevant market, "the class of people residing in the cosmopolitan city of New York who dine out,"<sup>18</sup> would likely associate a local restaurant with a famous foreign one of the same name. The problem with this reasoning,

however, is that an unfair competition claim requires more than a showing of *likely* association in the minds of consumers. Rather, for the foreign owner to prevail in a claim of unfair competition under New York common law, it has the burden of showing that the relevant consumers *primarily* associate the mark with its own goods or services. The plaintiffs in *ITC* failed to do so.

#### Endnotes

1. *ITC Ltd. v. Punchgini, Inc.*, Docket No. 05-0933-cv, 2008 U.S. App. LEXIS 5359 (2d Cir. Feb. 26, 2008).
2. *ITC Ltd. v. Punchgini, Inc.*, 9 N.Y.3d 467, 2007 N.Y. Slip Op. 09813, \*13-14, 2007 WL 4334177 (N.Y. Dec. 13, 2007).
3. In fact, one of the authors, who is of Indian descent, has eaten at the Bukhara restaurant in India. Because the restaurant is fairly expensive, its customers tend to be fairly wealthy and often consist of international travelers. In fact, the restaurant is said to be a favorite of former president Bill Clinton. See The San Pellegrino World's 50 Best Restaurants, <http://www.theworlds50best.com/default.aspx>. See also Frommers, <http://www.frommers.com/destinations/delhi/D53811.html>.
4. See *ITC Ltd. v. Punchgini, Inc.*, 373 F. Supp. 2d 275 (S.D.N.Y. 2005).
5. *Id.* at 285 (S.D.N.Y. 2005).
6. *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 142, 172 (2d Cir. 2007).
7. *Id.* at 166-167.
8. *ITC*, *supra* note 2, at \*13-\*14.
9. *Id.* at \*14.
10. *ITC*, *supra* note 1.
11. *ITC*, *supra* note 4, at 285 (quoting *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 143 (2d Cir. 1997)).
12. *Id.* at 288-89.
13. *Id.* at 289.
14. *Id.* at 290.
15. *ITC*, *supra* note 1, at \*11-\*12.
16. *ITC*, *supra* note 4, at 291.
17. *ITC*, *supra* note 1, at \*13-\*14.
18. See *ITC*, *supra* note 4, at 286 (describing the relevant market examined in *Vaudable v. Montmartre, Inc.*, 20 Misc. 2d 757, 193 N.Y.S.2d 332, 334-35 (N.Y. Sup. Ct. 1959)).

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# Second Circuit Addresses Evidentiary Issues in Ralph Lauren Trademark Infringement Litigation

By Natasha Azava

## I. Introduction

In *PRL USA Holdings, Inc. v. U.S. Polo Ass'n, Inc.*,<sup>1</sup> the Second Circuit rejected the attempt by PRL USA Holdings, Inc., the owner of the Polo Ralph Lauren brand, to overturn a district court finding that three out of four PRL trademarks were not infringed by the United States Polo Association (“USPA”) or its licensee Jordache. The court held the district court did not err by allowing into evidence statements made by PRL during settlement negotiations that the defendants used at trial to establish PRL had affirmatively consented to the USPA’s use of one of the logos. The court also held it was not erroneous for the district court to refuse to instruct the jury that the USPA, as a repeat infringer, was required to maintain a “safe distance” from PRL’s mark. Finally, the court held that the district court did not err in refusing to admit as hearsay and unduly prejudicial a document in which an advertising contractor retained by Jordache wrote “Everyone knows we’re ripping off Ralph. Including us.”<sup>2</sup>

*PRL* offers guidance to trademark litigators particularly in dealing with the admissibility of (i) potentially damaging statements made during settlement negotiations that bear upon both the merits of the claim and an estoppel defense and (ii) potentially damaging statements made by independent contractors.

## II. Factual Background

PRL produces various clothing, accessories, and fragrances under the name Ralph Lauren. Since 1972, PRL has been selling clothing using the familiar logo depicting a silhouette of a mounted polo player wielding a raised polo mallet. Defendant USPA, founded in 1980, is the governing body for the sport of polo in the United States. The USPA licenses the right to produce clothing bearing its trademarks to Jordache, a clothing manufacturer.

The conflict between PRL and the USPA dates back to the 1980s, when the USPA first began selling clothing.<sup>3</sup> In 1984, PRL obtained a judgment enjoining the USPA from using certain marks that were found to infringe PRL’s trademarks, but the judgment explicitly provided that USPA was free to conduct a retail licensing program utilizing a mark featuring “a mounted polo player or equestrian or equine symbol” so long as it was distinctive from PRL’s polo player symbol.<sup>4</sup>

In March 2000, PRL filed a trademark infringement action against the USPA, Jordache, and related defendants in the Southern District of New York. The four

disputed marks included: (1) a solid silhouette of the two horsemen; (2) the same solid silhouette with the letters “USPA” added underneath; (3) an outline of the two horsemen; and (4) the same outline with “USPA” added underneath. Although by September 2003 the parties had settled many of the disputes arising from the 2000 action, the settlement agreement did not resolve whether the four double horsemen marks infringed PRL’s trademarks. The parties agreed to have this remaining issue resolved by a jury trial, which took place in 2005. At trial, USPA, in addition to presenting evidence to contradict PRL’s evidence of likelihood of confusion, also argued the affirmative defense of estoppel by acquiescence, claiming that while PRL and USPA were engaged in settlement discussions in 1996, PRL made statements assuring the USPA that it would not object to its use of a version of the double horsemen mark. USPA contended that such assurances prompted it to develop and license a version of the double horsemen mark for use and led Jordache to spend over \$41 million developing a clothing line bearing the mark. PRL denied that it had consented to the USPA’s use of a double horsemen mark or that it in any way had implied that the mark was not “offensive” to PRL.

PRL objected that the admission of this evidence was barred by Federal Rule of Evidence 408 because the statements were made during settlement negotiations, but the district court overruled the objection on the ground that it was admissible to prove estoppel. The jury ultimately rejected the estoppel defense and found that only one of defendants’ four double horsemen mark (a solid silhouette of the two horsemen) infringed PRL’s registered trademarks. PRL appealed, arguing, among other things, that the district court committed reversible error by allowing the admission of the aforementioned evidence from the parties’ settlement negotiations.

## III. Evidence of Compromise Negotiations

Under Federal Rule of Evidence 408 (the version in effect in 2005), evidence of conduct or statements made in “compromise negotiations” is “not admissible to prove liability for or invalidity of [a] claim or its amount.”<sup>5</sup> An exception applies, however, where the evidence is offered for another purpose, such as to prove bias or prejudice of a witness, to negate a contention of undue delay, or to establish an estoppel defense.<sup>6</sup> The district court ruled that the USPA’s evidence of PRL’s statements during negotiations to the effect that PRL would not object to the association’s use of the mark with the solid silhouette of the two horsemen was admissible to prove the USPA’s estoppel defense. PRL argued on appeal that USPA was

using the defense of estoppel as a pretext for introducing the statements for the purpose of suggesting to the jury that if PRL did not object to the USPA's use of a double horseman logo, it must have been because PRL did not believe the mark was confusingly similar to its own.

In an opinion by Judge Pierre N. Leval, the Second Circuit acknowledged that PRL's statements could be used to suggest to a jury that it did not believe USPA's marks were likely to cause confusion, but it found that evidence of PRL's assurances to USPA regarding its double horsemen mark was necessary for USPA to prove its estoppel defense. The court stated:

[I]t is well established that if a trademark owner tells a potential defendant that it will not assert a claim of infringement based on the use of a particular mark, and the recipient of that assurance relies on the assurance to its substantial detriment, as by spending substantial sums in the development of the mark on which it received the assurance, estoppel will bar the trademark owner from subsequently claiming infringement.<sup>7</sup>

The court further suggested that had PRL really been concerned about the evidence improperly influencing the jury in deciding the likelihood of confusion, it could have asked the court to bifurcate the trial, putting the estoppel issue to the jury only after it had decided the likelihood of confusion issue. "If the trial is bifurcated in this fashion," the court stated, "the jury will not hear the evidence of the plaintiff's acquiescence while considering the question of confusing similarity of the marks."<sup>8</sup>

PRL also advanced the "clever"<sup>9</sup> argument that evidence of statements made in compromise negotiations is barred by the very language of Rule 408 when admitted to prove estoppel because estoppel would establish the "invalidity" of PRL's claim, and Rule 408 provides that "conduct or statements made in compromise negotiations" are "not admissible to prove liability for or invalidity of a claim."<sup>10</sup> The court rejected this argument on the ground that it would rob the Rule 408 exception of meaning:

All of the evidence a party offers at trial is intended to help establish its own position and defeat the adversary's position. In a sense, all evidence offered seeks either to "prove liability for or invalidity of [a] claim or its amount." If we accepted PRL's contention of the meaning of the Rule, there would be no evidence falling within the category whose exclusion is "not require[d]" because it is "offered for another purpose." The exception would be meaningless.<sup>11</sup>

The court noted that the intent of the Rule 408 exception is to admit evidence arising from compromise negotiations when such evidence focuses on issues different from the elements of the primary claim in dispute. In this case, the court found, the USPA's affirmative defense of estoppel by acquiescence raised issues distinct from the elements of a claim of trademark infringement.<sup>12</sup> The court also noted that "to prevent USPA from proving an estoppel by acquiescence that arose during settlement negotiations would unfairly curtail a defendant's ability to rely on that defense . . . even when well substantiated."<sup>13</sup>

PRL also argued that admitting the settlement-discussion evidence caused "spillover" prejudice resulting from the jury's impermissible use of the evidence to support the inference that PRL did not believe the USPA's marks would likely cause confusion. But the court of appeals held that any "spillover" prejudice to PRL from this evidence was insufficient to require retrial. It noted that the alleged consent given by PRL upon which the USPA relied to make its case for estoppel related to only one of the USPA logos at issue—the one logo the jury found to be infringing. Furthermore, the court noted, the jury rejected the equitable estoppel defense. While the court agreed the USPA's counsel made reference during opening and closing arguments to the evidence that PRL believed the USPA's marks were "distinct and non-infringing," the court found the USPA primarily used the settlement evidence for its estoppel defense, not as proof of PRL's purported belief that the marks were distinct and noninfringing.<sup>14</sup>

Finally, the court rejected PRL's argument that the district court erred by refusing to give a limiting instruction sought by PRL which would have "required the jury to ignore any evidence that it concluded was made in the context of settlement negotiations, regardless of whether the settlement evidence was received for a purpose authorized by Rule 408."<sup>15</sup> Because such an instruction would have been contrary to the plain language of Rule 408, the court held that the district court did not err in refusing to give it. The court further held that because PRL never requested a limiting instruction telling the jury for what purpose they could, and could not, consider the settlement evidence, PRL "cannot now complain about the lack of such limiting instruction."<sup>16</sup>

#### IV. "Safe Distance" Jury Instruction

PRL's next major argument on appeal was the district court erred in refusing to instruct the jury that the USPA, as a previously adjudicated infringer, was required to keep a "safe distance" from PRL's mark. PRL argued that as a prior adjudicated infringer of PRL's marks, the USPA must be held to a higher standard of conduct with respect to the adoption of a new mark and that the jury should have been required to determine whether the USPA satisfied a "safe distance" obligation with respect to PRL's marks when it adopted its double horsemen logos.

The court noted that the obligation of a previously adjudicated infringer to maintain a safe distance from infringing a plaintiff's marks is most useful for courts in fashioning injunctions based on findings of infringement as well as in contempt proceedings in order to determine if an enjoined infringer has violated an injunction.<sup>17</sup> But PRL did not cite any authority that would require such an instruction in a civil infringement action alleging a new infringement by a party previously found to have infringed the plaintiff's mark. The court noted that adding the concept of "safe distance" to the liability standard for trademark infringement would amount to changing the basic likelihood-of-confusion standard for trademark infringement: "If the 'safe distance' instruction were used, the jury would be invited to find liability based on a mark which was not likely to cause confusion, leaving unclear to the jurors which standard should govern."<sup>18</sup>

The court added that such an instruction would be even more confusing to a jury given the express provisions of the earlier injunction, which expressly allowed the USPA to continue to use marks with "a mounted polo player or equestrian or equine symbol which is distinctive from" PRL's polo player logo.<sup>19</sup> Instructing the jury that the USPA was required to "keep a safe distance" without explaining the USPA's rights under the prior infringement action could result in a jury finding liability based on the use of a mark that the earlier injunction expressly allowed.<sup>20</sup> The court therefore concluded that the district court did not err in refusing to give the instruction.

## V. Exclusion of "Rip-Off" Document

PRL's final argument was that the district court erred in refusing to admit a document PRL called the "Ralph Rip-Off." The document, created by an advertising contractor occasionally retained by Jordache, stated: "Everyone knows we're ripping off Ralph. Including us. It is the mission of our advertising to deny it by appearing to be true to the sport. After all, Ralph did rip-off the sport."<sup>21</sup> PRL argued that because this document was created by Jordache's agent within the scope of the agency, the document was attributable to Jordache and was relevant because it disclosed Jordache's bad-faith intent to free-ride on PRL's marks. The Second Circuit, however, agreed with the district court's conclusion that the document had little or no proper probative value as to Jordache's intentions but did have an obvious capacity to cause prejudice and thus was not admissible under Rule 403. The appellate court noted that the author of the document was not involved in the creation of the double horsemen marks; as such, he was not Jordache's authorized representative on the issue of the creation of the double horsemen marks, and his state of mind could not be attributable to Jordache.<sup>22</sup>

## VI. Conclusion

*PRL* offers instructive trial-tactic guidance for trademark litigators. First, it counsels requesting a bifurcated trial in cases where the defendant seeks to introduce evidence of settlement discussions that might improperly influence the jury on the issue of likelihood of confusion; only if the jury first determines that the defendant's mark is confusingly similar to the plaintiff's would the settlement-discussion evidence relevant to the estoppel defense be presented to the jury. Second, parties should seek to mitigate the effect of potentially prejudicial settlement-discussion evidence by requesting appropriate limiting jury instructions. In *PRL* such an instruction would have told the jury for what purpose it could and could not consider the settlement-discussion evidence. (It should be noted in this regard that had the jury found the USPA logo to which the estoppel-by-acquiescence evidence related to be noninfringing, the court of appeals might have given more weight to PRL's argument that it suffered "spillover" prejudice. Thus, one should not necessarily read the decision to suggest that statements made in settlement negotiations are always admissible to prove estoppel by acquiescence.) Third, the decision counsels using Rule 403 to seek the exclusion of third-party statements with a high potential to cause prejudice but little or no relevance to the defendant's intent in adopting a mark.

## Endnotes

1. Case No. 06-3691-cv (2d Cir. Mar. 4, 2008).
2. Slip Op. at 17.
3. *Id.* at 4.
4. *Id.*
5. *Id.* at 6.
6. *Id.* at 9.
7. *Id.* at 7.
8. *Id.* at 8.
9. *Id.* at 9.
10. *Id.*
11. *Id.* at 9-10.
12. *Id.* at 10.
13. *Id.* at 11.
14. *Id.* at 13-14.
15. *Id.* at 14.
16. *Id.*
17. *Id.* at 15-16.
18. *Id.* at 16.
19. *Id.* at 17.
20. *Id.*
21. *Id.*
22. *Id.* at 18.

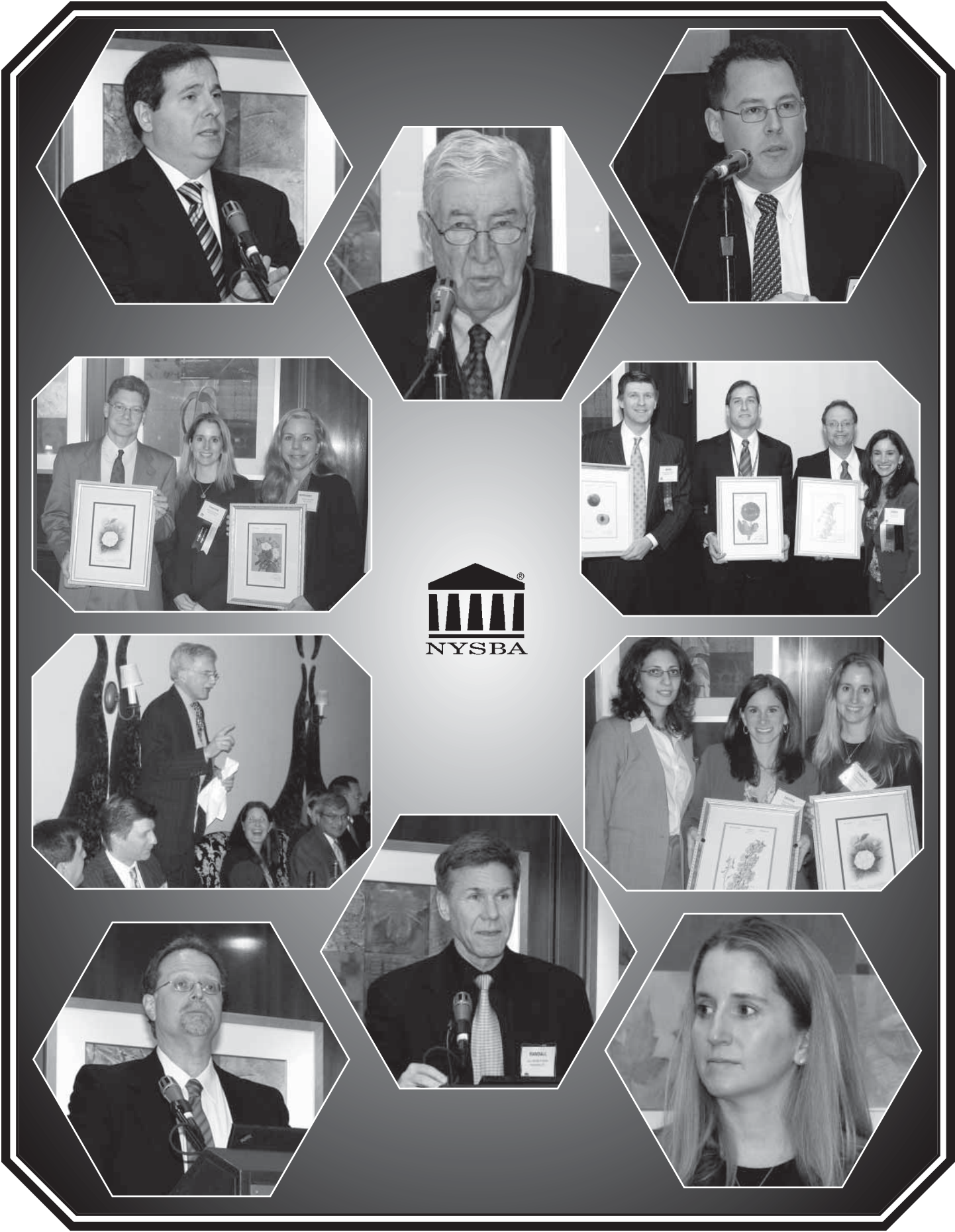
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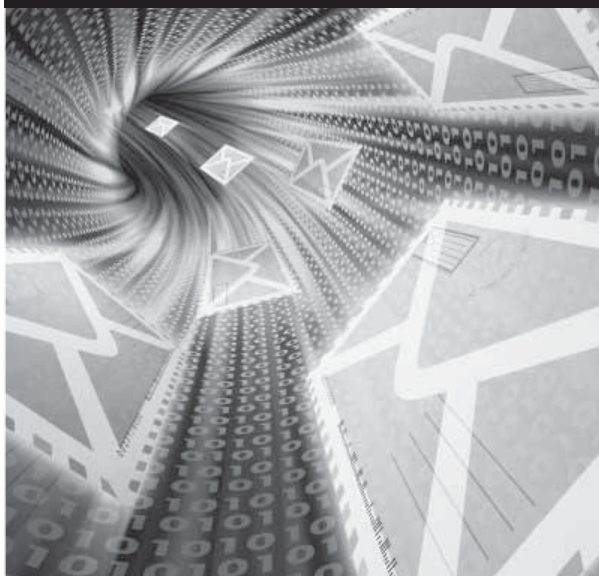
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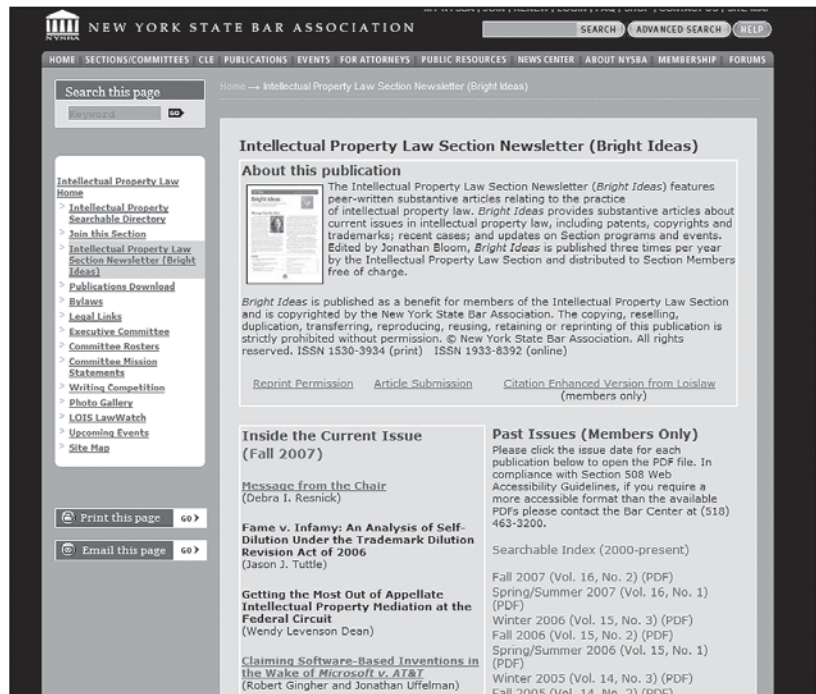
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