No. 02-428

IN THE
Supreme Court of the United States

DASTAR CORPORATION,

Petitioner,

v.

TWENTIETH CENTURY FOX FILM CORPORATION,
SFM ENTERTAINMENT LLC, and
NEW LINE HOME VIDEO INC.,

Respondents.

**ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT**

BRIEF FOR PETITIONER

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QUESTIONS PRESENTED

1. Does the Lanham Act protect creative works from uncredited copying, even without a likelihood of consumer confusion?

2. May a court applying the Lanham Act award twice the defendant's profits for purely deterrent purposes?

STATEMENT PURSUANT TO RULE 29.6

Petitioner, Dastar Corporation, has no parent corporation and no publicly held company owns 10% or more of its stock.

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The unpublished memorandum disposition of the court of appeals is available at 34 Fed. Appx. 312 and 2002 WL 649087. Pet. App. A at 1a-6a. The decisions of the district court are unreported. Pet. App. B at 7a-29a; Pet. App. C at 30a-55a.

STATEMENT OF JURISDICTION

The court of appeals entered its judgment on April 19, 2002, Pet. App. A at 1a, and denied Dastar's petition for rehearing on June 13, 2002. JA 59a. Dastar filed its petition for a writ of certiorari on September 11, 2002. This Court granted Dastar's petition on January 10, 2003. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1) (2000).

STATUTORY PROVISIONS INVOLVED

1. The statute relevant to Question 1 is section 43(a)(1) of the Lanham Act, 15 U.S.C. § 1125(a)(1) (2000), which provides:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or misleading representation of fact, which –
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

> shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

2. The statute relevant to Question 2 is section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a) (2000), which provides:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a), (c), or (d) of this title, or a willful violation under 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

STATEMENT OF THE CASE

In 1948, General Eisenhower completed his memoirs of World War II. Pet. App. C at 42a-43a. The publisher, Doubleday, granted exclusive television rights in the memoirs to Twentieth Century Fox, which in turn arranged for Time Inc. to produce a TV series based on the book. *Id.* at 9a. The TV series, entitled *Crusade in Europe*, combined a soundtrack based on the book with film footage from the U.S. Army, Navy, and Coast Guard, the British Ministry of Information and War Office, the National Film Board of Canada, and unidentified "Newsreel Pool Cameramen." *Id.* at 10a, 13a; S.App. 23.

When the time came to renew its copyright in the TV series in the 1970s, Fox failed to do so. Pet. App. C at 49a. Doubleday did renew the book's copyright in its own name, claiming for the first time that General Eisenhower composed his memoirs as a work for hire. *Id.* at 43a.

By 1988, videotapes had swept the American market, and it was evident that Fox's failure to renew the TV series copyright was a blunder. Fox's cure was to reacquire the television rights in the book – now including the right to produce a videotape. Pet. App. B at 10a. Fox granted SFM Entertainment the right to act as sales agent and distributor of the videotape series. *Id.* SFM spent $75,000 to locate, restore, and put the TV series on videotape. *Id.* at 11a. SFM gave New Line Home Video a distribution license for the videotapes. *Id.*

In 1995, Dastar decided to expand its music business to videotapes. *Id.* at 12a. Dastar learned that the 1948 TV series was in the public domain, purchased a copy commercially, and copied large parts of the series to make its own videotape series, entitled *Campaigns in Europe*. *Id.* at 12a. The court found that Dastar spent over $90,000 on its version. *Id.* at 19a-20a. Dastar sold the seven-tape boxed set for $25 a set – substantially less than respondents' version. *Id.* at 19a. Dastar copied from the original TV series, as opposed to the New Line video set. Pet. App. B at 12a-13a; Pet. App. C at 45a.

Dastar's version was a bit more than half as long as the television series, and nearly an hour shorter than the New Line videocassettes. Pet. App. B at 13a. Dastar's product contained about thirty minutes of new footage, including a new narrated opening title sequence and new narrated chapter heading sequences. Dastar also substantially modified the order of the footage it selected from the television series. 9th Cir. Excerpts of Record 1876-78, 1665 ("ER"); Pet. App. B at 13a, 15a-16a. It created entirely new packaging and a new title. Dastar's credits listed only Dastar and those of its staff who actually produced its videos; they did not mention Fox, New Line, or SFM. Pet. App. B at 18a.

Fox, SFM, and New Line filed a lawsuit charging violations of the Copyright Act, alleging infringement of the copyright in General Eisenhower's book (not the expired copyright in the television series).[1] In an amended complaint, they added a claim for violation of the Lanham Act, 15 U.S.C. § 1125(a)(1) (2000), based on the inclusion of Dastar and its personnel in the credits and the failure to mention Fox and the other respondents. The failure to give credit, respondents argued, constituted "reverse" passing off under the Lanham Act.

The United States District Court for the Central District of California rendered two decisions for respondents. The first granted summary judgment against Dastar on liability, Pet. App. C at 46a-54a, and the second assessed monetary relief after a trial. Pet. App. B at 22a-27a. In granting summary judgment as to liability, the court held

1. The district court found Dastar liable for infringing the Doubleday copyright, but in the decision below, the Ninth Circuit reversed that grant of summary judgment. The copyright claim was remanded for trial to determine whether Doubleday had properly renewed the book's copyright. The copyright claim is no longer directly implicated in this case. On remand, a trial was held and the district court ruled that Doubleday did properly renew the book's copyright; that issue will be presented anew in a future appeal to the Ninth Circuit.

that, notwithstanding the differences between the two in content, packaging, design, and title, Dastar's series was a "bodily appropriation" of the television series, and that Dastar's failure to "credit" respondents violated the Act. Pet. App. C at 51a-53a. At trial, the court awarded respondents an amount equal to Dastar's profits from its videos, approximately $784,000, and then doubled this award on the ground that Dastar's violation of the Lanham Act was willful. Pet. App. B at 27a. The result was an award substantially in excess of Dastar's entire gross revenue from its videotape series, about $875,000.

The Ninth Circuit affirmed. The court concluded that Dastar was liable for reverse passing off because its product "bodily appropriated" the television series without attribution to Fox, SFM, or New Line. The court found proof of likely confusion unnecessary "because the bodily appropriation test subsumes the less demanding consumer confusion standard." Pet. App. A at 3a-4a (internal quotation marks omitted). The court of appeals also affirmed the district court's award under the Lanham Act of twice Dastar's profits, concluding that the award was proper "in order to deter future infringing conduct by Dastar – a permissible ground under the Lanham Act." Pet. App. A at 4a.

SUMMARY OF ARGUMENT

Imitation may be the most sincere form of flattery, but it is not the most respected. Merchants who copy the products of others for a living do not enjoy a good press. At least not until the press goes shopping – for generic drugs, say, or Seventh Avenue copies of designer couture, or a classic artwork poster to liven up a college dorm room. It is in the marketplace that imitators shine, rapidly and efficiently bringing down the price of goods whose intellectual property protection has expired and at the same time laying the foundation for new innovation.

The Framers of the copyright and patent clause counted on imitators to play just that role. In this case, however, the lower courts' distaste for imitation led them into error – both in assessing liability and in imposing a remedy.

A. The copyright and patent clause of the Constitution does not allow copyright owners to obtain permanent protection against the copying of their works. It lets Congress grant authors and inventors "exclusive rights" only "for limited Times." After that, imitators may exercise a "federal right to copy and to use" products that have entered the public domain. *Bonito Boats*, *Inc. v. Thunder Craft Boats*, *Inc.*, 489 U.S. 141, 146 (1989).

What freedom the copyright and patent clause gives, the Lanham Act may not take away. The lower courts, however, have interpreted section 43(a) of the Lanham Act to do just that. The doctrine announced in *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981), allows copyright holders to control material long after copyright protection has lapsed, using tests that the courts admit are borrowed from copyright law. The Lanham Act may not, consistent with the Constitution, impose so heavy a burden on the "federal right to copy and to use" materials from the public domain.

Properly interpreted, the Lanham Act does not. Section 43(a) prohibits a person from using a "false designation of origin" that is "likely to cause confusion . . . as . . . to the origin . . . of his or her goods . . . by another person." In finding a violation of this provision, the lower courts misread the Act in four separate ways.

1. "Likely to cause confusion." The courts below did not examine relevant marketplace facts to determine whether respondents were likely to suffer from consumer confusion as a result of the credits Dastar used and didn't use. Instead, they conclusively presumed a likelihood of confusion from the fact that Dastar's videotape series was so similar to respondents' product. But by reducing likelihood of confusion to a simple question of similarity, the courts ensured that those who copy from the public domain will always be under an obligation to give credit to the work's originator. That obligation will protect copyright holders forever.

And not in a small way. Because the Lanham Act also prohibits misleading suggestions of "sponsorship or approval . . . by another person," former copyright holders like Fox have it both ways. If they get no credit, they can bring a claim for false designation of origin; if they do get a credit, they can sue their competitor for falsely suggesting that they sponsored and approved the competitor's product. Nothing can be copied, in short, without their consent. Rather than put this heavy burden on users of the public domain, the courts should have followed the practice that prevails elsewhere under the Lanham Act: required respondents to meet their burden of showing a real likelihood of confusion.

2. "Origin." The courts below treated respondents as the "origin" of Dastar's videotape series even though their contributions to the original TV series were largely financial and managerial – and in some cases nonexistent. If that definition of "origin" stands, those who copy and modify collaborative works will be forced to give credits to an ever-growing roster of originators.

The breadth and formlessness of the "moral rights" thus created are in direct conflict with the great caution Congress has shown as it has added such rights to the Copyright Act. This sweeping obligation has already begun to generate a new federal common law of film and television credits, as courts are forced to decide how a "presented by" credit differs from a "by arrangement with" credit and what an "associate producer" actually does – something that Hollywood has yet to agree on.

3. "False designation." Dastar made no "false designation" when it put its name on videotapes that it edited, produced, manufactured, and sold. The Lanham Act expressly protects merchants who put their names on goods they make and sell. So the only question is whether the Lanham Act treats the omission of respondents' names as a "false designation."

It does not. In 1988, Congress carefully considered and rejected an amendment that would have added a prohibition on "material omissions" to section 43(a). The amendment was rejected because Congress feared the implications of such a provision for free speech.

Congress was right. The government may not force Dastar to speak and at the same time turn the act of speaking into a liability high-wire act. Faced with competitors wielding "origin" and "sponsorship" liability like pincers, Dastar must have the option of remaining silent. For all those reasons, and for reasons of simple English usage, Dastar's omission of respondents' names cannot be considered either "false" or a "designation."

4. "Origin . . . by another person." The 1988 amendments made another change to section 43(a). Recognizing the risk to free speech if companies were encouraged to sue their critics, Congress strictly limited claims for commercial defamation, that is, for alleged misrepresentations about the products of others. In the course of implementing this principle Congress eliminated the textual basis for claims of "reverse" passing off. A merchant engaged in ordinary passing off is taking his own low-quality goods and pretending that their "origin" is "by another person." That false statement about his own goods is prohibited by the amended text of the Act. But a merchant engaged in "reverse" passing off is doing the opposite – pretending that someone else's goods originated with him. That is a statement about the goods of another person, and it is no longer barred by the Act. "Reverse" passing off has passed away. And, considering that its principal contribution to the casebooks in the past twenty years has been a proliferation of *Montoro* cases, it should not be mourned.

B. The courts below awarded all of Dastar's profits to respondents because it found Dastar's acts willful, then doubled the award for purposes of deterrence on the same premise. The remedy was improper in both respects.

1. The award of even the base amount of profits was erroneous because it was based on deterrence rather than compensation. Under the Lanham Act, all remedies are "subject to the principles of equity." 15 U.S.C. § 1117(a) (2000). As this Court clearly stated while the Lanham Act was being shaped, equitable relief is limited to curing the harm caused by the infringement: it may not be awarded for purposes of punishing the defendant – not even in cases of "deliberate plagiarism." *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 405 (1940). This principle requires that courts have a compensatory basis for an award of profits. In this case, the district court made no findings connecting Dastar's profits to any injury suffered by respondents. Indeed, because this is a "reverse" passing off case, there can be no plausible connection between the defendant's sales and any harm to the plaintiff.

2. The district court's doubling of the profits award breached a second express statutory provision. At the same time that the Act grants courts the unusual authority to "enhance" monetary awards, it declares that the enhancement must constitute "compensation and not a penalty." 15 U.S.C. § 1117(a). This provision on its face prohibits awards not grounded in fair compensation, but its instruction is further clarified by the line of cases that inspired it. In those cases, this Court allowed awards of minimum statutory damages when an exact accounting of plaintiff's harm was not possible, but it stressed that such awards avoid becoming penalties only if their purpose is providing "some recompense for injury" as opposed to punishment. *Douglas v. Cunningham*, 294 U.S. 207, 209 (1935); *see Brady v. Daly*, 175 U.S. 148, 154-55 (1899). Congress has read the statute in a manner consistent with its history, even going so far in 1984 as to make a separate statutory allowance for *punitive* trebled awards in trademark counterfeiting cases because the "compensation and not a penalty" clause did not permit imposition of such a penalty when one was needed. The courts

below were prudent enough not to actually call their punitive enhancement a "penalty," but the statutory restriction cannot be escaped merely by characterizing the enhancement as a "deterrent" aimed at "willful" violations. Deterrence and punishment are merely reasons for imposing penalties. They have nothing to do with compensation. The deterrence-based double award should be reversed.

ARGUMENT

I. THE LANHAM ACT DOES NOT PROTECT CREATIVE WORKS FROM UNCREDITED COPYING

A. The *Montoro* Doctrine Violates the Copyright and Patent Clause and the Lanham Act

1. The Copyright and Patent Clause

The hardheaded realists who framed the Constitution admired authors and inventors but loathed monopolies, and they counted on a marketplace filled with imitators to resolve that tension. The copyright and patent clause proposed by James Madison in 1787 empowers 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." U.S. Const., art. I, § 8, cl. 8.

"The clause is both a grant of power and a limitation." *Graham v. John Deere Co.*, 383 U.S. 1, 5 (1966). It authorizes Congress to grant a "form of monopoly," *id.* at 7, but only for limited times. "Congress may not create patent monopolies of unlimited duration." *Bonito Boats*, *Inc. v. Thunder Craft Boats*, *Inc.*, 489 U.S. 141, 146 (1989). Rather, the clause contemplates that the "exclusive right shall exist but for a limited period." *Pennock v. Dialogue*, 27 U.S. 1, 16-17 (1829) (Story, J.).

Once the monopoly's limited time has expired, the Framers expected widespread copying to disseminate the works and at the same time strip away the monopoly profits that authors and inventors had been earning from their exclusive rights. Thus, when the monopoly expires, so too does the author's right to prevent copying – even direct, wholesale, and slavish appropriation of every aspect of the author's creation. "[T]he right to make the article – including the right to make it in precisely the shape it carried when patented – passes to the public." *Sears*, *Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230 (1964). The form in which the product was temporarily protected becomes "dedicated to the public." *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 120 (1938). The expiration of protection "create[s] a federal right to 'copy and to use.'" *Bonito Boats*, 489 U.S. at 165.

For more than a century, this Court has regularly been obliged to remind authors and inventors that the "limited Times" applicable to their exclusive rights are just that – limited – and may not be extended by imaginative readings of trademark and unfair competition laws. In 1896, for example, this Court faced a claim surprisingly similar to the present case. *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169 (1896). When the patent on Singer's sewing machine expired, the price of its machines dropped precipitously as imitators crowded the market. Claiming trademark infringement and unfair competition, it sued a competitor which had bodily appropriated every aspect of its formerly protected invention – "the exact size, shape, ornamentation, and general external appearance" of its machine. *Id.* at 170. This Court found nothing wrong with the competitor's wholesale copying:

> It is self-evident that on the expiration of a patent the monopoly created by it ceases to exist. . . . It follows, as a matter of course, that on the termination of the patent there passes to the public the right to make the machine in the form in which it was constructed during the patent.

Id. at 185.

Once protection provided by patent or copyright laws ends, the Constitution prevents unfair competition or trademark law from being applied in a fashion that would "prohibit the copying of the article itself." *Sears*, 376 U.S. at 232-33. Such protection would extend the original monopoly under the guise of unfair trade law and thus would "interfere with the federal policy, found in art. I, § 8, cl. 8, of the Constitution." *Compco Corp. v. Day-Brite Lighting*, *Inc.*, 376 U.S. 234, 237 (1964).

2. The Lanham Act

The Lanham Act cannot be read to contradict this constitutional policy. Trademark has little to do with rewarding the creativity that is recognized by patents and copyrights: "[t]he ordinary trademark has no necessary relation to invention or discovery. . . . It requires no fancy or imagination, no genius, no laborious thought. It is simply founded on priority of appropriation," *The Trade-Mark Cases*, 100 U.S. 82, 94 (1879), and it is not authorized by "any . . . power in the constitutional provision concerning authors and inventors, and their writings and discoveries." *Id.*

Because trademarks have nothing to do with innovation or creativity, the protection they grant may extend "in perpetuity." *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995). So there is always a risk that, if trademark protection extends into realms properly governed by patent or copyright, it will become more protective than the laws enacted under the copyright and patent clause. This, of course, would destroy the "carefully crafted bargain" demanded by that clause. *Bonito Boats*, 489 U.S. at 150-51. The commerce clause does not empower Congress to override limits imposed by the copyright and patent clause. *See N. Am. Co. v. Sec. & Exch. Comm'n*, 327 U.S. 686, 704-05 (1946) (commerce clause "is limited by express provisions, in other parts of the Constitution"); *cf. Coll. Sav. Bank v. Fla. Prepaid Post-Secondary Educ. Expense Bd.*, 527 U.S. 666, 671 (1999).

To steer wide of these constitutional shoals, the Lanham Act should be interpreted in a fashion that does not intrude on terrain governed by the copyright and patent clause. *Cf. Jones v. United States*, 529 U.S. 848, 857 (2000); *Edward J. Bartolo Corp. v. Fla. Gulf Coast Bldg. & Constr. Trades Council*, 485 U.S. 568, 575 (1988). This Court followed that path in *TrafFix Devices*, *Inc. v. Marketing Displays*, *Inc.*, 532 U.S. 23 (2001). Having granted certiorari to consider whether the Lanham Act could constitutionally grant trade dress protection to functional features of a product design after patent protection had expired, the Court concluded that the Act provided no such protection. *Id*. at 29-30. Such an interpretation is also proper here, for the history of the Lanham Act shows that its drafters had no interest in buttressing the monopolies created by copyright or patent law. In the words of the Senate Patent Committee, the Act "has as its object the protection of trade-marks, securing to the owner the good will of his business and protecting the public against spurious and falsely marked goods." S. Rep. No. 79-1333, at 3 (1946) (emphasis added). "This can be done," the Committee explained, "without any misgivings and without fear of fostering hateful monopolies," for – unlike patent and copyright law – "no monopoly is involved in trade-mark protection." *Id.* Allowing Fox to use a "credit" obligation under the Lanham Act to extend its copyright monopoly into eternity would thus be inconsistent with both the Constitution and the Act.

3. "Reverse" Passing Off and the *Montoro* Doctrine

Against this background, courts have generally taken care to hold the Lanham Act apart from the copyright and patent laws. Certainly this Court has "consistently rejected the proposition that a . . . kinship exists between copyright law and trademark law." *Sony Corp. of Am. v. Universal City Studios*, *Inc.*, 464 U.S. 417, 439 n.19 (1984). When it comes to the obscure doctrine of "reverse" passing off, however, the lower courts have flouted this guidance.

Trademark law has long and properly condemned ordinary "passing off" – when, for example, a little-known, "Brand X" watch manufacturer attaches the Rolex trademark to its watches and passes them off as made by Rolex. In contrast, "reverse" passing off would occur if the Brand X company bought genuine Rolex watches, took off the Rolex mark, put its own name where Rolex's used to be, and sold the watches as "Brand X." As the example suggests, the commercial temptation to engage in "reverse" passing off is slight – as is the harm it causes. "Reverse" passing off does not directly threaten the reputation or sales of Rolex, because Rolex's name is not on the watches. Restatement (Third) of Unfair Competition § 5 cmt. a (1995). Indeed the practice is often harmless or even beneficial (as when Safeway buys Birdseye frozen peas in bulk and markets them at a discount under its own private label).

In recent years, however, this dusty corner of the law has been transformed. The process began with *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981), in which the Ninth Circuit granted relief to a film actor who found his name replaced in the credits by that of a fictional actor – an intentional fabrication. Analogizing to the substitution of a misleading trademark on physical goods, the court found a Lanham Act violation – and opened the floodgates to a new style of claim entirely.

Building on *Montoro*, the lower courts have created a body of "creative credit" rules that are borrowed directly and unashamedly from the Copyright Act. As applied in some circuits, the credit obligation has become so broad and vague that all who copy works, even from the public domain, are at risk. It has been applied not just to active misattributions but when a credit was simply omitted,[2] or when it was only partially

2. *E.g.*, *Schatt v. Curtis Mgmt. Group*, *Inc.*, 764 F. Supp. 902, 914 (S.D.N.Y. 1991) (defendant published James Dean photo without crediting plaintiff); *Meta-Film Assocs.*, *Inc. v. MCA*, *Inc.*, 586 F. Supp. 1346, 1362-63 (C.D. Cal. 1984) (following *Montoro* in recognizing claim for omission of credit).

correct,[3] or when there were simply differences of view about how much credit a particular contributor deserved.[4] And, in a glimpse of the doctrine's likely future, the lower courts have found themselves forced to rewrite television credits frame by frame, deciding how big each should be, whether it should occupy the entire screen or share it with other credits, and which credits should come at the beginning and which at the end of the show.[5]

The lower courts' "credit" obligation puts a particularly tight squeeze on "the federal right to copy and to use" uncopyrighted material because it creates two contradictory obligations under section 43(a) of the Lanham Act. Imitators must not only give credit to their competitors; they must at the same time avoid any suggestion that their competitors "sponsored" or "approved" the imitation. *See infra* pp. 33-34. In short, under *Montoro*, competitors will never lack for a Lanham Act claim against those who seek to compete with them.

The lawsuit filed by Fox and the other respondents illustrates the sweep of this new doctrine. Without regard to the public domain status of the original TV series, the lower courts found Dastar liable under § 43(a) because it copied the series and added a credit for itself while omitting any credits for respondents. The court of appeals summed up the theory of liability succinctly: "Dastar copied substantially the entire *Crusade in Europe* series created by Twentieth Century Fox, labeled the resulting product with a different name and marketed it without attribution to Fox. Dastar therefore committed a 'bodily appropriation' of Fox's series." Pet. App. A at 3a.

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3. *Lamothe v. Atl. Recording Corp.*, 847 F.2d 1403, 1406-07 (9th Cir. 1988).

4. *Aalmuhammed v. Lee*, 202 F.3d 1227, 1237-38 (9th Cir. 2000) (allowing suit to decide whether a contributor to Spike Lee's *Malcolm X* should be credited as a "co-writer" or an "Islamic Technical Consultant").

5. *Paquette v. Twentieth Century Fox Film Corp.*, 54 U.S.P.Q.2d 1286, 1287-88 (S.D.N.Y. 2000).

B. The Lanham Act May Not Be Construed to Impose Liability In This Case

The effect of the decision below – and indeed of the entire *Montoro* doctrine – is to extend the Lanham Act deep into the realm of copyright. The lower courts found themselves applying the Lanham Act in this alien terrain because they ignored four separate textual provisions of section 43(a). First, they treated consumer confusion as a mere technicality that can be presumed when necessary to punish blatant copying. Second, they let the Lanham Act's definition of "origin" drift beyond its moorings to cover intangible contributions of all sorts. Third, they treated the omission of credits as a "false designation." And finally, they ignored the statutory text that makes false designations actionable only if they confuse consumers into believing that the defendant's goods had their "origin . . . by another person." We address each error in turn.

1. "Likelihood of confusion" may not be presumed

a. Usually, it is "undisputed that liability under 43(a) requires proof of the likelihood of confusion." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992). In cases falling within the *Montoro* line, however, this observation is anything but undisputed. The Ninth and Second Circuits have reduced proof of likely consumer confusion to a single question – how closely the defendant's product resembles the plaintiff's. The Ninth Circuit presumes a probability of confusion from "bodily appropriation" of the copied work, *see* Pet. App. A at 3a, while, in the Second Circuit, a "substantial similarity" between the works is sufficient. *Waldman Publ'g Corp. v. Landoll, Inc.*, 43 F.3d 775, 783, 784 (2d Cir. 1994). This presumption of likely confusion not only diverges from the practice of other courts,[6] it also

6. *See*, *e.g.*, *Murray Hill Publ'ns*, *Inc. v. ABC Communications*, *Inc.*, 264 F.3d 622, 634 (6th Cir. 2001); *Lipscher v. LRP Publ'ns*, *Inc.*, 266 F.3d 1305, 1313 (11th Cir. 2001); *King v. Ames*, 179 F.3d 370, 374 (5th Cir. 1999).

represents an intentional blurring of the line between trademark and copyright law. *See Cleary v. News Corp.*, 30 F.3d 1255, 1261 (9th Cir. 1994) (borrowing bodily appropriation standard from "the copyright context"); *Waldman*, 43 F.3d at 783 (substantial similarity standard is "essentially" the same as that "used to show copyright infringement").[7] It turns the Lanham Act into a form of "disguised copyright," *Kodadek v. MTV Networks*, *Inc.*, 152 F.3d 1209, 1213 (9th Cir. 1998), in a fashion that is simply inconsistent with the copyright and patent clause.[8]

b. That was not Congress's intent. The "likelihood of confusion" requirement, which was added quite deliberately by Congress in 1988, Trademark Law Revision Act of 1988, § 27, reinforces a longstanding body of precedent treating likelihood of confusion as an essential element of a trademark infringement claim. *See*, *e.g.*, *McLean v. Fleming*, 96 U.S. 245, 251 (1877). The burden is on the plaintiff to show that

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7. *See also Attia*, 201 F.3d at 59; *Madrid v. Chronicle Books*, 209 F. Supp. 2d 1227, 1245 (D. Wyo. 2002); *Dahlen v. Mich. Licensed Beverage Ass'n*, 132 F. Supp. 2d 574, 589 (E.D. Mich. 2001); *Kerr v. New Yorker Magazine*, *Inc.*, 63 F. Supp. 2d 320, 326 (S.D.N.Y. 1999).

8. > The courts have been misguided in grafting copyright doctrines into trademark law. The Second and Ninth Circuits have gotten caught up in determining the degree to which a defendant has misappropriated or copied a plaintiff's goods or services. . . . While this is certainly appropriate for a *copyright* analysis, it is unnecessary under the *trademark* regime. . . . Instead, what is crucial is a determination of whether the misappropriation, whatever it might be, is likely to cause consumer confusion. The Lanham Act states as much, and courts should follow its statutory dictates.

Joseph H. Golant & Jodi M. Solovy, *Discrimination Against Authors and Artists – the Ninth Circuit and Section 43(a)*, 33 Beverly Hills B.J. 35, 42 (2000).

confusion is a "likelihood" – a probability, that is, and not a mere possibility. 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23.3 (4th ed. 2002); *see Am. Steel Foundries v. Robertson*, 269 U.S. 372, 384 (1926).

In gauging likelihood of confusion, courts must examine all relevant marketplace facts. *See Nabisco*, *Inc. v. PF Brands*, *Inc.*, 191 F.3d 208, 217 (2d Cir. 1999); Restatement (Third) of Unfair Competition §§ 20-23 (1995). No single fact is decisive, and no determination can be made without performing a comprehensive analysis of all the relevant facts. *Thompson Med. Co. v. Pfizer*, *Inc.*, 753 F.2d 208, 214 (2d Cir. 1985); *SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980).[9] While courts have often been invited to decide whether confusion is likely by simply comparing the two products, they have always declined.[10] Except in the context of "reverse" passing off. Yet there is no reason to set a lower hurdle for a claim with so little basis in law or policy.

c. Rather than benefiting from a conclusive presumption of confusion, respondents should have met their burden of proof by presenting specific evidence that the omission of their names was likely to cause material confusion among consumers. Several factors in this case suggest that this burden would prove a heavy one.

i. In the first place, it is hard to believe that the credits, had they appeared on Dastar's videotape series, would have made the slightest impression on consumer purchasing

9. Because the issue of likelihood of confusion is predominantly factual in nature, "summary judgment [is generally] disfavored." *Wendt v. Host Int'l*, *Inc.*, 125 F.3d 806, 812 (9th Cir. 1997), *reh'g denied*, 197 F.3d 1284 (9th Cir. 1999).

10. *See*, *e.g.*, *Vittaroz Corp. v. Borden*, *Inc.*, 644 F.2d 960, 966-68 (2d Cir. 1981); *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 759 (9th Cir. 1978); *James Burrough Ltd. v. Sign of the Beefeater*, *Inc.*, 540 F.2d 266, 275 (7th Cir. 1976).

behavior.[11] In respondents' own videotape series, the credits for Fox, New Line, and SFM appear for a few seconds at the very beginning or very end of the program, at a time when it is likely that "viewers [are] dashing to the refrigerator." *Paquette v. Twentieth Century Fox Film Corp.*, 54 U.S.P.Q.2d 1286, 1288 (S.D.N.Y. 2000). What's more, the credits they apparently want would convey next to nothing to the ordinary consumer. The screens that SFM and New Line display in their own videotape series credit them with no particular role at all; those screens simply display their corporate logos. The credit for Fox is even more baffling: "A March of Time Production by Arrangement with 20th Century Fox." Fox produced no evidence to suggest that consumers would know what "by arrangement with" means, let alone that any consumer has ever walked into a local video store and asked for more videotapes "arranged by 20th Century Fox." If these screens do not spur consumer action, their omission logically cannot create a meaningful likelihood of consumer confusion.

ii. Even if it could be shown that consumers actually see and understand a particular screen credit, that does not mean that their omission has cost respondents goodwill. Videotape credits appear on a viewer's screen at a time and place far removed from the video store where the consumer's next purchase will be made.[12] And no one watches the screen credits of a videotape before deciding to buy it. Commercial practice reinforces the common sense observation that there is little connection between these screen credits and consumer purchases. In this very case, both Fox and Dastar put their names in the videotape opening credits, but they saw so little

11. *Walt-West Enters.*, *Inc. v. Gannett Co.*, 695 F.2d 1050, 1062 (7th Cir. 1982) ("listeners have no real incentive to exercise any great care in differentiating among the symbols of the various stations").

12. *Innovative Networks*, *Inc. v. Young*, 978 F. Supp. 167, 177 (S.D.N.Y. 1997) (no reverse passing off in placing labels over competitor's name on floor plans where no prospective tenant confused).

goodwill in those credits that neither relied on their names in marketing their videotape series to consumers; the consumer packaging carried only the most obscure and tiny references to Fox and to Dastar. If in fact screen credits translated to store sales, one would expect Fox to display its name prominently on the videotapes it hopes consumers will buy. Since its own conduct casts doubt on the likelihood that screen credits translate into substantial later sales, Fox would seem to have lost no "goodwill" from Dastar's omission of its screen credit. There can be no confusion where consumers are "wholly indifferent." *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 353 (9th Cir. 1979).

iii. Third, Fox has not demonstrated that consumer confusion cost it any goodwill – because it has not demonstrated that attaching Fox's name to Dastar's product would have earned Fox any goodwill. To earn goodwill, the product must be at least as attractive as other Fox products. And Dastar's version of the videotapes – containing Dastar's own edits, rearrangements, and section introductions (using a narrator who was willing to do the whole job for $95) – could leave a less favorable impression on viewers than Fox's own products. Pet. App. B at 15a-16a, 19a. If so, the omission of Fox's name has not caused any confusion that could injure Fox.

2. Dastar is the "origin" of its videotape set; respondents are not

The second error at the heart of the *Montoro* doctrine is the vast new breadth it gives to the term "origin." 15 U.S.C. § 1125(a)(1) (2000). This case exemplifies the problem. Dastar's liability for using a "false designation of origin" was based both on the names it included in its videotape series – its own and its employees' – and on those it omitted – the names of the three respondents. Pet. App. B at 21a; Pet. App. C at 51a-53a. But Dastar and its staff had every right to be treated as the origin of Dastar's videotape series. And respondents' claim to being the "origin" of Dastar's videotape series requires a reading of that term that is not only breathtaking in scope, but wrong to boot.

a. Dastar was the "origin" of its videotape series

We begin with Dastar's use of its own name and its employees' names. The inclusion of those credits in Dastar's videotape series was entirely consistent with the purposes of trademark law. The Lanham Act's prohibition on "false designation of origin" was expanded in the 1960s so that it did "not merely refer to geographical origin but also to origin of source of manufacture." *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405, 408 (6th Cir. 1963). Tying "origin" to "source" and "manufacture" also ties it to the Lanham Act's definition of a trademark: a word or name that is "used by a person . . . to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods." 15 U.S.C. § 1127 (2000). By reading "origin" to include source of manufacture, the courts made section 43(a) an effective prohibition against passing off; anyone who misappropriated a trademark was liable for a false designation of origin – a "false description" concerning a good's "source of production." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 785 (1992) (Thomas, J., concurring in the judgment).[13]

13. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 166 (1995) (trademark "act[s] as a symbol that distinguishes a firm's goods and identifies their source," 1 McCarthy, *supra*, §§ 3:1-3.2, 3.8-3.10 (trademark serves function of distinguishing source of goods); Richard L. Kirkpatrick, *Likelihood of Confusion in Trademark Law* § 1.4.A, at 1-17 (2001) ("A true mark indicates source. The 'source' controls the nature and quality of the product."). Cases predating the Lanham Act also focus on who manufactures or sells the product. *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412-13 (1916) ("The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another.").

On that understanding of the term, Dastar was plainly the origin of its videotape series. Dastar both manufactured and sold its videotape series and acted as the guarantor of its quality.[14] Under the Lanham Act it was entitled to attach its name to its goods to distinguish them "from those manufactured or sold by others and to indicate the source of the goods." 15 U.S.C. § 1127.

Nothing in trademark law requires Dastar to show either authorship or originality before it places its name on goods that it makes or sells. "[T]rademark has no necessary relation to invention or discovery." *The Trade-Mark Cases*, 100 U.S. at 94. "It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time. . . ." *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995); *see* 1 McCarthy, *supra*, § 6:3, at 6-6. No one views *Harper's Magazine* as a false designation simply because James and John Harper do not write its contents. Indeed, it is only in the *Montoro* world of mutant copyright law that the question even arises. In the world of real copyright law, it is plain that Dastar's name belongs on the videotape. Dastar's modification of the original television series meets the substantive standard for an independently copyrighted derivative work,[15] and the Copyright Act has long encouraged

14. Respondents did not – and could not – claim that a 40-year-old television series featuring archival war footage constituted distinctive trade dress. *See Wal-Mart Stores*, *Inc. v. Samara Bros.*, *Inc.*, 529 U.S. 205, 213, 216 (2000); *TrafFix Devices*, *Inc. v. Mktg. Displays*, *Inc.*, 532 U.S. 23, 34-35 (2001); *Comedy III Prods.*, *Inc. v. New Line Cinema*, 200 F.3d 593, 595 (9th Cir. 2000) (finding no trademark protection in content of film that had entered the copyright public domain).

15. *See Feist Publ'ns*, *Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 348 (1991) (copyrightable expression requires "a minimal degree of creativity"); *Maljack Prods.*, *Inc. v. UAV Corp.*, 964 F. Supp. 1416,

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copyright owners to put their names on copyrighted works. *See*, *e.g.*, 17 U.S.C. §§ 401(b)(3) & (d), 405(b), & 1202(b)-(c) (2000).

Respondents' own conduct rebuts their claim that Dastar may not put its name on videotapes that it manufactures and sells. After all, neither New Line nor SFM had anything to do with the original television series, and their principal – perhaps their only – editorial contribution to their videotape series was to add their names to it. Pet. App. B at 25a-26a; Pet App. C at 44a. That may make their complaint against Dastar hypocritical, but it does not make them guilty of a false designation of origin. SFM and New Line were in fact the makers and sellers of the videotape series, and they were as entitled as Dastar was to attach their trademarks to their product.

Finally, there was nothing about the way Dastar characterized itself that violates the Lanham Act. Phrases such as "Dastar Presents" and credits such as "executive producer" are not regulated by the Lanham Act. These phrases, if understood at all by consumers, are not understood as making a claim of exclusive authorship, as is shown by television productions like *Charlton Heston Presents the Bible*.[16] Nor do consumers view a "producer" credit as designating authorship; in fact, there appears to be an industry practice of awarding "producer" credit to a wide variety of

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1426-28 (C.D. Cal. 1997) ("panned and scanned" edited version of public domain movie constituted a copyrightable derivative work), *aff'd on other grounds*, 160 F.3d 1223 (9th Cir. 1998); *see generally* 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 3.03[A], at 3-12 (2002) ("In general, the applicable standard in determining the necessary *quantum* of originality is that of a 'distinguishable variation' that is more than 'merely trivial.'") (citations omitted).

16. *See* http://www.hestonbible.com (last visited on Feb. 12, 2003).

contributors, including "the star's bodyguard and the investor's wife." *See infra* p. 30.

b. Respondents were not the "origin" of Dastar's videotape series

If Dastar may not be held liable for including its own name on its videotape series, respondents can only prevail if Dastar was also obliged to acknowledge them as the "origin" of Dastar's videotape series. There are three reasons why no such obligation should be read into the Lanham Act. First, it will thrust the Lanham Act deep into judgments about creative contributions that are the proper province of copyright. Second, it will impose on courts an obligation to compose credits for collaborative works – a task that continues to baffle Hollywood professionals after decades of effort. And finally, the formless moral rights created by this definition of origin will supplant Congress's far more incremental approach to exactly the same issue.

i. First, "origin" cannot and should not be stretched to include respondents' roles in Dastar's videotape series. It is true that Dastar copied and modified "tapes of the *Crusade* television series," Pet. App. C at 45a, and that Fox played some role in the creation of the television series. But SFM and New Line had no role whatsoever in the original television series, so they cannot claim to be the origin of Dastar's product under any plausible definition of that term – unless SFM is basing its claim on being the first to come up with the idea of turning the old television series into a videotape. ER 270 n.18. But that pedestrian bit of originality surely cannot give SFM any legal claim against Dastar. If the Lanham Act gives SFM an intellectual property interest in the idea, such as it was, of turning a television show into a videotape, the Act would evade the fundamental copyright doctrine that ideas may not be copyrighted – and likely fall afoul of the Constitution. *Eldred v. Ashcroft*, 123 S. Ct. 769, 788-89 (2003).

That leaves Fox. But Fox's contribution to the television series was at best managerial. It obtained television rights to General Eisenhower's book and paid Time, Inc., to produce the television series. Pet. App. B at 25a. It claims without elaboration to have "participated in the creative process." ER 270 n.18; *see* Pet. App. B at 25a. The limited nature of its contribution is confirmed by the credits to its own videotape series in which Fox is mentioned only in a subordinate clause: "A March of Time Production By Arrangement with 20th Century Fox." Pet. App. C at 44a.

Fox's effort to portray itself as the "origin" of Dastar's videotape series turns on shifting the statutory meaning of "origin" away from the question of who placed the goods in the stream of commerce and toward the question of who created the original work. Under this definition of origin, the author of a work for copyright purposes is also the "origin" of any copies of the work for Lanham Act purposes. And those who copy or closely imitate the author's work must give some kind of credit to the original on every copy they make and sell.

But this proposition immediately and comprehensively blurs the line between trademark and copyright – between the goods themselves and whatever creativity went into the goods. In the past, that boundary has been recognized from both sides. The Copyright Act, which expressly distinguishes between a copyright and "any material object in which the work is embodied," concerns itself with protecting the underlying creative work of authorship. 17 U.S.C. § 202 (2000). Under the Lanham Act, in contrast, it is the goods that determine who may use a trademark – the person who "manufactured or sold" the goods is the "source of the goods" and may use a trademark to identify himself or herself. 15 U.S.C. § 1127 (2000).[17]

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17. *See Columbia Mill Co. v. Alcorn*, 150 U.S. 460, 463 (1893) (a trademark must be "adopted for the purpose of identifying the

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What's more, allowing the Lanham Act to cross that boundary – to protect authors or inventors from uncredited copying – will radically transform settled law. In fact, it would rewrite many of this Court's recent decisions. Under the *Montoro* notion of origin, for example, Wal-Mart would not have been vindicated two years ago; instead it would have been liable for selling "knockoff" copies of Samara Brothers' children's clothing – because the copies did not credit Samara Brothers as the "origin" of Wal-Mart's clothing. *Wal-Mart Stores*, *Inc. v. Samara Bros.*, *Inc.*, 529 U.S. 205 (2000). Similarly, Bonito Boats could have kept on suing competitors who used molds to duplicate Bonito's unpatented hulls – as long as Bonito sued to demand that their hulls identify Bonito as the "origin" of the copied design. *Bonito Boats*, *Inc. v. Thunder Craft Boats*, *Inc.*, 489 U.S. 141 (1989). Feist Publications, too, would have found itself back in court, charged not with copying a phone book but with failing to provide an appropriate credit to Rural Telephone. *Feist Publ'ns*, *Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991).[18] Allowing such suits would contradict this Court's

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origin or ownership of the article to which it is attached, or . . . must point distinctively . . . to the *origin*, *manufacture*, *or ownership* of the article on which it is stamped. It must be designed . . . to indicate the *owner or producer* of the commodity. . . .") (emphasis added); *see also supra* note 13 (citing cases).

18. This result would raise yet another constitutional concern, for it would set at naught this Court's decision to deny protection to "sweat of the brow":

> It may seem unfair that much of the fruit of the compiler's labor may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not "some unforeseen byproduct of a statutory scheme." It is, rather, "the essence of copyright," and *a constitutional requirement.*

Feist, 499 U.S. at 349 (citations omitted, emphasis added).

"recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy." *Bonito Boats*, 489 U.S. at 146.

Remarkably, even expanding "origin" to include claims of intangible origination may not be enough to save Fox. Fox was not the only contributor to the original television series. Nor was it the most important. Time, not Fox, actually produced the television series, and Time's work in turn derives from a host of other sources, from General Eisenhower's book to public domain footage shot by the armed forces of several nations. Determining the origin of a collaborative and much-modified work is the judicial equivalent of searching for the source of the Nile. In that search, however, Fox is at best a minor tributary.

Fox therefore can prevail only if the Lanham Act treats as "false" any designation of origin that does not list everyone who contributed in any way to the prior work – not just the one true source of the Nile, but every stream in its drainage basin. At a minimum this would seem to include everyone who is credited in any fashion in the original work, plus anyone credited in later modifications. Such credit obligations will continue to accrete forever, with the credits growing longer every time the work is changed. *Waldman*, 43 F.3d at 785 n.8 (defendant must credit plaintiff as origin of defendant's work, but must also note that plaintiff in turn had rewritten an earlier work). Under that reading of the Lanham Act, anyone exercising the "federal right to 'copy and to use'" works in the public domain, *Bonito Boats*, 489 U.S. at 165, will be burdened by the need to track down every contributor, no matter how small or lacking in creativity its contribution may be, and then verify the accuracy and completeness of the resulting credits.[19]

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19. Indeed, in this case, the tapes of the television series that Dastar purchased had no credits on them at all, so Dastar did not (Cont'd)

ii. Fox, in short, seeks to transform the Lanham Act into a "Truth in Screen Credits Act." But the experience of Hollywood professionals suggests that the truth will emerge, if at all, only after decades of federal litigation and judicial rulemaking. The federal courts will not be the first to tread this path. The Writers Guild of America has already made a valiant effort to bring order to screenwriting credits. It has negotiated twenty pages of rules for assigning a wide variety of credits, from "written by" to "based on characters created by," and "from a Saturday Evening Post Story by."[20] But its rulebook is just the beginning. The rules must be interpreted, and the WGA has been forced to create an entire system of "credit" arbitration to apply the rules. Disputes are common. In the four years between 1993 and 1997, over a third of all films submitted for writers' credits – 415 in all – ended up in arbitration.[21] And even this elaborate system has not kept disputes out of court.[22]

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know which parties might assert an "origin" claim. ER 1876-77. The district court concluded, however, that Dastar's failure to successfully search out a full list of credits was not an excuse. In fact, the court declared, it made Dastar's violation willful (and a basis for doubling the profits award): "[D]efendants had access to and used a book that identified Fox's association with the work. In addition, defendants were able to obtain a full list of the credits in January 1999. They could and should have done so prior to releasing *Campaigns* in 1995." Pet. App. B at 26a.

20. Writers Guild of America, 2001 Writers Guild of America—Alliance of Motion Picture & Television Producers Theatrical and Television Basic Agreement 500-520 (2001) (Television Schedule A—Television Credits, effective May 2, 2001 through May 1, 2004).

21. Robert W. Welkos, *Giving Credit Where It's Due*, Los Angeles Times, May 11, 1998, at 1.

22. *See Paquette v. Twentieth Century Fox Film Corp.*, 54 U.S.P.Q.2d 1286, 1288 (S.D.N.Y. 2000) (Writers Guild "created by" credit requires a supplemental "inspired by" credit).

Other entertainment guilds have also written collective bargaining agreements to govern credits. The rules, often quite specific, change from agreement to agreement and govern such details as "size and style of type; color, speed, and legibility; the maximum number of credits for a specific contribution; the wording of credits; and the relationship of one credit to another" 1 Thomas D. Selz *et al.*, *Entertainment Law: Legal Concepts and Business Practices* § 10.04, at 10-7 to 10-8 (2d ed. 2002).

When it comes to producer credits, there is an opposite problem: a complete lack of enforceable standards. As leading commentators note,

> [t]he problem of a limited variety of '*producer*' labels is compounded by a lack of clarity about what the producer of an entertainment venture does. There is a tendency to think that anything that anyone does to help finance, produce, or distribute a project is a producing function, entitling a person to some form of producer billing.

Id. § 12.07, at 12-16. This is exacerbated where the work "has a life that extends over a period of time . . . or in different media," because "[d]ifferent producers may make contributions . . . at different points in time, or for different . . . media," which "can then create producer credit difficulties" as to which credits are to be added or removed. *Id.* § 12:09, at 12-22.

Members of the Producers Guild of America have complained publicly about their predicament. One producer notes, "The producers credit has been reduced to a state of insignificance. Many pictures now boast as many as 12 various producer titles. The public doesn't understand or even care, the studios deplore it, and the real producers are victimized. . . ."[23] Another bemoans "that the star's bodyguard and the investor's wife can encroach on the integrity of our hard-won credit."[24] *See also* Selz, *supra*, § 12.07, at 12-16 to -17.

Every one of the concerns raised by these professionals can, and eventually will, be restated as a Lanham Act claim if the lower courts' definition of "origin" is allowed to stand. It would be highly imprudent to adopt an understanding of origin that requires the courts to decide, case by case and credit by credit, whether the many contributors to a collaborative work have been adequately recognized.

iii. Adopting that definition would also undercut Congress's far more measured approach to the same issue. Congress has consistently refused to follow the path of those countries – mainly in continental Europe – that offer authors and artists a broad, inalienable "moral right" to be identified whenever their works are displayed or published. Instead, Congress has moved in that direction haltingly, one small step at a time. In 1988, for example, Congress experimented with a law allowing the creators of a limited number of highly significant films to insist that any materially altered version of those films include a prominent label declaring that the creators did not consent to the modifications.[25] This experiment was not a success, and Congress repealed it four years later.[26]

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23. Producers Guild of America, *Produced By Online*, at http://www.producersguild.org/pg/producedby/prod_rights.asp (quoting Robert Rehme, executive producer of *Lost in Space* and *Bless the Child)* (last visited Feb. 11, 2003).

24. *Id.* (quoting Peter Samuelson, producer of *Arlington Road* and *The Gathering*).

25. National Film Preservation Act of 1988, Pub. L. No. 100-446, 102 Stat. 1782 (1988) (repealed), *discussed in* 2 U.S.C. §§ 178 n. *et seq.*

26. *See* Pub. L. No. 102-307, 106 Stat. 264 (1992); *see also* 137 Cong. Rec. 34,801, 34,802 (1991) (statement of Rep. Moorhead).

In 1990, however, Congress took a somewhat larger step, amending the Copyright Act to give visual artists the right to be credited as the originator of certain original paintings, drawings, sculptures, and the like. But Congress carefully limited the scope of this new right. It specifically excluded movies, for example, and even *copies* of otherwise covered works.[27]

Even more recently, in 1998, Congress prohibited the unauthorized removal or alteration of "the name of, and other identifying information about, a writer, performer, or director who is credited in the audiovisual work."[28] But once again the right of attribution was carefully limited – to protecting the "integrity of copyright management information" and to prohibiting conduct that would facilitate or conceal copyright infringement.[29] What is most significant for this case, of course, is that at no time in this long history of legislative initiatives did Congress seek to protect the moral rights of producers, "arrangers," distributors, companies that "participated in the creative process," or anyone else resembling the respondents in this case.

In short, Congress has not been slothful in modifying *copyright* law to make sure that talent gets the credit it deserves. It is both unnecessary and disruptive for the courts to compete with Congress by refashioning the Lanham Act's definition of "origin" to create a separate and much more open-ended regime of moral rights.

27. Visual Artists Rights Act of 1990, tit. VI, Pub. L. No. 101-650, 104 Stat. 5089, 5128 (Dec. 1, 1990); *see* 17 U.S.C. § 101, ¶¶ (1) & (A)(i) (2000) (definition of "work of visual art"); *see also Quality King Distribs., Inc. v. L'Anza Research Int'l*, 523 U.S. 135, 149 n.21 (1998) (VARA is "analogous to Article 6*bis* of the Berne Convention . . . but its coverage is more limited").

28. Digital Millennium Copyright Act, 17 U.S.C. § 1202(b) & (c)(5) (2000).

29. 17 U.S.C. § 1202(b).

3. Dastar did not make a "false designation"

Even if respondents had a good claim to be the origin of Dastar's videotape series, leaving their names off the product was not a "false designation" under the Lanham Act. To hold otherwise would create an inescapable Catch-22, would ignore Congress's decision not to punish omissions under the Lanham Act, and would run counter to this Court's first amendment jurisprudence.

i. The best reason for companies like Dastar to omit references to earlier contributors is not a desire to fool the public; rather, it is that almost any effort to acknowledge those predecessors will give rise to a different sort of Lanham Act claim – one far better grounded in law than "reverse" passing off.

The credits that the lower courts said were omitted consist of two screens in the Fox videotape series that display the New Line and SFM logos without additional information, plus the phrase "By Arrangement with 20th Century Fox." But Dastar could not have simply added those logos or that phrase to its own series. If it had, it would have been accused – with some force – of old-fashioned passing off, i.e., of using "in commerce any word [or] name . . . which . . . is likely to cause confusion . . . as to the . . . sponsorship, or approval of his or her goods . . . by another person." 15 U.S.C. § 1125(a)(1)(A). SFM and New Line would have objected that the use of their logos suggests that they sponsored or approved Dastar's videotapes,[30] while Fox could have objected that it had no "arrangement" with Dastar and that its reputation was being tarnished by association with a

30. *See*, *e.g.*, *Nintendo of Am.*, *Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1001 (9th Cir. 1994); *Sega Enters. Ltd. v. MAPHIA*, 948 F. Supp. 923, 938 (N.D. Cal. 1996); *Radio Today*, *Inc. v. Westwood One*, *Inc.*, 684 F. Supp. 68, 73-74 (S.D.N.Y. 1988); *Presley's Estate v. Russen*, 513 F. Supp. 1339, 1366, 1377-78 (D.N.J. 1981).

"mutilated" version of the old television series.[31] Lawsuits raising precisely such "sponsorship" objections are all too common.[32]

In theory, of course, Dastar could have created a new screen that identified the "origin" role played by respondents while at the same time disclaiming any sponsorship or approval by these parties. In practice, however, there is no way to draft such a disclaimer with any confidence, for a hostile competitor like Fox can always find fault after the fact with whatever Dastar says. Fox can object that the credit is too short and simple to do full justice to its originating role, or that the credit is too complicated for viewers to understand. It can complain that the credit is more prominent than the disclaimer, and so gives too great an impression of sponsorship,[33] or it can object that the disclaimer is as

31. *See*, *e.g.*, *Gilliam v. Am. Broad. Cos.*, 538 F.2d 14, 23-25 (2d Cir. 1976) (ABC's broadcast of a "mutilated" version of Monty Python violates Lanham Act); *MxPx Global Enters. LLC v. Tooth & Nail Record Co.*, 60 U.S.P.Q.2d 1211, 1213 (M.D. Tenn. 2001) (granting preliminary injunction where defendant's release of album containing materially altered songs would suggest approval by plaintiff rock band); *Benson v. Paul Winley Record Sales Corp.*, 452 F. Supp. 516, 517-18 (S.D.N.Y. 1978) (granting preliminary injunction when George Benson's former work as a jazz combo player was overdubbed, repackaged, and sold as if he were the principal performer).

32. *See generally* Jim Jubinsky, Note, *Copyright and Trademark: Are They Too Substantially Similar for Literary Works?*, 5 Tex. Intell. Prop. L.J. 389, 400 (1997) ("[D]efendants are placed in a 'catch twenty-two' situation when it comes to attribution. . . . [I]f the defendant does credit an author and the author does not like it, or does not appreciate having his name associated with the work, the original author could still claim a false designation of origin.").

33. *See King v. Innovation Books*, 976 F.2d 824, 830-31 (2d Cir. 1992) (affirming injunction against use of "possessory" credit

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prominent as the credit, and thus hides Fox's vital contribution in a sea of legalese.[34] And, of course, whatever is said about Fox's role must also satisfy the parties who preceded Fox – Time, Doubleday, Gen. Eisenhower, and the like.[35] But obtaining the consent of these parties in advance is highly unlikely; certainly Fox has not the slightest incentive to offer an agreement that will let a competitor into the field. As this Court has already recognized in the context of section 43(a), "[c]ompetition is deterred . . . not merely by successful suit but by the plausible threat of successful suit." *Wal-Mart Stores*, 529 U.S. at 214. In these circumstances, Dastar's only practical choice was the one it made: leaving the credits out.[36]

ii. This is an option deliberately preserved by Congress in 1988. In enacting the Trademark Law Revision Act

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but not "based upon credit" for short-story author in movie); *see also Univ. of Ga. Athletic Ass'n v. Laite*, 756 F.2d 1535, 1547 (11th Cir. 1985) (relatively inconspicuous disclaimer will not prevent confusion); *Cartier*, *Inc. v. Deziner Wholesale*, *L.L.C.*, 55 U.S.P.Q.2d 1131, 1134 (S.D.N.Y. 2000) (defendant's use of "CARTIER" on sunglass boxes enjoined because disclaimer was in much smaller letters).

34. *Cf. E. & J. Gallo Winery v. Gallo Cattle Co.*, 12 U.S.P.Q.2d 1657, 1670 (E.D. Cal. 1989) (disclaimer increased the likelihood of confusion because "[l]abels for low-involvement products like cheese, salami and wine often are not read with great care."), *aff'd*, 955 F.2d 1327 (9th Cir.), *amended*, 967 F.2d 1280 (9th Cir. 1992); *Paramount Pictures Corp. v. Worldwide Entm't Corp.*, 195 U.S.P.Q. 539, 541, 542 (S.D.N.Y. 1977) (prominent "disclaimer" held to increase, not decrease, likelihood of confusion).

35. *Waldman Publ'g Corp. v. Landoll*, *Inc.*, 43 F.3d 775, 785 n.8 (2d Cir. 1994).

36. *See Neal v. Thomas Organ Co.*, 241 F. Supp. 1020, 1023 (S.D. Cal. 1965) (rejecting Lanham Act claim because "the deletion [of plaintiff's name] revealed an intent on the part of defendant not to engage in the recognized areas of unfair competition under federal law, *i.e.*, 'palming off' and 'secondary meaning'").

of 1988, Congress considered and rejected a proposal to expand section 43(a) to prohibit any "omission of material information."[37] The suggestion was rejected because it "raised difficult questions [of] freedom of speech."[38] Representative Kastenmeier, the subcommittee chairman responsible for the measure, made clear that, to avoid constitutional difficulties, the newly amended section 43(a) "will extend only to false and misleading statements of fact. Gertz v. Robert Welch, Inc. 418 US 323, 339-40 (1974)." 134 Cong. Rec. 31,851 (1988). When Congress takes seriously its independent obligation to protect the Constitution and its values, courts should give broad effect to its guidance. Because Dastar's omission of respondents'

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37. United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 Trademark Rep. 375, 435 (1987). In USTA's proposal, and in the bills originally introduced in both the House and the Senate, "false designation of origin" and "omission of material information" were both barred by the same subsection of the Lanham Act. *See* S. Rep. No. 100-515, at 41 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5557, 5603-04.

38. > [Trademark] laws often raise difficult questions about freedom of speech. During the course of our consideration of this legislation, those difficult issues were raised and sometimes hotly contested. I am pleased to say that the bill resolves those issues satisfactorily, and that our important constitutional freedoms have been preserved. The provisions on dilution, material omissions, and tarnishment and disparagement that were originally proposed have been deleted. . . .

134 Cong. Rec. 31,850 (1988) (statement of Rep. Kastenmeier). The Senate too attributed the deletion of the provision to "concerns that it could be misread to require that all facts material to a consumer's decision to purchase a good or service be contained in each advertisement." S. Rep. No. 100-515, at 41, *reprinted in* 1988 U.S.C.C.A.N. at 5603.

names is not a "false or misleading statement of fact," *id.*, it cannot be the basis for Lanham Act liability.

iii. The Constitution itself points to the same conclusion. If the Lanham Act is to compel Dastar to speak about the contributions that went into Dastar's videotape series, it must do so in a fashion narrowly tailored to important interests and must "not burden substantially more speech than necessary to further those interests." *Turner Broad. Sys., Inc. v. FCC*, 520 U.S. 180, 189 (1997); *see also Wooley v. Maynard*, 430 U.S. 705, 714 (1977). In identifying the government's interest, it is not enough to summon up consumer protection in the abstract, *United States v. United Foods, Inc.*, 533 U.S. 405, 416 (2001), particularly when the credits hold little interest for most consumers[39] and the statute is enforced principally by competitors.[40]

At the same time, the burden on Dastar's speech is substantial. Dastar would be protected by the first amendment if it purchased a newspaper ad to publicize its view that respondents are a gaggle of uncreative hacks whose "origin"

39. "[C]onsumer curiosity alone is not a strong enough state interest to sustain the compulsion of even an accurate, factual statement . . . . Were consumer interest alone sufficient, there is no end to the information that states could require manufacturers to disclose . . . ." *Int'l Dairy Foods Ass'n v. Amestoy*, 92 F.3d 67, 74 (2d Cir. 1996).

40. *See*, *e.g.*, 4 McCarthy, *supra*, §§ 27:20-22, at 27-37 to -39 ("[c]ourts have generally held that customers do not have standing to sue under § 43(a)," and "to have standing, a non-owner must have some cognizable interest in the allegedly infringed trademark," even if it is "not in direct competition with defendant"); *Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221, 234 (3d Cir. 1998) (retailers did not have standing to sue under section 43(a) for false advertising by manufacturer of competing products because they did not suffer a "competitive harm"); *Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213, 1214 (9th Cir. 1986) (film producer had no standing to sue theaters for false advertising of a film's rating).

claim is based entirely on their ability to write checks, mainly to lawyers. *New York Times Co. v. Sullivan*, 376 U.S. 254, 266 (1964). If it expresses the same views in a videotape that it has produced, however, it is subject to double damages and attorneys' fees if after suit the court takes a more generous view of respondents' contributions.

Given the consequences of being forced to speak on this topic, Dastar's interest in remaining silent is surely as great as the interest of a mushroom producer in not extolling mushrooms generically. *Cf. United Foods*, 533 U.S. at 411. In light of the bind the *Montoro* doctrine puts a competitor like Dastar in, "the game of allowing suit . . . seems to us not worth the candle," particularly when appropriate recognition for bona fide creative contributions is already provided by the copyright laws. *Wal-Mart Stores*, 529 U.S. at 214.

4. Dastar did not suggest that its videotapes had their "origin . . . by another person"

Finally, one further aspect of the 1988 amendments is fatal to respondents' claim. As already described, *see supra* note 38, Congress's discussion of section 43(a) was dominated by concern that expanding its scope would trench on first amendment interests.

One solution was to foreclose causes of action that lent themselves to first amendment abuses – such as "material omissions." This Congress did. But one other proposal also occupied the drafters of section 43(a) – whether and when to allow suits for misrepresentations made about someone else's products:

> Subsection (a) currently covers false designations of origin and false descriptions or

> representations with regard to a person's own products. It has been held, however, that Section 43(a) does not cover such statements with regard to the products of another. To rectify this situation, it was proposed to add the words "or another person's" to section 43(a).

134 Cong. Rec. 31,851 (1988) (statement of Rep. Kastenmeier) (citations omitted). Congress was not prepared to jettison this proposal entirely, but it recognized that "the proposal . . . raised the issue of commercial defamation in the context of section 43(a) and, as a result, a host of constitutional problems." *Id*. The House and Senate Judiciary Committee negotiators who produced the final version of the 1988 amendments thus focused their attention squarely on the question of when statements about someone else's products should give rise to liability under section 43(a).

The solution they adopted sounded the death knell for "reverse" passing off. As revised in 1988, section 43(a)(1) has two subsections. Subsection (A) imposes broad responsibility on companies for the things they say about their own products, including things they say about any sponsorship or approval of their goods by another person. But representations about "another person's goods" are governed by subsection (B), which is limited to "commercial advertising or promotion." In broad outline, then, the drafters sought to foster free speech by preventing companies from suing for misrepresentations about their products, except in the context of comparative advertising.

This principle was also applied to designations of origin. As amended, subsection (A) prohibits a false designation of origin only if the person making the designation has caused a likelihood of confusion "as to the *origin*, sponsorship, or approval *of his or her goods*, services, or commercial activities *by another person*." 15 U.S.C. § 1125(a)(1)(A) (emphasis added).

The language of subsection (A) poses no difficulty for an ordinary passing off claim, where the seller is trying to confuse consumers into believing that the actual "origin" of "his or her goods" – i.e., the low quality Brand X goods being passed off under the Rolex name – is in fact "by another person" – such as Rolex. In that case, the seller is saying something about his or her own goods and is subject to (A). But in a reverse passing off case, where the goods are actually sold under the Brand X name, the seller is not causing confusion about whether "his or her goods" were originated "by another person." Instead, for whatever reason, the seller wants consumers to believe that the *seller* is the "origin . . . of his or her goods."[41] Thus, "reverse" passing off is no longer covered by subsection (A). Nor is it covered by subsection (B), which "has been carefully limited to commercial advertising and promotion," 134 Cong. Rec. 31,850 (1988) (statement of Rep. Kastenmeier), and which "is narrowly drafted to encompass only clearly false and misleading commercial speech." *Id* at 31,852.[42]

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41. *See* John T. Cross, *Giving Credit Where Credit Is Due: Revisiting the Doctrine of Reverse Passing Off in Trademark Law*, 72 Wash. L. Rev. 709, 740 (1997) ("A defendant who engages in reverse passing off in no way suggests that . . . its product originates from or is sponsored or approved by plaintiff. . . . Because of the explicit statutory restrictions, reverse passing off does not fit within section 43(a)(1)(A)."); Randolph Stuart Sergent, *Building Reputational Capital: The Right of Attribution Under Section 43 of the Lanham Act*, 19 Colum.-VLA J.L. & Arts 45, 49 n.20 (1995).

42. Rep. Kastenmeier provided what seems to be the only detailed description of the unusual "negotiations in lieu of a conference" that produced the 1988 amendments in the waning days of the session.

The effect of the 1988 amendments is thus to eliminate the cause of action for "reverse" passing off. It is not clear whether Congress expressly considered the effect of the 1988 language on the cause of action. But it is clear that Congress expressly adopted a broad rule that limits the power of big companies to bring suit to challenge what they consider misrepresentations about their products. That is precisely the kind of suit that respondents have brought, and precisely the kind Congress sought to restrict.

II. THE LANHAM ACT DOES NOT PERMIT THE AWARD OF TWICE DEFENDANT'S PROFITS FOR PURELY DETERRENT PURPOSES

The district court made an award on the Lanham Act count that was double the entire profit earned by Dastar on its videotape series. Pet. App. B at 27a. The award was based on the court's conclusion that Dastar's conduct was "willful for purposes of the Lanham Act" because Dastar "could have easily discovered who was responsible" for the original and "should have done so" before releasing its videotape series. Pet. App. B. at 26a. Based on this "could have . . . should have" concept of willfulness, the district court also doubled the award. The court of appeals affirmed, concluding that the lower court did so "in order to deter future infringing conduct by Dastar – a permissible ground under the Lanham Act." Pet. App. A at 4a.

The circuits are divided on two questions raised by this award: first, whether a disgorgement of profits can be ordered under the Lanham Act for the non-compensatory purposes of punishing willful misconduct and deterring future misconduct by the defendant;[43] and second, whether a

43. *Compare ALPO Petfoods*, *Inc. v. Ralston Purina Co.*, 913 F.2d 958, 969 (D.C. Cir. 1990) (compensation only), *with George Basch Co. v. Blue Coral*, *Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992)
(Cont'd)

Lanham Act monetary award can be enhanced for the same reasons.[44] We address each question in turn.

A. A Profits Award Is Barred by the Principles of Equity

This is a case of reverse passing off. That bears repeating because it means that not a single one of the stores that ordered Dastar's videotape series – and not a single one of the customers that purchased it – had the slightest reason to think that respondents were associated in any way with Dastar's product.[45] But if this is so, what possible connection can there be between Dastar's profits and the harm it is accused of having caused? Dastar would have sold just as many videotapes if it had credited respondents in all of its videotapes.[46]

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("willfulness expressly defines the third rationale (deterrence)" for an accounting of profits), *and Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000) (willfulness is sufficient for awarding profits).

44. *Compare Jurgens v. McKasy*, 927 F.2d 1552, 1564 (Fed. Cir. 1991) ("the district judge may increase damages, 'providing it does not award such relief as a penalty'") (quoting *Metric & Multistandard Components Corp. v. Metric's*, *Inc.*, 635 F.2d 710, 715 (8th Cir. 1980)), *with Gorenstein Enters.*, *Inc. v. Quality Care-USA*, *Inc.*, 874 F.2d 431, 436 (7th Cir. 1989) (enhancement provisions "are properly invoked when . . . the infringement is deliberate").

45. The retailers who bought Dastar's videotape series did not even choose a particular product, let alone ask who might have produced or "arranged" it. The undisputed testimony in this regard was that defendants' customers – "warehouse clubs, mail-order companies and retailers" – simply ordered the desired numbers of video sets and let Dastar fill the orders with video sets of its own choosing. Pet. App. B at 19a; JA 265a.

46. [I]n a case of reverse passing off . . . defendant's acts do not deprive plaintiff of any immediate sales which

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This is in stark contrast to a case of ordinary passing off. If Brand X watches are sold with a prominent Rolex label, every sale is made to someone who wants to buy a Rolex. In that case, unlike this one, Brand X's profits come directly at Rolex's expense, and it is entirely equitable to force Brand X to disgorge them.

Under the Lanham Act, equity is the touchstone for deciding whether to award profits. Section 35 requires that all monetary awards be "subject to the principles of equity." 15 U.S.C. § 1117(a). And equitable remedies such as disgorgement of profits must have an essentially compensatory – as opposed to punitive – character. *See Feltner v. Columbia Pictures Television*, *Inc.*, 523 U.S. 340, 352-53 (1998) (distinguishing "equitable . . . actions for disgorgement of improper profits" from "[r]emedies intended to punish culpable individuals [which] were issued by courts of law, not courts of equity").

This Court made precisely the same point while the Lanham Act was under consideration. In *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390 (1940), the question was whether a copyright infringer could be ordered to pay over its profits from an infringing film or only that portion of the profits earned from its infringement. *Id*. at 396. The Court held that a profits award is limited to the harm caused by the infringement; profits are to be awarded "in accordance with the principles governing equity

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> it could otherwise expect to make. In fact, if defendant had correctly named plaintiff as the source, it is entirely likely that defendant would have diverted more sales from plaintiff than it did by selling the product under its own name. Therefore, giving plaintiff a right to recover the profits from defendant's sales is not an appropriate measure of plaintiff's loss.

Cross, *supra*, at 768-69 (footnote omitted).

jurisdiction, not to inflict punishment but to prevent an unjust enrichment by allowing injured complainants to claim 'that which, *ex æquo et bono*, is theirs, and nothing beyond this.'" *Id.* at 399 (citation omitted). Even a willful infringement did not change the Court's view about the limits of equitable relief:

> Petitioners stress the point that respondents have been found guilty of deliberate plagiarism, but we perceive no ground for saying that in awarding profits to the copyright proprietor as a means of compensation, the court may make an award of profits which have been shown not to be due to the infringement. That would be not to do equity but to inflict an unauthorized penalty.

Id. at 405.

It was only a year after this plain statement of what principles of equity mean for an award of profits that the "principles of equity" clause was recommended to Representative Lanham by Prof. Milton Handler. *Trademarks Hearings on H.R. 102, H.R. 5461 and S. 895 Before the Subcomm. on Trademarks of the House Comm. on Patents*, 77th Cong. 228 (1941) ("1941 Hearings"). "[I]t seems clear," Handler wrote, "that the normal principles of equity in respect of allowance of and defenses to an accounting of profits and the recovery of damages are not affected by this bill." *Id.* at 228. Handler recommended inserting "according to the principles of equity" in the first sentence of what became section 35 "to effectuate the intentions of the draftsmen." *Id.*; *see also Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 111 (2d Cir. 1988).

If the clause means anything, therefore, it means that the Lanham Act does not authorize a non-compensatory award of profits – not even to punish "deliberate plagiarism." *Sheldon*, 309 U.S. at 405. A profits award must be grounded in a finding that the defendant's profits in fact belong to the plaintiff.[47]

Applying these "principles of equity" to the present case can lead to only one result. The award of Dastar's profits did not give respondents "that which, *ex æquo et bono*, is theirs, and nothing beyond this." *Sheldon*, 309 U.S. at 399 (citation omitted). On the contrary, Dastar's profits were earned from sales that did not benefit in any way from respondents' reputation or trademarks, and there is no basis for concluding that the award of profits was "designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to him."[48] *Mishawaka Rubber & Wollen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 206 (1942). It was instead an "unauthorized penalty." *Sheldon*, 309 U.S. at 405.

B. The Enhanced Profits Award Was a Penalty and Not Compensation

The courts below compounded their error by doubling the profits award – again without any compensatory basis or purpose. The enhancement provision is of course subject to the same "principles of equity" provision as the base award of profits. *Getty Petroleum*, 858 F.2d at 111. But it is also subject to an even more direct limit. Immediately after granting courts

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47. There is no basis for the courts to create an additional remedy that does not have a compensatory basis. *See Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 719-21 (1967) (denying attorneys fees under the Lanham Act because "[a] judicially created compensatory remedy in addition to the express statutory remedies is inappropriate").

48. The district court's findings are at best contradictory. Although the court made general findings that plaintiffs lost "valuable goodwill" and "sales," these losses were not calculated and were not related to Dastar's profits. And in addressing the copyright claim elsewhere in its decision, the district court attributed *all* of Dastar's profits to its use of literary material from General Eisenhower's book. Pet. App. 23a.

the unusual authority to enhance awards of both damages and profits, the Lanham Act declares that the resulting awards must be compensatory, not punitive: "Such sum in either of the above circumstances shall constitute compensation and not a penalty." 15 U.S.C. § 1117(a) (2000).

1. This provision cannot be ignored as surplusage. *Duncan v. Walker*, 533 U.S. 167, 174 (2001). Read in a straightforward way, it represents a congressional instruction to courts to use the enhancement authority only for purposes of compensation, and not for purposes of penalizing bad behavior. At the time the Lanham Act was enacted, as is true today, there was no lack of penalties for fraud, including civil and criminal sanctions under other laws.[49] There was no need to give companies the power to punish their competitors – as opposed to the right to receive compensation for their injuries.

The history of the "compensation and not a penalty" provision simply reinforces its straightforward meaning. The clause is borrowed from the Copyright Act of 1909, which had a similar provision.[50] In 1935, while the Lanham Act was

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49. *See*, *e.g.*, Federal Trade Commission Act, 15 U.S.C. § 45(a)(1), (*l*)-(m) (2000); Thomas J. Holdych, *Standards for Establishing Deceptive Conduct Under State Deceptive Trade Practices Statutes That Impose Punitive Remedies*, 73 Or. L. Rev. 235, 236 n.4 (1994) (noting that "[m]ost jurisdictions provide for punitive relief in actions by public enforcing agencies," as well as civil penalties for violating injunctions against deceptive behavior, and some provide for criminal punishment for such behavior); 37 C.J.S. *Fraud* § 96, at 298-99 (1997) ("Statutes and ordinances have frequently been directed toward the punishment of fraud," and "[a] criminal conviction for fraud does not require that the victim suffer a pecuniary loss").

50. An Act to Amend and Consolidate the Acts Respecting Copyright, ch. 320, § 25 (1909); *see Getty Petroleum*, 858 F.2d at 110; James M. Koelemay, Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 Trademark Rep. 458, 523 (1983) ("The legislative history leaves no doubt that the 'not a penalty' clause in Section 35 derived from the copyright laws. . . .").

under consideration, this Court construed the Copyright Act version of the clause and concluded, not surprisingly, that it allowed an award of minimum damages when the award was grounded in compensation – that is, an award that gave the plaintiff "some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits." *Douglas v. Cunningham*, 294 U.S. 207, 209 (1935). The clause construed in *Douglas* was in turn inspired by *Brady v. Daly*, 175 U.S. 148 (1899). In *Brady*, this Court held that a copyright award was not a penalty even though the law fixed a minimum award for each infringing performance of a play. Minimum damages are essentially compensatory, said *Brady*, because they are a practical response to the problem of measuring damages in certain circumstances:

> Although punishment, in a certain and very limited sense, may be the result of the statute before us so far as the wrongdoer is concerned, yet we think it clear such is not its chief purpose, which is the award of damages to the party who had sustained them, and the minimum amount appears to us to have been fixed because of the inherent difficulty of always proving by satisfactory evidence what the amount is which has been actually sustained.

Brady, 175 U.S. at 157.

These precedents heavily influenced the drafters of the Lanham Act as it made its extraordinary, quarter-century-long journey to enactment. But the Act's proponents had their own reasons to emphasize compensation as a limit on Lanham Act relief. Edward Rogers, who led the effort to enact a new trademark law,[51] noted with frustration that his efforts were often stymied by fears that the bill would allow anti-competitive abuses:

> Whenever there was a hearing before any committee on the trade-mark bill, sooner or later there appeared

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51. *See Getty Petroleum*, 858 F.2d at 109; 1 McCarthy, *supra*, § 5:4, at 5-10.

> zealous men from the Department of Justice who . . . asserted that trade-marks are monopolistic and any statutory protection of them plays into the hands of big business and should be discouraged.

Edward S. Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 L. & Contemp. Probs. 173, 183 (Spring 1949). Among the fears raised by these "zealous men" was the risk that the threat of litigation would deter smaller competitors. Discussing a provision other than section 35, one Justice Department official expressed concerned that "[a]s in other parts of the bill, the possibility that a competitor will be faced with a lawsuit . . . is sufficient, particularly if the competitor is a small man, to keep him out of the field." *Hearing on H.R. 82 Before a Subcommittee of the Senate Committee on Patents*, 78th Cong., at 71-72 (1944).

It was therefore in the interest of the Act's proponents, as well as of its opponents, to offer safeguards against excessive awards in suits between competitors, and this theme was sounded regularly by Edward Rogers. For example, when concern was expressed in the 1941 hearings that the enhancement authority might be used for non-compensatory purposes, Rogers emphasized that the enhancement provision was simply to remedy problems of proof: if the amount that could be proven was inadequate, "a reasonable sum in the way of ordinary damages ought to be awarded." 1941 Hearings at 203. Reacting to the idea that a plaintiff might receive as enhanced profits an amount "not exceeding defendant's total sales," Rogers stated, "You are going to have a penalty there, and you do not want to do it." *Id*.[52]

52. In the 1925 hearings on an early draft of the Act, Rogers also stated:

> [A]nything more than proper compensation, an artificial increase, is in the nature of a penalty. So it seemed to us better to give the court discretion to award the damages

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2. Faced with such straightforward legislative language and consistent legislative history, courts seeking to impose penalties under the Lanham Act simply change the subject. They imply, as did the lower courts here, that an enhanced award is not a penalty if it is designed to deter future misconduct or is made because the defendant's conduct was willful. In fact, the point of a penalty is to deter the willful, and it is nearly impossible to find a discussion of punitive damages awards that does not link penalties to that goal. *See*, *e.g.*, *Gertz v. Robert Welch*, *Inc.*, 418 U.S. 323, 350 (1974) (punitive damages are levied "to punish reprehensible conduct and to deter its future occurrence"); Restatement (Second) of Torts § 908(1) (1979) ("Punitive damages are . . . awarded against a person to punish him . . . and to deter him and others like him from similar conduct in the future."). In any event, avoiding a penalty is only half of Congress's admonition. An enhanced award must be "compensation" as well as "not a penalty." And there is nothing compensatory about an award made solely to deter, as this case shows.

3. If there were any remaining doubts about what the clause requires, they were answered in 1984, when Congress modified the Lanham Act's remedies provision – precisely because it believed that awards could not be made under the Act if they constituted non-compensatory penalties. To authorize *punitive* treble damages awards against trademark counterfeiters, Congress added a separate provision to the remedies section, 15 U.S.C. § 1117(b) (2000), and explained the need for the change this way:

> [Punitive] awards will significantly deter those who might otherwise engage in this fraudulent enterprise.

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> which under all the circumstances of the case seemed to be just, rather than arbitrarily fix treble damages [as had been done in the 1905 Trademark Act]. . . .

Hearings on S. 2679 Before the Joint Committees on Patents, 68th Cong., at 151-52 (1925).

> As noted earlier, courts may in their discretion grant treble damages in any trademark infringement case. However, the statutory grant of authority to award such damages, 15 U.S.C. 1117, provides that treble damages "shall constitute compensation and not a penalty." This proviso is out of place in the context of commercial trafficking in known counterfeits, in which a financial penalty is entirely appropriate. . . . By taking the profit out of this lawless behavior, the Committee believes that the bill will offer a potent deterrent to counterfeiting.

S. Rep. No. 98-526, at 6 (1984), *reprinted in* 1984 U.S.C.C.A.N. 3627, 3632.

This passage, linking the "penalty" of multiplied awards to their "deterrent" impact, demonstrates Congress's view that only by amendment could such awards be authorized – that punitive and deterrent awards under the prior provision were barred by the "compensation and not a penalty" provision.[53] *See Food & Drug Admin. v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000); *Andrus v. Shell Oil Co.*, 446 U.S. 657, 666 (1980); *see also Louis Vuitton S.A. v. Spencer Handbags Corp.*, 765 F.2d 966, 971, 972 (2d Cir. 1985) (in 1984 amendment, "Congress intended . . . to penalize known counterfeiters, thereby deterring others," in contrast to earlier remedies, which were "intended only to compensate victims of trademark violators.").

4. In short, monetary awards may be increased in non-counterfeiting cases under the Lanham Act only if there is evidence that, without enhancement, the award would not compensate for the full amount of harm suffered by the plaintiff. The need for such a provision is obvious when the defendant is a shady business engaged in passing off, and the profits shown

53. *See also Joint Statement on Trademark Counterfeiting Legislation*, H.R. J. Res. 648, 98th Cong., 130 Cong. Rec. 31,673, 31,680 (1984).

on its books could easily be understated. In the present case, however, there was no evidence that respondents suffered from undercompensation caused by difficulties of proof. Quite the contrary, it was Dastar that suffered from difficulties of proof on this point. Dastar offered evidence that its total expenses in making and selling the videotape series were $467,000, not the $91,000 adopted by the district court. ER 2362; Pet. App. B at 23a. This offering, which suggested that Dastar's actual profits were less than half the court-awarded $784,000, was rejected by the district court because it had not been sufficiently supported by the time discovery closed. Pet. App. B at 23a. In short, if anyone faced "difficulties of proof" on the question of profits, it was Dastar, not respondents.

More fundamentally, however, there is simply no reason to believe that Dastar's profits have anything to do with any harm Fox may have suffered. Dastar's sales were not made at Fox's expense or by exploiting Fox's name.

There is thus no compensatory basis for awarding any of Dastar's profits to Fox, let alone a multiple of those profits. The courts below tacitly acknowledged as much; they made no effort to identify a compensatory rationale for the enhanced award. Instead, they relied entirely on deterrence as the award's justification. Because that justification cannot be squared with the statute, the award should be reversed.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted,

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