WSSFC Substantive Track
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snIPpets: Intellectual Property Awareness for Any Practice

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I. Types of Intellectual Property

a. Copyrights (Title 17 U.S. Code)

i. Copyright protection extends to any original work of authorship that is fixed in any tangible medium of expression, including on paper, on film, in nonvolatile computer memory, on tape, or other media. 17 U.S.C. § 102.

ii. Works of authorship include literary works; musical works; dramatic works; pantomimes and choreographic works; pictoral, graphic, and sculptural works; motion pictures and other audiovisual works; sound recordings; and architectural works. 17 U.S.C. § 102.

iii. Idea/Expression dichotomy-The expression of ideas can be protected, but not the ideas themselves. *Ho v. Taflove*, 648 F.3d 489 (7th Cir. 2011).

iv. Rights conferred by copyright (17 U.S.C. § 106):

1. to **reproduce** the copyrighted work in copies or phonorecords;
2. to **prepare derivative works** based upon the copyrighted work;
3. to **distribute** copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
4. in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to **perform** the copyrighted work **publicly**;
5. in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to **display** the copyrighted work **publicly**; and
6. in the case of sound recordings, to perform the copyrighted work publicly by means of a **digital audio transmission**.

v. Conditional rights conferred

1. Rights of attribution and integrity
2. Moral rights ~ droits de auteur
3. Mask works for production of electronics
4. Limits on digital audio recording devices
5. Unauthorized recording of live musical performances (anti-bootlegging)

6. Digital Millennium Copyright Act (17 U.S.C. § 512)

7. Anti-DRM circumvention

vi. Limits on rights conferred (17 U.S.C. §§ 107-112)

1. Libraries

2. First sale doctrine

3. Jukeboxes

4. Copying for blind people

5. Fair use

a. Purpose and Character of the Use

b. Nature of the Copyrighted Work

c. Amount and substantiality of portion taken

d. Effect on potential market for or value of the work

e. Other factors analyzed on case-by-case basis

b. Patents (Title 35 U.S. Code)

i. A patent is a bundle of rights allowing the owner to exclude others from making, using, and selling the claimed invention within a particular jurisdiction. (35 U.S.C. § 154)

ii. There is no such thing as a "worldwide patent." Patent protection must be applied for and secured in each desired country.

iii. A patent can cover the structure of a thing or process, or the way something works, is used, is made, or is ornamented. There are three types of patents available in the United States: utility, design, and plant.

1. A utility patent can protect an apparatus, machine, process, product, or composition of matter. (35 U.S.C. § 101)

2. A design patent protects ornamental product design. (35 U.S.C. §§ 171 et seq.)

3. Plant patents protect certain asexually reproduced varieties of plant. (35 U.S.C. §§ 161 et seq.)

c. Trademarks (Title 15 U.S. Code)

i. A distinguishing word, design, or device that identifies the source of a product or service. Can cover the packaging or design or a product if it has acquired distinctiveness.

d. Trade Secrets

i. Information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. Wis. Stats. § 134.90(c)(1).

ii. Must be subject of efforts to maintain its secrecy that are reasonable under the circumstances. Wis. Stats. § 134.90(c)(2).

iii. Examples: formula, pattern, compilation, program, device, method, technique, or process

iv. Generally trade secret does not cover customer lists in Wisconsin. *Gary van Zeeland Talent Inc. v. Sandas*, 267 N.W.2d 242 (Wis. 1978).

e. Confidential Information

i. A contract can protect any perceptible information that you want others to maintain in confidence.

II. <u>Ownership of Intellectual Property Rights</u>

a. Copyright (17 U.S.C. § 201)

i. Ownership in a copyright initially vests in the "author."

1. Person; or

2. Employer or other person for whom the work was prepared (work made for hire)

ii. Ownership may be transferred

1. By any means of conveyance or by operation of law (e.g. assignment or bequest)

2. Termination possible after 35 years. 17 U.S.C. § 203.

iii. Joint ownership (DIFFERENT THAN PATENT)

1. Absent agreement, each joint owner is accountable to the other for income received as a result of exploitation. (*Oddo v. Ries, et al.*, 743 F.2d 630 (9th Cir. 1984))

iv. License

1. Each enumerated right may be licensed separately or together. 17 U.S.C. § 201(d).

b. Patent (35 U.S.C. § 261)

i. Ownership initially vests in the inventor or inventors

ii. Ownership may be transferred

1. By written agreement

iii. Joint ownership (DIFFERENT THAN COPYRIGHT) (35 U.S.C. § 262)

1. Absent agreement, each joint inventor may individually exploit the entirety of the patent.

iv. Employee "hired to invent"

v. License

vi. Shop rights (*U.S. v. Dubilier Condenser Corp*., 289 U.S. 178 (1933))

1. "Since the servant uses his master's time facilities and materials to obtain a concrete result, the latter is in equity entitled to use that which embodies his own property and to duplicate it as often as he may find occasion to employ similar appliances in his business."

c. Trademark

i. Ownership vests not in person that conceives of brand, but in first user in commerce (15 U.S.C. § 1127 – definition of use)

1. Use by related companies or licensee is sufficient.

ii. Ownership may be transferred only with the goodwill of the business.

1. Cannot trade in (buy/sell) trademarks per se.

iii. License

1. Requires at least the right to control the quality of products or services provided under the mark.

2. No naked licensing. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959).

III. <u>Securing Intellectual Property Rights</u>

a. Copyrights

i. Protection attaches upon fixation of the work

ii. If enforcement and damages are desirable, register your copyright with the U.S. Copyright Office.

1. Preregistration

2. Publication

b. Patents

i. Requirements for Patentability

1. Patentable Subject Matter (35 U.S.C. § 101, *Alice Corp. v. CLS Bank Int'l*, No. 13-298 (U.S. 2014))

a. Machine

b. Article of Manufacture

c. Composition of Matter

d. Process (process, art or method)

2. Improvement

a. Useful – the invention must have a utility; generally a low standard (35 U.S.C. § 101)

b. Novel – the invention must be new; not previously known to others, publicly used in the U.S., or patented or described in the U.S. or a foreign country (35 U.S.C. § 102)

c. Non-obvious – the invention must not be obvious in view of the prior art (35 U.S.C. § 103)

ii. Disclosure Requirements for Application (35 U.S.C. § 112)

1. Enablement – specification must describe how to make and use the invention without undue and unreasonable experimentation (inventor has map)

2. Written Description – subject matter of all claims must be supported in the application's specification (inventor has been there before)

3. "Best Mode" – inventor must disclose the best mode known to him or her for carrying out the invention (inventor discloses easiest way to get there)

iii. Obtaining a Patent (Prosecution) (*See* 37 C.F.R. Part I)

1. Patent attorney, agent, or inventor prepares and files patent application

2. Patent Examiner (employed by USPTO) reviews the application for compliance with statutory criteria (subject matter, novelty, obviousness, usefulness)

3. Examiner may reject application for not meeting criteria

4. Attorney/Agent prepares response and amendments to rejections

5. Examiner (hopefully) allows application

6. Patent issues

c. Trademarks

i. Acquisition of Rights

1. Use in commerce

a. Actual

b. Constructive (intent to use application)

ii. Continued use required

iii. Non-use for 3 years presumptive abandonment

iv. Registration is not required. However, if a mark is not registered, protection is geographically limited to actual market the mark is used in.

1. Federal Registration

a. Application with attestation to use or intent-to-use in commerce

b. Coast-to-coast protection

2. State Registration (Wis. Stat. § 132.11)

a. Not coincident with entity formation – forming an LLC or other entity with Wisconsin DFI does not create a trademark

b. In Wisconsin, no examination is performed

d. Trade Secrets (Wis. Stat. § 134.90)

i. The owner of a trade secret must engage in reasonable efforts to maintain secrecy.

1. Limit Disclosure

a. Need to know basis

b. Keep records of access

c. Shred disposed documents

2. Mark all protected documents "Confidential," "Proprietary," or "Secret."

3. Non-disclosure agreements in place with those people with access to the information.

4. There are significant limits to trade secret protection, including:

a. Independent Invention

b. Reverse Engineering – if a product or process can be reverse engineered, patent protection should be sought

i. Could be restricted by contract

c. Public Disclosure – once the secret is out, the secret is out

i. Publication

ii. Sale of product with secret apparent

iii. Inadvertent disclosure

iv. Disclosure to governmental bodies

e. Confidential Information

i. Information that may otherwise not be protectable under other intellectual property regimes may be protectable with contractual restrictions.

IV. <u>Duration of Intellectual Property Rights</u>

a. Copyrights

i. Works published prior to 12/31/1922 are in the public domain

ii. Works published between 1/1/1923 and 12/31/1977 may be in the public domain. There are many factors that need to be examined to determine whether or not these works are still protected, including whether the work was published with a copyright notice, when the copyright was registered and whether the registration was renewed.

iii. For works created since 1/1/1978

1. Default: Life of author + 70 years

2. Joint works: Life of the last living author + 70 years

3. Works for hire and anonymous works, shorter of:

a. 95 years from first publication

b. 120 years from creation date

b. Patents

i. Utility patents and plant patents (as long as all fees are paid)-

1. For patents filed on or after June 8, 1995 – from the date of issuance until 20 years from the date of filing or nonprovisional U.S. priority

2. For patents in force or applications pending on June 8, 1995 –from the date of issuance until either 20 years from date of filing OR 17 years from issuance, whichever is longer

ii. Design patents-14 years from the date of patent issue (soon to change to 15 years)

iii. However, it is important to consult with an expert when calculating the term of a patent because the term can be affected by many different factors.

c. Trademarks

i. Forever, so long as continued use in commerce

ii. Federal registration must be renewed every 10 years

iii. Declaration of continued use required about 5 years after registration

iv. Policing may be required to prevent falling victim to genericide

d. Trade Secrets

i. The protection accorded the trade secret holder is against the disclosure or unauthorized use of the trade secret by those to whom the secret has been confided under the express or implied restriction of nondisclosure or nonuse. *Kewanee Oil Co. v. Bicron*, 416 U.S. 470 (1974).

ii. Perpetual duration so long as reasonable efforts to maintain secrecy.

e. Confidential Information

i. Contractual duration of nondisclosure must be reasonable.

V. <u>Enforcement of Intellectual Property Rights</u>

a. Copyrights

i. To prove infringement, a copyright owner must prove:

1. ownership of a valid copyright and

2. that defendant actually copied the work. Actual copying can be shown by proving:

   a. substantial similarity between the original copyrighted work and the allegedly infringing work and

   b. that defendant had access to the original copyrighted work.

ii. Remedies for Infringement (17 U.S.C. §§ 502-505)

1. Injunction

2. Impound/destruction of infringing goods

3. Monetary damages (plaintiff's damages, defendant's profits, minimum statutory damages if registration is timely)

   a. May be tripled for willfulness

4. Attorneys fees and costs

   a. Discretionary – prevailing party

b. Patents

i. Types of infringement (35 U.S.C. § 271)

1. Direct Infringement - "Whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent"

2. Inducement/Contributory-vicarious liability for a third party's infringement of a patent. Knowledge of the patent is required.

ii. Remedies (35 U.S.C. §§ 283-286)

1. Injunction

2. Monetary (reasonable royalty, lost profits, treble)

3. Attorneys' fees and costs in exceptional cases (*Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (U.S. 2014))

c. Trademarks

i. Infringement Standard (15 U.S.C. § 1114)

1. use in commerce of any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or

services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive

ii. Remedies (15 U.S.C. §§ 1116-1118)

1. Injunction
2. Destruction of infringing articles
3. Monetary (defendant's profits, plaintiff's damages, costs of the action)
4. Attorneys' fees in exceptional cases

d. Trade Secrets

i. Messy, messy, messy (preservation of secrecy)

ii. Claim is brought as an action for misappropriation

iii. Remedies

1. Injunction
2. Monetary damages
   a. Actual
   b. Punitive (up to twice actual)
3. Attorney fees (prevailing party in bad faith or malicious litigation)

e. Confidential Information

i. Generally claim is brought as a breach of contract action.

VI. <u>Intellectual Property Issue Spotting</u>

a. Estate Planning & Family Issues

i. Estate Planning

1. Identification of assets
   a. During life – family members may have IP assets that are generally not discussed, and should be asked about
   b. Posthumous – e.g., publishing Grandma's diary or making a movie based thereon
2. Joint ownership issues for various types of intellectual property
   a. Copyright- Absent agreement, each joint owner is accountable to the other for income received as a result of exploitation. *Oddo v. Ries, et al.*, 743 F.2d 630 (9th Cir. 1984).
   b. Patent- In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States,

without the consent of and without accounting to the other owners. 35 U.S.C. § 262.

c. Trademark-Joint ownership is not favored. McCarthy "Joint Ownership of a Trademark" 73 Trademark Rep. 1, 1983. Joint ownership can create issues with quality control. *Thomas Pride Mills, Inc. v. Monsanto Co.*, 155 U.S.P.Q. 205 (N.D. Ga. 1976). It is preferable to have single entity own the mark and have multiple licensees. *March Madness Athletic Ass'n, LLC v. Netfire, Inc.*, 310 F.Supp.2d 786 (ND TX 2003).

3. Importance of recordation of ownership:

a. Copyright-As between two conflicting transfers, the one executed first prevails if it is recorded within one month after its execution in the US, or at any time before recordation in such manner of the later transfer. 17 U.S.C. § 205.

b. Patent-A conveyance is shall be void as against any subsequent purchaser for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage. 35 U.S.C. § 261.

c. Trademark- An assignment shall be void against any subsequent purchaser for valuable consideration without notice, unless the assignment is recorded in the USPTO within 3 months after the date of the assignment or prior to the subsequent purchase. 15 U.S.C § 1060.

4. Heirs may have ability to terminate copyright assignment (17 U.S.C. § 203)

ii. Marital Property (*Taylor v. Taylor Made Plastics, Inc.*, 2014 U.S. App. LEXIS 8704, 2014 WL 1851938 (Fed. Cir. 2014) (nonprecedential))

1. Right to transfer intellectual property assets during marriage

2. Identification of intellectual property assets in prenuptial agreement, divorce, etc.

iii. Last Name Disputes (*E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280 (9th Cir. 1992))

b. Business & Employment Law

i. "The Big 3"

1. Copyright: Ownership/Work for Hire

a. Works created by employee in the scope of employment (definition of work for hire 17 U.S.C. § 101)

b. Otherwise very limited categories of works are eligible to be a work for hire

c. Agreement must be in writing! No *nunc pro tunc* agreements!

d. Websites, logos, marketing materials, etc.

e. Remember possibility for termination of assignment! (17 U.S.C. § 203)

2. Patents

a. A patent does NOT give you the right to make a product. Patent rights are exclusionary, not exclusive! 35 U.S.C. §154.

b. Patentability v. Infringement Standards. Issuance of a patent does not certify that the product claimed in the patent does not infringe another's patent. 35 U.S.C. §§ 101-103 and 271.

3. Trademarks

a. Mark must be IN USE to obtain registration. 15 U.S.C. § 1051(a).

b. Descriptive marks provide little if any protection. 15 U.S.C. § 1052(e).

ii. Employee Assignment Agreements

1. Ownership (transferrable) v. shop rights (nontranferrable)

2. Shop rights (*U.S. v. Dubilier Condenser Corp*., 289 U.S. 178 (1933))

iii. Confidentiality Agreements

iv. Noncompete Agreements

1. Must include time limitation (*Gary van Zeeland Talent Inc. v. Sandas*, 267 N.W.2d 242 (Wis. 1978))

v. Trade Secret Processes

1. Bare bones customer lists are NOT trade secrets (*Gary van Zeeland Talent Inc. v. Sandas*, 267 N.W.2d 242 (Wis. 1978))

vi. Joint Development Agreements

1. Definition of technology is crucial

2. Be aware of potential joint ownership pitfalls for different types of IP

3. Be aware of duties of intellectual property owner (patent maintenance fees, trademark renewal, recordation of assignments, etc.)

vii. Stake/Mine/Defend

c. Bankruptcy Law

i. Intellectual property definition DOES NOT include trademarks 11 U.S.C. § 101(35A)

ii. Intellectual property maintenance

iii. Warn trustee or DIP of duties of owner, if any

d. Personal Injury Law

i. Patents must disclose best mode. Is the product patented? If so, does the accused product follow the disclosed best mode? If not, was there a change in design? When did this occur?

ii. Trademark-if licensed, licensor is required to control quality of goods.

Oddo v. Ries

United States Court of Appeals for the Ninth Circuit

May 8, 1984, Argued and Submitted ; June 19, 1984, Decided

No. 83-6190

Reporter

743 F.2d 630; 222 U.S.P.Q. (BNA) 799; Copy. L. Rep. (CCH) P25,677

FRANK ODDO, Appellee, v. JACK W. RIES, MME PUBLICATIONS, MME PUBLISHING COMPANY and MATERIAL MOVEMENT ENTERPRISES, Appellants

Prior History: [**1] Appeal from the U.S. District Court for the Central District of California. Laughlin E. Waters, District Judge, Presiding.

Counsel: Vance C. Simonds, Jr., Esq., Capretz & Casdan, Irvine, California, for Appellee.

Patrick F. Bright, Esq., Kendrick, Netter & Bennett, Los Angeles, California, for Appellant.

Judges: Goodwin, Sneed and Alarcon, Circuit Judges.

Opinion by: GOODWIN

Opinion

[*632] GOODWIN, Circuit Judge

In the guise of a copyright infringement suit, this case presents an accounting problem between two partners. Ries and his codefendants [1] appeal from a judgment awarding Oddo $10,000 statutory damages for infringement, $20,000 attorneys' fees, general damages of $1,000, and costs of suit.

[**2] Oddo and Ries entered into a partnership in March 1978 to create and publish a book describing how to restore Ford F-100 pickup trucks. According to the partnership agreement, Ries was to provide capital and supervise the business end of the venture; Oddo was to write and edit the book. By January 1980, Oddo had delivered to Ries a manuscript that contained much but not all of the material the partners planned to include in the book. This manuscript consisted partly of a reworking of previously published magazine articles that Oddo had written and partly of new material, also written by Oddo, that had never before been published.

At about the same time, Ries became dissatisfied with the progress Oddo had made on the manuscript. Ries hired another writer to complete Oddo's manuscript, and then published the finished product. The book that Ries eventually published contained substantial quantities of Oddo's manuscript but also contained material added by the new writer.

I. Infringement

Three copyrighted works are at issue in this case. The first, actually a set of copyrighted works, consists of the magazine articles that Oddo reworked into the manuscript that he delivered [**3] to Ries. The second work is Oddo's manuscript, and the third is the book that Ries published. We will refer to these works as the articles, the manuscript, and the book. The district court did not specify which copyright Ries had infringed; it simply held "that the copyright of Plaintiff Oddo was infringed by Defendant Ries when he caused the Guide [i.e., the Book] to be published. . . ."

A. Book and Manuscript

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[1] Defendants MME Publishing Company and Material Movement Enterprises are sole proprietorships owned by Ries. MME Publications is the Oddo/Ries partnership, but Oddo's complaint indicates that Oddo sued MME Publications on the theory that the partnership had been dissolved and that Ries was operating MME Publications as a sole proprietorship.

The district court erred if it meant that Ries infringed the copyright in the manuscript or the book. The district court concluded that the Oddo/Ries partnership owns the copyrights in the book and the manuscript. As a partner, Ries is a co-owner of the partnership's assets, including the copyrights. Cal. Corp. Code § 15025(1) (Deering 1979). A co-owner of a copyright cannot be liable to another co-owner [*633] for infringement of the copyright. *Richmond v. Weiner*, 353 F.2d 41, 46 (9th Cir. 1965); *Picture Music Inc. v. Bourne, Inc.*, 314 F. Supp. 640, 646 (S.D.N.Y. 1970), *aff'd* 457 F.2d 1213 (2d Cir.), *cert. denied* 409 U.S. 997, 34 L. Ed. 2d 262, 93 S. Ct. 320, 175 U.S.P.Q. (BNA) 577 (1972). Rather, each co-owner has an independent right to [**4] use or license the use of the copyright. *E.g., Meredith v. Smith*, 145 F.2d 620, 621 (9th Cir. 1944); *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*, 140 F.2d 266, 268 (2d Cir. 1944); *Piantadosi v. Loew's, Inc.*, 137 F.2d 534, 537 (9th Cir. 1943); *see generally* Comment, Problems in Co-ownership of Copyrights, 8 UCLA L. Rev. 1035, 1039-47 (1961). A co-owner of a copyright must account to other co-owners for any profits he earns from licensing or use of the copyright, *Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 221 F.2d 569 (2d Cir.), *modified*, 223 F.2d 252 (1955); *Picture Music, Inc.*, 314 F. Supp. at 646-47, but the duty to account does not derive from the copyright law's proscription of infringement. Rather, it comes from ″equitable doctrines relating to unjust enrichment and general principles of law governing the rights of co-owners.″ *Harrington v. Mure*, 186 F. Supp. 655, 657-58 (S.D.N.Y. 1960) (footnote omitted). [2]

[**5] We have not found any cases dealing with the rights of partners in copyrights held by their partnership, but we see no reason why partners should be excluded from the general rules governing copyright co-ownership. [3] Many of the copyright co-ownership cases *e.g., Richmond v. Weiner, Piantadosi v. Loew's*, might be distinguished from ours on the grounds that co-ownership in those cases arose from joint authorship of the work subject to copyright, and Oddo and Ries are not joint authors. However, nothing in those cases suggests that the rules they set out are restricted to cases of joint authorship. Moreover, the general rule of copyright co-ownership has been applied to co-owners who are not joint authors. *E.g., Meredith v. Smith*, 145 F.2d at 621 (co-owners referred to as author and publisher); *Crosney v. Edward Small Productions, Inc.*, 52 F. Supp. 559 (S.D.N.Y. 1942).

[**6] Accordingly, Ries could not infringe the partnership's copyrights in the manuscript or the book, but he can be required to account to Oddo for any profits he has made from use of those copyrights. Ries may also be liable to Oddo under California partnership law for misuse of the partnership copyrights. *See* Cal. Corp. Code § 15025(2)(a) (Deering 1979) (partner may not possess partnership property for non-partnership purposes without consent of other partners). A violation of state partnership law, however, would not transform Ries' use of the copyrights into infringement under federal law. *See Meredith v. Smith*, 145 F.2d at 620 (co-owner's violation of agreement not to license copyright unilaterally is not a federal question).

B. Articles

In finding infringement, the district court may have meant that Ries infringed Oddo's copyrights in his magazine articles. If so, we must first consider Ries' contention that the publisher of the magazines, not Oddo, owns the copyrights to the articles.

The articles were contributions to collective works. Copyright to such a contribution vests initially in the author of the contribution; in this case, Oddo. The owner of the [**7] copyright in the collective work (here, the magazine publisher) is presumed to have acquired only the privilege of publishing [*634] the contribution in that particular collective work unless he has received greater rights by an ″express transfer.″ 17 U.S.C. § 201(c) (1982). [4] Ries has not pointed to any evidence of such an ″express transfer.″ Nor can Ries claim that the magazine publisher acquired

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[2] Consequently a suit to bring the co-owner of a copyright to account does not fall within the district court's jurisdiction over actions arising under the copyright law, 28 U.S.C. § 1338(a). *Harrington v. Mure*, 186 F. Supp. 655 (S.D.N.Y. 1960); *cf. Dolch v. United California Bank*, 702 F.2d 178, 180 (9th Cir. 1983) (validity of transfer of copyright ownership not within § 1338(a) jurisdiction).

[3] In *Carter v. Bailey*, 64 Me. 458 (1874), the co-owners of the copyright originally were partners, but by the time of the acts complained of they had dissolved the partnership and held the copyright as tenants in common.

[4] Hereafter references to the Copyright Act, 17 U.S.C., will be by section number only.

ownership of the copyrights in the articles as ″works made for hire″ pursuant to § 201(b), because a contribution to a collective work will be considered a work made for hire only if the parties expressly so agree in a written instrument, § 101, and Ries has not pointed to any such instrument. Oddo owns the copyrights to the articles.

We now turn to infringement of the copyrights in the articles. The manuscript and the book are both derivative works based on the articles. *See* § 101. [5] As derivative works they [**8] necessarily infringe the copyrights in the articles unless Oddo granted permission to use the articles. 1 M. Nimmer, Nimmer on Copyright, § 3.01 (1983).

The district court made no findings on whether Oddo gave Ries or the partnership permission to use his articles in the manuscript or the book. We conclude that Oddo, by preparing a manuscript based on his preexisting articles as part of his partnership duties, impliedly gave the partnership a license to use the articles insofar as they were incorporated in the manuscript, for without such a license, Oddo's contribution to the partnership venture would have been of minimal value. However, the implied license to use the articles in the manuscript does not give Ries or the partnership the right to use the articles [**9] in any work other than the manuscript itself. *See Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 19-21 (2d Cir. 1976) (license to use underlying work in a particular derivative work does not permit licensee to use underlying work in any other derivative work). Because the book is a work distinct from the manuscript, Ries exceeded the scope of the partnership's license when he used the articles in the book. Ries has not shown that he was otherwise licensed to use the articles in the book, [6] so his publication of the book infringed Oddo's copyright in the articles.

[**10] II. Statutory Damages and Attorneys' Fees

The parties have spent considerable energy arguing whether statutory damages and attorneys' fees, §§ 504(c) and 505, may be awarded in this case. Because Ries cannot be held liable for infringement of the copyrights in the manuscript and book that he co-owns with Oddo, his use of those copyrights cannot form the basis for any sort of award under the copyright act. Nor can Oddo recover statutory damages and attorneys' fees for infringement of the copyrights in the articles. Section 412 bars an award of statutory damages or attorneys' fees for ″any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.″ Oddo has not shown that the copyrights in the articles have ever been registered, much less within three months of their publication. Section § 412 therefore precludes Oddo from collecting statutory damages, or attorneys' fees under § 505. Oddo may, however, recover the actual damages [*635] he suffered from infringement of the copyrights in the articles. § 504(b).

[**11] III. Preemption

The federal copyright law preempts any other ″legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright.″ § 301(a). Ries argues that Oddo's state law causes of action are preempted, requiring reversal of the district court's general damages award of $1,000. We disagree.

Section 301(a) preempts a state-created right if that right ″may be abridged by an act which, in and of itself, would infringe one of the exclusive rights [listed in § 106].″ *Harper & Row, Publishers v. Nation Enterprises*, 723 F.2d 195, 200 (2d Cir. 1983), *cert. granted*, 467 U.S. 1214, 81 L. Ed. 2d 362, 104 S. Ct. 2655, 52 U.S.L.W. 3860 (1984). But if violation of the state right is ″predicated upon an act incorporating elements beyond mere reproduction or the like,″ *id.*, there is no preemption.

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[5] Because Oddo's manuscript was not simply a compilation of his previously published articles but included new material added to work the articles into a coherent whole, the manuscript is a derivative work rather than a collective work. § 101.

[6] A license is a defense to infringement, 3 M. Nimmer, Nimmer on Copyright § 13.04 (1983), and thus must be affirmatively pleaded. Fed. R. Civ. P. 8, 12. In his answer and in the Pretrial Conference Order, Ries claimed that article fourteen of his partnership agreement with Oddo gave him a license to use all the copyrighted material that Oddo submitted to the partnership. Article fourteen sets forth an appraisal procedure upon dissolution of the partnership and gives partners an option to continue the partnership business after dissolution. It cannot be read as a license of the copyrights in Oddo's articles.

At least some of Oddo's state law claims pass the preemption test stated above, and so the general damages award may stand. For example, Oddo alleged conversion of the papers comprising his manuscript. Conversion of tangible property involves actions different from those proscribed by the copyright laws, and thus is not [**12] preempted. *Harper & Row*, 723 F.2d at 201. Oddo also claimed that Ries breached the fiduciary duty that Ries owed Oddo as a partner. Because a partner's duty to his co-partner is quite different from the interests protected by copyright, this cause of action is also not preempted.

The judgment of the district is vacated insofar as it awards Oddo statutory damages and attorneys' fees. The cause is remanded for an award of the actual damages that Oddo suffered from infringement of his copyrights in the articles. On remand the district court may also consider whether, in its discretion, it should exercise jurisdiction pendent to the infringement claim to compel Ries to account to Oddo for any profits earned from use of the co-owned copyrights.

AFFIRMED IN PART; VACATED IN PART; AND REMANDED.

ing section of existing statute. The third paragraph is from the existing statute, a specific reference to another statute is omitted. The fourth paragraph is the same as the existing statute but language has been changed.

AMENDMENTS

1982—Pub. L. 97–247 inserted '', or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States''.

1975—Pub. L. 93–596 substituted ''Patent and Trademark Office'' for ''Patent Office''.

EFFECTIVE DATE OF 1982 AMENDMENT

Amendment by Pub. L. 97–247 effective Aug. 27, 1982, see section 17(a) of Pub. L. 97–247, set out as a note under section 41 of this title.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93–596 effective Jan. 2, 1975, see section 4 of Pub. L. 93–596, set out as a note under section 1111 of Title 15, Commerce and Trade.

§ 262. Joint owners

In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other owners.

(July 19, 1952, ch. 950, 66 Stat. 810; Pub. L. 103–465, title V, § 533(b)(3), Dec. 8, 1994, 108 Stat. 4989.)

HISTORICAL AND REVISION NOTES

This section states a condition in existing law not expressed in the existing statutes.

AMENDMENTS

1994—Pub. L. 103–465 substituted ''use, offer to sell, or sell'' for ''use or sell'' and inserted ''within the United States, or import the patented invention into the United States,'' after ''invention''.

EFFECTIVE DATE OF 1994 AMENDMENT

Amendment by Pub. L. 103–465 effective on date that is one year after date on which the WTO Agreement enters into force with respect to the United States [Jan. 1, 1995], with provisions relating to earliest filed patent application, see section 534(a), (b)(3) of Pub. L. 103–465, set out as a note under section 154 of this title.

CHAPTER 27—GOVERNMENT INTERESTS IN PATENTS

Sec.

AMENDMENTS

1965—Pub. L. 89–83, §8, July 24, 1965, 79 Stat. 261, struck out item 266 ''Issue of patents without fees to Government employees''.

[§ 266. Repealed. Pub. L. 89–83, § 8, July 24, 1965, 79 Stat. 261]

Section, act July 19, 1952, ch. 950, §1, 66 Stat. 811, provided for issuance of patents to government employees without fees.

EFFECTIVE DATE OF REPEAL

Repeal effective three months after July 24, 1965, see section 7(a) of Pub. L. 89–83, set out as an Effective Date of 1965 Amendment note under section 41 of this title.

§ 267. Time for taking action in Government applications

Notwithstanding the provisions of sections 133 and 151 of this title, the Director may extend the time for taking any action to three years, when an application has become the property of the United States and the head of the appropriate department or agency of the Government has certified to the Director that the invention disclosed therein is important to the armament or defense of the United States.

(July 19, 1952, ch. 950, 66 Stat. 811; Pub. L. 106–113, div. B, § 1000(a)(9) [title IV, § 4732(a)(10)(A)], Nov. 29, 1999, 113 Stat. 1536, 1501A–582; Pub. L. 107–273, div. C, title III, § 13206(b)(1)(B), Nov. 2, 2002, 116 Stat. 1906.)

HISTORICAL AND REVISION NOTES

Based on Title 35, U.S.C., 1946 ed., §37 (R.S. 4894, amended (1) Mar. 3, 1897, ch. 391, §4, 29 Stat. 692, 693, (2) July 6, 1916, ch. 225, §1, 39 Stat. 345, 347–8, (3) Mar. 2, 1927, ch. 273, §1, 44 Stat. 1335, (4) Aug. 7, 1939, ch. 568, 53 Stat. 1264).

This provision, which appears as the last two sentences of the corresponding section of the present statute (see note to section 133) is made a separate section and rewritten in simpler form.

AMENDMENTS

2002—Pub. L. 107–273 made technical correction to directory language of Pub. L. 106–113. See 1999 Amendment note below.

1999—Pub. L. 106–113, as amended by Pub. L. 107–273, substituted ''Director'' for ''Commissioner'' in two places.

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106–113 effective 4 months after Nov. 29, 1999, see section 1000(a)(9) [title IV, §4731] of Pub. L. 106–113, set out as a note under section 1 of this title.

CHAPTER 28—INFRINGEMENT OF PATENTS

Sec.

AMENDMENTS

1999—Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §4302(b)], Nov. 29, 1999, 113 Stat. 1536, 1501A–557, added item 273.

§ 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially

Thomas Pride Mills, Inc. v. Monsanto Co.

United States District Court for the Northern District Georgia, Atlanta Division

June 14, 1967

No. 10272

Reporter

155 U.S.P.Q. (BNA) 205

THOMAS PRIDE MILLS, INC. v. MONSANTO COMPANY

Counsel: [*1] JOHN W. CHAMBERS and SMITH, COHEN, RINGEL, KOHLER, MARTIN & LOWE, both of Atlanta, Ga., for plaintiff.

JAMES F. HOGE, SIDNEY P. HOWELL, JR., and ROGERS, HOGE & HILLS, all of New York, N.Y., and CHARLES T. KIRBO and KING & SPALDING, both of Atlanta, Ga., for defendant.

Opinion by: SMITH

Opinion

SMITH, District Judge.

This is a suit for declaratory judgment and injunction in which the plaintiff sought to cancel certain trademarks of the defendant, the producers of man-made fibers marketed under the name of ″Acrilan″ and ″A-Acrilan″. The plaintiff contends that it has a right to use said names, without permission of the defendant, in marketing its carpet products and seeks an injunction against interference with this right. A hearing was had on the preliminary injunction on January 17, 1967, at which time it was agreed by all parties that no ruling would be entered until the filing of a motion for summary judgment on the issue. On May 25, 1967, the motion for injunctive relief was denied by simple order. In support of such order and in accordance with Rule 52, the court now enters its findings in writing.

FINDINGS OF FACT

The parties are both corporations organized and existing [*2] under the laws of the state of Delaware. Defendant Monsanto Company (in its own name and as assignee of the Chemstrand Corporation) maintains business offices within this judicial district.

This Court has jurisdiction of this action under Section 1121 of Title 15, U.S.C.A. without regard to the amount in controversy or to diversity of citizenship of the parties.

Monsanto has registered upon the Principal Register in the United States Patent Office the terms ″Acrilan″ and ″A-Acrilan″ for a man-made fiber manufactured by it from a chemical compound called ″acrylonitrile.″ The trademarks in question, the registration numbers thereof, the classes within which registered and the dates registration issued are as follows:

Trademark	Reg. No.	Class	Date Issued
1. Acrilan	545,734	43	July 24, 1951
2. A-Acrilan	583,881	43	Dec. 22, 1953
3. A-Acrilan	693,246	42	Feb. 16, 1960
4. Acrilan	693,247	42	Feb. 16, 1960
5. A-Acrilan	705,102	1	Oct. 4, 1960
6. Acrilan	705,103	1	Oct. 4, 1960

Monsanto also has registered ″Acrilan″ for use in connection with other terms, such as ″Acrilan-Spectran″ and ″Acrilan Mark III.″

Monsanto, among other things, [*3] produces various acrylic fibers from acrylonitrile and sells such fibers to various textile producers including such manufacturers of rugs and carpets as have been licensed by Monsanto to use its ″Acrilan″ trademarks in connection with sales of carpeting. Monsanto does not itself spin thread or yarn from acrylic fiber and does not manufacture or sell carpeting in commerce.

Monsanto has, in connection with its Acrilan trademarks, engaged continuously in extensive, expensive and effective national advertising, specification and quality control programs and trademark policing (Wymbs, P5; see also Cmplt. P12).

Prior to the introduction of Monsanto's Acrilan acrylic fiber, E. I. du Pont de Nemours Co. had offered its ″Orlon″ acrylic fiber to the textile trades. Shortly after the introduction of Acrilan Acrylic fiber, American Cyanamid Company began marketing and promoting its ″Creslan″ Brand of acrylic fiber and the Dow Chemical Company introduced its ″Zefran″ acrylic fiber (Wymbs Aff't. P4). Acrylic fiber is also available in this country through importers of foreign-produced materials and other sources of unbranded fiber.

Pride has not been licensed to use Monsanto's ″Acrilan″ [*4] trademarks in connection with its marketing of acrylic carpeting. Pride, however, has been licensed by American Cyanamid Company to use its ″Creslan″ trademark on carpeting of acrylic fiber produced by that Company (Mays Aff't. P7; Wymbs Aff't. Ex 9).

In essence, the plaintiff contends that the word ″Acrilan″ is (a) generic in origin and therefore not suitable as a trademark and (b) that it had become generic through appropriation by the general public.

(a) There is no evidence in this record that, prior to the institution of this action, any person, firm, corporation (other than plaintiff), government agency or court has ever knowingly so much as intimated that ″Acrilan″ is an appropriate generic term to describe ″acrylic fiber″ or, more specifically, ″acrylic carpet fiber″ or, for that matter, ″acrylonitrile.″ (Wymbs Aff't. P3).

In this connection, the Court notes that the United States Patent Office has admitted to registration upon the Principal Register without objection numerous Acrilan trademarks for which Monsanto has applied over the years (Wymbs Aff't. P2). The Court also notes the adoption in 1960 by the Federal Trade Commission, in discharge of its responsibilities [*5] under the Fiber Identification Act, of ″Acrylic″ as the appropriate (and requisite) generic terminology for that particular man-made fiber. (Wymbs Aff't. P6).

There is, similarly, no evidence that Pride, though unable to obtain a license to use the Acrilan trademarks, has been prevented from marketing carpets produced of acrylic fiber; indeed, it appears, as noted, that Pride has marketed carpets of Creslan acrylic fiber and has also had access to unbranded acrylic fibers (Wymbs Aff't. P13; Mays Aff't. P11).

Plaintiff's contention that the term ″Acrilan″ is generic in origin is therefore unpersuasive. Apparently the term was coined originally by business executives who, it may be assumed, were not particularly schooled in etymology or in technical chemical literature (Wymbs Aff't. P2). In any event, it is clear that ″Acrilan″ looks and sounds - because of the stress on its final rather than penultimate syllable - significantly different than ″acrylic.″ On the other hand, the word ″acrylic″ has certainly been in use for decades reaching well back into the last century (Malone Aff't. P3; Gove Aff't. P6) and has come, since World War I, to be applied to a wide variety of chemical [*6] compounds and manufactured products containing acrylic acids or acrylic resins (Gove Aff't. P9). Acrylic fiber as such was apparently first developed by the Du Pont Company at least as early as 1950 and Du Pont's Orlon acrylic fiber, as well as similar fibers of their producers, had gained considerable success in the apparel and related trades prior to the first use of acrylic fiber in carpeting (Wymbs Aff't. P4). Thus ″acrylic″ has regularly appeared in standard dictionaries, encyclopedias, technical reference works and trade journals as a generic word both by definition and usage (Gove Aff't. P13; Malone Aff't. PP3-6, 10). On the other hand, when Acrilan has appeared in dictionaries, it has been consistently defined as a fiber trademark (Gove Aff't. PP11, 12; Malone Deposition pp. 69-71).

(b) By the same token, the evidence which plaintiff would adduce to support its contention that Acrilan has, through general usage, become generic is equally unpersuasive. In this connection plaintiff points to (a) newspaper clippings claimed to represent generic usage of Acrilan by advertising writers and by feature writers and editors in numerous newspapers, trade periodicals and national [*7] magazines (Schoenbach Affidavits and exhibits); and (b) the tabulated results of, and projections based upon, a telephone survey of 524 persons purportedly drawn as a random national sample of American consumers (Sindlinger Aff't. P5).

With respect to the clippings, the Court is persuaded that, while in number they may seem at first blush to be impressive standing alone (about 1,600 samples collected over an 18-month period), the examples selected are not necessarily representative and constitute but a small fraction of the aggregate printed references to Acrilan, whether measured numerically or by circulation or by ″advertising impressions″ (Wymbs Aff't P9). Moreover, an examination of plaintiff's exhibits reveals (a) many instances of duplication either of syndicated editorial material, of identical advertising mats inserted by several stores or of identical advertisements placed in several papers within the same or contiguous retail markets; (b) a consistent capitalization of Acrilan in virtually all editorial examples cited, a sufficient characteristic of proper trademark presentation in the opinion of plaintiff's own expert (Malone Deposition pp. 41-44); (c) many instances [*8] where Acrilan is differentiated in the same advertisement from such generic terms as ″wool″ (or ″wools″), ″nylon″ (or ″nylons″) and ″acrylic″ (or ″acrylics″); (d) many instances where the products of particular Monsanto licensees were associated with Monsanto's particular fiber such as ″Acrilan from Cabin Craft″; etc., all of which diminishes plaintiff's contention that Acrilan has been abandoned to the public. Moreover, in rebuttal, Monsanto offers some 71 examples (out of 86) from plaintiff's files collected by plaintiff from major metropolitan Sunday newspapers published November 29, 1964, several months before this suit was instituted which clearly and correctly, in one way or another, present Acrilan as a specific registered trademark for acrylic carpet pile of acrylic fiber produced by Monsanto (Schoenback Deposition Exhs. MS-L1 through MS-L71; see also, Wymbs Aff't. PP8-11 and related exhibits). Nor, is there evidence here, of any acquiescence by Monsanto to the limited use shown.

With respect to plaintiff's telephone survey, the Court notes only that, even under the assumptions and projections employed by the interviewing organization, a significant number American adults [*9] can be taken to identify Acrilan as a trademark (Exhibit B; Table 27). Moreover, defendant raises serious questions as to both the admissibility of the survey and its probative value if admitted, questions which could only be properly resolved at trial with the survey's proponents available for cross-examination (Israel Aff't. PP2-14).

CONCLUSIONS OF LAW

The Court has jurisdiction of the subject matter and of the parties in this action. 15 U.S.C.A. §§ 1064, 1119-21; 28 U.S.C.A. §§ 1338(a), 2201-2202.

The primary functions of a trademark are to indicate a single source of origin of the articles to which it refers and to offer assurance to ultimate consumers that articles so labeled will conform to quality standards established and, when licensed to others, controlled by the trademark proprietor.

While neither generic names nor words merely descriptive of specific goods are entitled to registration (15 U.S.C.A. § 1052(e)(1)), registered trademarks may be - and often are - coined in a manner to convey some suggestion as to the nature, function or components of the products to which they are applied. Marks v. Polaroid Corporation, 129 F.Supp. 243, 105 USPQ 10 (D. Mass. [*10] 1955), aff'd 237 F.2d 428, 111 USPQ 60 (1 Cir. 1956), cert. den. 352 U.S. 1005, 112 USPQ 494 (1957).

A party contending that a registered trademark should be cancelled either as having been generic in origin or because it has become generic through usage by the general public and others bears a heavy burden, particularly when moving for a preliminary injunction. Aluminum Fabricating Company of Pittsburg v. Season-All Window Corp., 259 F.2d 314, 119 USPQ 61 (2 Cir. 1958).

The better view is that the registered mark should be protected unless there is conclusive evidence of its having become a common mark. Particularly is this so in the absence of a showing of ″laches″ or that the transition was caused or aggravated by acts of commission or omission on the part of the trademark owner. 15 U.S.C.A. P1127; 3, Callmann, Unfair Competition and Trademarks § 74.2 (2d Ed.). None are shown here.

It is the understanding of the general public, and not that of the linguist or etymologist, that determines whether a word is a valid trademark. Telechron, Inc. v. Telecon Corp., 198 F.2d 903, 94 USPQ 363 (3 Cir. 1952). The affidavit of plaintiff's expert to the effect that ″Acrilan″ shares [*11] the same radical ″acryl″ with several generic terms is, hence, insufficient in itself to establish that Acrilan is itself generic. Marks v. Polaroid Corporation, supra. Of course, even a generic word, provided it has never been in common usage, may serve as the basis for a valid trademark. Le Blume Import Co. v. Coty, 293 F. 344 (2 Cir. 1923).

While ″Acrilan″ and ″acrylic″ have letters in common, Acrilan is not thereby, under established trademark law, constituted the legal equivalent of the generic term, acrylic fiber, or of the more precise term of acrylonitrile. It is, of course, accepted that valid trademarks may suggest ingredients or components of the articles to which they are applied. Astra Pharmaceutical Products, Inc. v. Pharmaton, S.A., 345 F.2d 189, 145 USPQ 461 (CCPA 1965); United Lace & Braid Mfg. Co. v. Barthels Mfg. Co., 221 F. 456, 461 (ED NY 1915).

In any event, since ″Acrilan″ was not in our language prior to its coinage by defendant, there is no question here of an attempt to appropriate the exclusive use of a word already in the vocabulary and in use to describe the product in question. Cf. Nissen Trampoline Company v. American Trampoline Co., 193 F.Supp. [*12] 745, 129 USPQ 210 (S.D. Iowa 1961).

Plaintiff has failed to sustain the heavy burden, requisite to one who would cancel a trademark registration of establishing that defendant's appropriation and registration of the term Acrilan as a trademark would, in any respect, ″trench upon common speech″. Cf. Oakland Chemical Co. v. Bookman, 22 F.2d 930, 931 (2 Cir. 1927). Clearly, plaintiff has failed to prove that, to the American public, Acrilan signifies acrylic fiber products generally and in no way serves any longer as the trademark for defendant's acrylic fiber and goods produced therefrom. Feathercombs, Inc. v. Solo Product Corp., 306 F.2d 251, 256, 134 USPQ 209, 213-214 (2 Cir. 1962), cert. den. 371 U.S. 910, 135 USPQ 503 (1962); Marks v. Polaroid Corporation, supra, 129 F.Supp. at 270, 105 USPQ at 31-32.

Moreover, plaintiff has failed to make the requisite showing of irreparable injury or of probability of success at trial to warrant the extraordinary relief of the preliminary injunction which it seeks. Certainly, on this record, the equities balance in defendant's favor and, accordingly, plaintiff's application must be, in all respects, denied and an appropriate order to such [*13] effect may be entered.

March Madness Ath. Ass'n v. Netfire, Inc.

United States District Court for the Northern District of Texas, Dallas Division

August 27, 2003, Decided ; August 28, 2003, Filed

CIVIL ACTION NO. 3:00-CV-398-R

Reporter
310 F. Supp. 2d 786;

MARCH MADNESS ATHLETIC ASSOCIATION, L.L.C., Plaintiff, v. NETFIRE, INC., and SPORTS MARKETING INTERNATIONAL, INC., Defendants, v. NATIONAL COLLEGIATE ATHLETIC ASSOCIATION, and ILLINOIS HIGH ASSOCIATION, Counter-Defendants. v. MATTHEW JONES, Third Party Defendant.

Subsequent History: Affirmed by March Madness Ath. Ass'n LLC v. Netfire Inc., 120 Fed. Appx. 540,

Prior History: March Madness Ath. Ass'n, L.L.C. v. Netfire, Inc.,

Disposition: [**1] Defendants committed trademark infringement in violation of Lanham Act and Texas law, and committed cybersquatting in violation of Lanham Act

Counsel: For Illinois High School Association, March Madness Athletic Association, LLC, Plaintiffs: Mark P McKenna, Pattishall McAuliffe Newbury Hilliard & Geraldson, Chicago, IL.

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For Netfire, Inc, a Texas corporation dba Sports Marketing International Inc, Sports Marketing International Inc, Defendants: R Brent Cooper, LEAD ATTORNEY, Cooper & Scully, Adam Alexander, David Goodman & Madole, Dallas, TX.

For National Collegiate Athletic Association, Counter Defendant: Jeffrey C Mateer, LEAD ATTORNEY, Randal C Shaffer, Mateer & Shaffer, Dallas, TX.

For March Madness Athletic Associaltion, [**2] LLC, Counter Defendant: Douglas N Masters, LEAD ATTORNEY, Bradley L Cohn, Mark P McKenna, Ram Padmanabhan, Pattishall McAuliffe Newbury Hilliard & Geraldson, Wayne F Plaza, Rooks Pitts & Poust, Chicago, IL.

For Netfire, Inc dba Sports Marketing International Inc, Sports Marketing International Inc, Counter Defendants: R Brent Cooper, LEAD ATTORNEY, Cooper & Scully, Adam Alexander, David Goodman & Madole, Dallas, TX.

For Netfire, Inc dba Sports Marketing International Inc, Sports Marketing International Inc, Counter Claimants: R Brent Cooper, LEAD ATTORNEY, Cooper & Scully, Adam Alexander, David Goodman & Madole, Dallas, TX.

For March Madness Athletic Associaltion, LLC, ThirdParty Plaintiff: Douglas N Masters, LEAD ATTORNEY, Bradley L Cohn, Mark P McKenna, Ram Padmanabhan, Pattishall McAuliffe Newbury Hilliard & Geraldson, Wayne F Plaza, Rooks Pitts & Poust, Chicago, IL.

For Matthew Jones, ThirdParty Defendant: R Brent Cooper, LEAD ATTORNEY, Cooper & Scully, Adam Alexander, David Goodman & Madole, Dallas, TX.

Judges: JUDGE JERRY BUCHMEYER, UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF TEXAS.

Opinion by: JUDGE JERRY BUCHMEYER

Opinion

[*788] **FINDINGS OF FACT AND CONCLUSIONS OF** [**3] **LAW**

This case concerns the trademark rights to the term '*march madness'* and to the [*789] internet domain name *'www.marchmadness.com.'* ("marchmadness.com") Plaintiff March Madness Athletic Association, L.L.C. ("MMAA") brings suit against Sports Marketing International, Inc. ("SMI"), Netfire, Inc. ("Netfire") and Matthew Jones (collectively, "Defendants") alleging cybersquatting, false representation, trademark infringement and unfair competition under the Lanham Act and state law, as well as civil conspiracy under state law. Defendants contend that march madness is a generic term, and that their acquisition and use of www.marchmadness.com was lawful.

This case was originally filed on February 22, 2000 by the Illinois High School Association ("IHSA"), which later amended its Complaint to add MMAA as a Plaintiff. Subsequently, IHSA withdrew from the case, leaving MMAA as the sole Plaintiff of record. On December 11, 2000, this Court denied a motion to dismiss SMI's counterclaims. On August 15, 2001, this Court denied motions for partial summary judgment on the genericness of march madness and on the cybersquatting claim, and granted summary judgment in favor of MMAA on Defendants' [**4] conversion counterclaim. *March Madness Athletic Ass'n, L.L.C. v. Netfire,* 162 F. Supp. 2d 560 (N.D. Tex. 2001). On June 4, 2002, this Court granted summary judgment in favor of MMAA on Defendants' remaining counterclaims of fraud, tortious interference, and civil conspiracy. [1]

[**5] On October 7-15, 2002, this Court held a bench trial in this case. [2] At the trial, MMAA presented the claims of trademark infringement, and the National Collegiate Athletic Association ("NCAA") presented the claims of misrepresentation and conspiracy. Pursuant to Rule 52(a) of the Federal Rules of Civil Procedure, this Court now makes the following findings of fact and conclusions of law.

I. FINDINGS OF FACT

A. ACQUISITION OF MARCHMADNESS.COM

1. Dirk Brinkerhoff ("Dirk") and his brother Phil Brinkerhoff ("Phil") are businessmen who together had formed Sports Marketing International as well as a related entity, Inspark (collectively "SMI"). SMI's only current client is the Dallas Cowboys football team, for whom SMI sells television and radio advertising.

2. Matthew Jones ("Jones") is Phil's son-in-law. [**6] Jones had founded Netfire, an internet service provider and consulting firm. Netfire was originally a Utah corporation, but became a sole proprietorship when Jones moved to Dallas in late 1999 or early 2000. At all times relevant to this action, the actions of Netfire were controlled by Jones.

[*790] 3. Sometime in late December 1995 (or early January 1996), Dirk met with Matthew Jones ("Jones") and discussed acquiring the domain name marchmadness.com as SMI was interested in developing a website focused on

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[1] Any statements previously made by this Court regarding the facts of this case are, of course, not binding on it now. Such statements were made in the context of motions for summary judgment. By definition such preliminary motions do not offer the Court a full development of the evidentiary record, nor the opportunity to judge the credibility of live witnesses. Most importantly, such statements were not made in the Court's current role as finder of fact. *See, e.g. Watson v. Amedco Steel, Inc.,* 29 F.3d 274, 277 (7th Cir. 1994) ("In denying [a motion for summary judgment], the court 'decides only one thing - that the case should go to trial;' that denial 'does not settle or even tentatively decide anything about the merits of the claim.'") (quoting *Switzerland Cheese Ass'n, Inc., v. E. Horne's Mkt., Inc.,* 385 U.S. 23, 25, 17 L. Ed. 2d 23, 87 S. Ct. 193 (1966)).

[2] At trial, the Court allowed the parties to submit closing briefs in lieu of closing arguments. Due to a delay in obtaining transcripts, the closing briefs were not filed until June 2003.

the NCAA Division I Men's Basketball Championship (the ″NCAA Tournament″). Jones informed Dirk that the domain name was available. Dirk requested that Jones acquire marchmadness.com, and Jones agreed to do so.

4. Jones was experienced in the acquisition of domain names, having registered ″hundreds″ of them on behalf of his Netfire clients. When registering domain names, Jones did not inquire regarding any possible trademark concerns relating to a particular domain name. Instead, his practice was to simply check availability of the domain name. If a client sought a name and it was available from the domain name registrar, Jones registered it. As he testified, he would have registered [**7] mcdonalds.com, if a client had asked him to do so. The Court finds Jones' testimony regarding his practice of obtaining registrations without trademark investigation to be credible.

5. In early 1996 when Jones attempted to register Marchmadness.com on behalf of SMI, he learned that it was no longer available, having been registered by another party. Due to the unavailability of marchmadness.com, Netfire registered march-madness.com with the registrar, Network Solutions, Inc. (″NSI″). Jones then sought to acquire marchmadness.com from its registrant, Adam Stein (″Stein″).

6. Stein was a recent college graduate who was running his own computer company, Insanely Great Software (″IGS″), of which he was the only employee. In late 1995, Stein had registered the domain name marchmadness.com, although at the time he did not have any particular plans for its use.

7. In early 1996, Netfire contacted Stein, and subsequently, on February 7, 1996, Netfire and IGS entered into an agreement transferring marchmadness.com to Netfire (the ″Transfer Agreement″). [3] The Transfer Agreement provided for the transfer of marchmadness.com by IGS to Netfire in exchange for (1) a $ 25,000 advertising [**8] credit on Netfire websites, (2) the transfer of march-madness.com to IGS, and (3) a web link from marchmadness.com to march-madness.com.

8. Unfortunately, the record is rather scarce with respect to Netfire's contacts with Stein prior to the Transfer Agreement. Indeed, it was only in 2001, during his *second* deposition that Jones, when confronted with a copy of the Transfer Agreement, ″remembered″ that he had not registered marchmadness.com directly from NSI. [4] At trial, Jones testified that he remembers nothing regarding Stein, other than that he entered into the Transfer Agreement with him, and that Jones was certain that it was either Jones or another employee of Netfire, Steve Jenkins (″Jenkins″), who had contacted Stein. Jones also testified that he never informed SMI that he had been unable to register marchmadness.com directly with NSI, or that he had subsequently purchased marchmadness.com from Stein. Dirk similarly testified that he was not informed of Jones' purchase from Stein. [**9] Jenkins did not testify, [*791] and the parties have stipulated that he ″does not recall speaking with or corresponding with Adam Stein and/or anyone with Insanely Great Software.″ [5] The Court finds Jones' testimony regarding failure to inform Dirk to be credible; the Court also finds Dirk's denial of knowledge of the purchase by Jones to be credible, albeit less so.

9. Although Stein did not testify, excerpts from his deposition were read at trial. In his deposition, he stated that he entered into the Transfer Agreement, in part, because he was given the impression, based on at least one conversation with someone from Netfire, that Netfire was ″definitely [**10] working together in some way″ with the NCAA, and, therefore, had the legal right to the marchmadness.com domain. [6] He stated that he ″had no other information″ than what he was told by Netfire, and that the offer from Netfire:

> was somewhat of a carrot and stick. [Netfire was] willing to give a consideration to me, but at the same time they were the rightful owners, and it wasn't like I could say no, and it would be done with, that kind of thing.

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[3] NCAA Ex. 7.

[4] *See also* NCAA Ex. 10 at 14. In answer to an interrogatory, Defendants state that they ″have neither granted any rights to a third party nor acquired any rights from a third party other than those acquired from Network Solutions in association with and respect to the registration of the domain name marchmadness.com.″ This is not true.

[5] NCAA Ex. 12.

[6] Transcript Vol. 1 at 131.

[7]

Thus, Stein was motivated to transfer marchmadness.com to Netfire, at least in part, by a belief, based on statements made by Netfire, that Netfire was affiliated with the NCAA.

10. Netfire has never been affiliated with the NCAA, and thus, any statements averring such a relationship were false.

11. There is no evidence contradicting Stein's recollection, as no one else admits to any recollection of the events in question. Accordingly, this [**11] Court concludes, by a preponderance of the evidence, that Netfire made false representations to Stein regarding an alleged relationship with the NCAA in order to obtain the marchmadness.com domain name. To the extent that Jones denied that he had ever represented himself as affiliated with the NCAA, this Court finds such denials to be without credibility.

12. Within a month after Stein had transferred marchmadness.com to Netfire, he was contacted by counsel for the NCAA regarding the domain name. [8]

B. USE OF MARCHMADNESS.COM

13. After the acquisition of marchmadness.com, Netfire began developing the content of the website. In developing the website content, Jones took directions primarily from Don Hall (″Hall″). Hall was the Vice-President for Sales of Inspark, and Inspark's only employee other than Dirk (who spent only about a quarter of his time working at Inspark). Hall managed the day to day administration of the site. Although Hall [**12] did not testify at trial, the parties have submitted his deposition transcript to this Court.

14. Hall carefully managed the day to day administration of the site, and gave detailed instructions to Jones on its content. For example, in a memo dated January 10, 1996, Hall provided a time line for the roll-out of features on the marchmadness.com website. [9] The proposed time line precisely corresponded to events in the NCAA Tournament and covered the period from February 14 to May 15, 1996. Thus, for example, March 14-17 were the ″1st & 2nd Rounds,″ March 21-24 were [*792] the ″Regional Finals,″ and March 30-April 1 were the ″Final Four.″ For each time period, results of games were to be posted, as well as phases of various NCAA Tournament-inspired contests. The last two entries in the proposed time line were for compiling data on the number of visitors to the site and contestants in the contests, and delivering that information to the sponsors of the website, in other words, reporting back to the advertisers.

[**13] 15. All of the content of the marchmadness.com was related to the NCAA Tournament.

16. Marchmadness.com was a commercial website.

17. After receiving a cease and desist letter from the NCAA in February 1996, SMI decided not to go forward with the website for the 1996 NCAA Tournament. However, later in the year, SMI, Netfire, and Jones resumed work on the site with the intention of the site fully operational in February 1997, *i.e.* in time for the 1997 NCAA Tournament.

18. On August 5, 1996, Hall sent an email to Jones which, *inter alia,* directed Jones to add a disclaimer to the homepage of the site to read: ″MARCHMADNESS.COM IS NOT AFFILIATED WITH NOR SANCTIONED BY THE NATIONAL COLLEGIATE ATHLETIC ASSOCIATION.″ [10] The email also instructed Jones to ″make sure the word 'official' is taken out and MARCHMADNESS.COM is used instead of only marchmadness.″ [11] In his deposition,

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[7] Transcript Vol. 1 at 143. *See also, id.,* at 129-31, 144.

[8] Plaintiff's Ex. 87 (letter dated February 26, 1996).

[9] Plaintiff's Ex. 111.

[10] Plaintiff's Ex. 110 (emphasis in the original).

[11] *Id.*

Hall explained that he wanted to use the disclaimer to avoid ″confusion,″ and marchmadness.com rather than marchmadness alone because he knew that Defendants did not own marchmadness, they only owned the domain name. He also wanted the word 'official' removed to avoid connoting an affiliation [**14] with the NCAA. However, as noted above, the website was *entirely* about the NCAA Tournament - and about nothing else.

19. Hall stated that Defendants chose the address marchmadness.com because they wanted to do a site about the NCAA Tournament. The address would be attractive to advertisers because ″it is definitely related to the tournament.″ [12]

20. When asked who was the intended audience for Defendants' marchmadness.com website, Hall replied: ″Gosh, anybody that's a fan of basketball who followed the [NCAA] tournament. Obviously, a male audience. Probably 18 to 34, 18 to 49 years of age demographically. Maybe 25 to 54.″ [13]

[**15] 21. SMI, specifically Hall, devoted significant energy to soliciting advertising for the marchmadness.com website. Toward this end, he created a power-point presentation, and mailed printed copies of this presentation (the ″deck″) to potential advertisers, after first contacting them to make an initial sales pitch. [14] The deck, other correspondence from Hall, and his phone conversations with potential advertisers emphasized the value of being affiliated with the NCAA Tournament. For example, a letter from Hall to Rawlings Sporting Goods (″Rawlings″), a manufacturer who was a licensee of the NCAA, stated that marchmadness.com is ″a website dedicated to the NCAA basketball tournament″ and that ″Marchmadness.com is going to receive literally millions of hits before, during and after the tournament.″ [15] [*793] The deck states that ″Marchmadness.com will be THE interactive sports site following the Men's Collegiate Division I Basketball Tournament.″ [16] [**16] A disclaimer was contained in some, but not all, versions of the deck. [17]

22. Hall contacted dozens of prospective advertisers covering a wide variety of industries. [18] By his own estimate, approximately 25% of the advertisers Hall contacted inquired, on their own initiative, as to whether marchmadness.com was affiliated with the NCAA. Indeed, Hall stated that, in one case, a potential advertiser he spoke with expected to be able to advertise on marchmadness.com for free because the corporation was already a corporate sponsor of the NCAA.

23. Sometime in 1997, the marchmadness.com website went 'live,' *i.e.* became accessible to any user of the internet who typed www.marchmadness.com in his or her browser. Although the version that went live did not have the full capabilities envisioned by Defendants, the essential [**17] framework of those capabilities was in place. [19] The site, devoted exclusively to the NCAA Tournament, was live from 1997 to July 1999, although it was inaccessible for a few months during 1998 due to a server malfunction. In other words, the site was accessible to any user of the internet for a period of approximately 11/2 to 2 years. The site contains the image of the bracket for the 1997 NCAA Tournament and makes use of the NCAA's 1997 Final Four logo. Recognizing that the Final Four logo is the property of the NCAA, both Jones and Dirk testified that the logo was there accidentally and should have been removed. This Court finds the testimony from Jones and Dirk regarding the 'accidental' use of the Final Four logo to be entirely without credibility.

24. The marchmadness.com site also does not contain a disclaimer on the first page as suggested in Hall's memo mentioned *supra,* although testimony at trial suggested that a disclaimer might not [**18] print out if it was a moving

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[12] Deposition of Don Hall, at 98.

[13] *Id.,* at 40.

[14] Defendants' Ex. 10.

[15] Plaintiff's Ex. 59.

[16] Defendants' Ex. 10, at 3 (emphasis in the original).

[17] *Compare* Defendants' Ex. 10 (disclaimer on page 2) *and* Plaintiff's Ex. 59 (no disclaimer).

[18] Plaintiff's Ex. 109 (list of advertisers which were contacted).

[19] Plaintiff's Ex. 1 (printout of pages of the website).

'crawler' at the bottom of the page. Defendants were in the best position to offer additional technical evidence of such a scrolling disclaimer, and did not. The only disclaimer contained in the print out of the site is hidden in the section of frequently asked questions, and is not even a full question such as ″is this site affiliated with the NCAA?,″ but rather juxtaposed in an odd position after a question regarding eligibility to enter the website's contests. [20] Such placement certainly does not indicate a desire to place the disclaimer in a prominent position where all visitors to the site are likely to come upon it.

25. During his trial testimony, Dirk made a variety of wholly unpersuasive attempts to describe the marchmadness.com website as something other than what the overwhelming weight of the evidence demonstrates, namely that it is a commercial site intending to derive financial benefit from the NCAA Tournament. Dirk stated that marchmadness. [**19] com was not intended to be a commercial site, but rather an ″informational″ site. He also stated that marchmadness.com was not even intended to be a site primarily about the NCAA Tournament, [*794] but rather, that he had a ″long-term″ vision of marchmadness.com as a site covering all sports. There is not a shred of evidence in the record to support the notion of such a long-term plan. This Court finds Dirk's assertions of his 'long-term plan' to be entirely without credibility. Indeed when pressed about his long-term visionby opposing counsel, Dirk admitted that he had never written anything down about the vision, never had a conversation about the vision with Hall or Jones, and ″whether [it] was in everybody's mind, or just in my mind or whatever, I don't know.″ [21]

26. More generally, this Court finds Dirk's testimony, except as otherwise specifically noted in these Findings of Fact and Conclusions of Law, to be of *very* low credibility.

27. In January 1996, the NCAA learned, [**20] for the first time, of the imminent launch of Defendants' marchmadness.com website. An employee of Rawlings forwarded a letter, dated January 16, 1996, which it had received from Hall promoting the marchmadness.com website. [22] The letter was forwarded to Host Communications, Inc. (″Host″) who in turn forwarded it to the NCAA. Shortly thereafter, on February 5, 1996, counsel for the NCAA sent a cease and desist letter to defense counsel for SMI. [23] The letter very clearly states that:

> The name of the project [marchmadness.com], in the context in which your client is using it, infringes on the NCAA's common law mark ″March Madness.″ [24]

Thus as of early February, 1996, SMI was on notice that the marchmadness.com website was potentially violative of the NCAA's *common law* trademark rights in march madness. The letter, in closing warned that: ″the NCAA will vigorously pursue any and all legal relief to which it may be entitled by virtue of your client's conduct.″ [25]

[**21] 28. During 1996, IHSA also independently learned of the existence of SMI's proposed marchmadness.com website. David Fry (″Fry″), the retired executive director of the IHSA, testified that in the mid 1990's, after developing the www.ihsa.org website, IHSA sought to register both www.marchmadness.org and www.marchmadness.com. However, marchmadness.com was unavailable. Upon learning this, counsel for IHSA sent a cease and desist letter, dated October 14, 1996, to Hall at SMI. [26] The letter stated that IHSA was the ″owner of all rights to the trademark MARCH MADNESS, including Federal Trademark Registration No. 1,571,340.″ [27] Thus, IHSA thereby put Defendants on notice that it claimed registered as well as common law rights to march madness.

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[20] *Id.,* FAQs, at 2.

[21] Transcript Vol. 6, at 55.

[22] Plaintiff's Ex. 59, at 1.

[23] Plaintiff's Ex. 86.

[24] *Id.,* at 1.

[25] *Id.,* at 2.

[26] Plaintiff's Ex. 34.

[27] *Id.,* at 1.

29. This Court finds Fry's testimony to be highly credible, and credits it in its entirety.

30. Defendants chose to reject the NCAA and IHSA's claims to march madness. After a short pause in development of the site, [**22] Defendants continued adding content to marchmadness.com, hoping to go live in time for the 1997 NCAA Tournament.

[*795] 31. In 1998, IHSA requested that NSI place marchmadness.com on ″holdif it was not relinquished by Defendants. [28] Michael Palage, an expert on domain name registration, testified that putting a domain name on hold is analogous to unplugging a person's phone line; it pulls the domain name out of circulation and makes it inaccessible to anyone typing that address in their browser.

32. In late June 1999, marchmadness.com was placed on hold by NSI. By letter dated January 24, 2000, NSI notified counsel for IHSA that, due to a change in NSI's domain name dispute resolution policies, marchmadness.com would no longer be on hold after February 23, 2000 unless NSI received a copy of court documents related to the domain name registrant. [29] On February 22, 2000, this case was filed.

[**23] 33. On April 4, 2000, this Court Ordered the certificate of registry for marchmadness.com to be deposited with this Court, where it remains today.

C. THE HISTORY OF 'MARCH MADNESS'

34. Since 1908, IHSA has organized an annual boy's high school basketball tournament in Illinois (the ″IHSA Tournament″). In 1942, a poem was written about the IHSA Tournament which included the following verse:

> The gym lights gleam like a beacon beam And a million motors hum In a good will flight on a Friday night;
> For basketball beckons, ″Come!″ A sharp-shooting mite is king tonight. The *Madness of March* is running.
> The winged feet fly, the balls sail high And field goal hunters are gunning. [30] [**24]

Since the 1940s, IHSA has used the term march madness to refer to the IHSA Tournament, which has been broadcast on television in Illinois since 1952. March madness is widely used by print and broadcast media in Illinois to refer to the IHSA Tournament. [31]

35. For most of its history, IHSA has given little thought to issues of intellectual property. As a small non-profit interscholastic athletic association, IHSA was focused on arranging high school athletic competitions for its member schools. Indeed, although IHSA was founded in 1900, it did not register its own name as a trademark until the late 1980s.

36. In 1990, when IHSA, for the first time, sought to register march madness, it discovered that the term had been registered as a service mark by Intersport on December 12, 1989. Intersport's registration was for ″entertainment services, namely, presentation of athletic and entertainment personalities in a panel forum″ and claimed a first use in commerce on March 10, 1986. [32] Intersport is a corporation, based in Chicago, Illinois, which uses march madness for sports programs it produces. The programs are panel discussions by sports commentators regarding the NCAA

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[28] Plaintiff's Ex. 35; *see also* Plaintiff's Ex. 36 (second letter from IHSA to NSI).

[29] Plaintiff's Ex. 38.

[30] Plaintiff's Ex. 13 at 5 (emphasis added). There is also evidence that the poem or some other reference to March Madness emerged as early as 1939.

[31] *See* Plaintiff's Ex. 16 (newspaper articles) and 17 (video excerpts).

[32] Plaintiff's Ex. 91 at 6.

Tournament. [33] When IHSA [*796] learned of Intersport's registration, it filed a petition for cancellation [**25] with the U.S. Patent and Trademark Office (the ″PTO″). However, Intersport and IHSA subsequently decided to pool their trademark rights into a new entity, March Madness, LLC (″MMLLC″). [34] MMLLC was in existence from December 1994 to July 1995, and was terminated after Intersport and IHSA reached a new arrangement, dated July 24, 1995, whereby Intersport assigned its registered service mark to IHSA in exchange for receiving a perpetual license to use march madness for its sports programming involving panel discussions and a share of royalty payments received by IHSA. [35]

37. In addition [**26] to march madness, IHSA, in 1990 or 1991 began using the term ″America's Original March Madness″ to refer to the IHSA Tournament, and in 1997 began using the term ″March Madness experience″ to refer to basketball related activities which occurred parallel to the IHSA Tournament. Both ″America's Original March Madness″ and ″March Madness Experience″ were subsequently registered by the IHSA. [36]

38. From the early 1990s, IHSA began licensing march madness. At this time, IHSA claimed that it held the exclusive rights to march madness and, therefore, was willing to license it for any use, without regard to whether it related to the IHSA Tournament. Among IHSA (or MMLLC's) licensees were Wilson Sporting Goods, Pepsi, and the *Chicago Tribune*. [37] In addition to licensing march madness to corporations, IHSA sought to license it to other state high school associations. In so doing, IHSA's motive was not financial gain (each license was $ 10), but rather to strengthen the goodwill [**27] associated with march madness, and to strengthen high school sports outside of Illinois by providing other states with a term that would, as Fry testified, ″give them a good promotional punch.″ [38] Approximately half the states acquired licenses to use march madness. Under the state licenses, a state high school athletic association could use the term march madness if such use was preceded by the name of the state, *i.e.* Nebraska March Madness or Iowa March Madness. [39]

[**28] 39. Once it began licensing march madness, IHSA also began enforcement actions to prevent unauthorized uses of the term. Generally, if IHSA became aware of a use of the term which it perceived to be inappropriate, it would send out a letter warning the party that IHSA had trademark rights which it would act to enforce. Among the enforcement letters IHSA wrote were to a car dealership, a carpet store, a towel service, Oldsmobile, and [*797] CBS. [40] Prior to this case, the sole lawsuit which IHSA brought to enforce its rights was brought in 1996 against GTE Vantage, which at thetime was a licensee of the NCAA.

40. In addition to the rights in march madness claimed by IHSA (and Intersport), rights to march madness were also claimed by the NCAA. The first use of march madness by the NCAA (or its licensees) is generally traced to the 1982 NCAA Tournament when a CBS broadcaster, Brent Musberger, [**29] described the NCAA Tournament as ″March Madness.″

41. Doug Trowley, the creative director of CBS Sports for the past twenty years, testified that, the phrase march madness as a nickname for the NCAA Tournament immediately stuck and has been used by CBS, as the licensed

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[33] *See* Plaintiff's Ex. 32 (cd-rom containing video clips). The video clip under file name ″03-93 MM Finals in New Orleans″ states that ″the following is an Intersport Presentation,″ and file name ″20-00 ESPN MM Tournament 3″ includes credits which state that the program was ″Produced by Intersport Television in association with ESPN.″

[34] Plaintiff's Ex. 31.

[35] Plaintiff's Ex. 30.

[36] *See* Plaintiff's Ex. 91.

[37] *See* Defendants' Ex. 118 (Wilson license); Plaintiff's Ex. 21 (Pepsi license); Plaintiff's Ex. 20 (*Chicago Tribune* license).

[38] Transcript, Vol. 2, at 202; *see also* Plaintiff's Ex. 29 (copies of state license agreements).

[39] Defendant's Ex. 119, 140. One state high school association, the Michigan High School Athletic Association responded to IHSA's licensing offer by stating that it believed IHSA did not have rights to the term march madness, however, IHSA, as Fry testified, did not perceive this to be of particular concern as the same letter also stated that the MHSAA did not use and had no intention of making future use of the term march madness. *See* Defendant's Ex. 120.

[40] *See* Defendants Ex. 122 (car dealership); 128 (carpet store); 127 (towel service); 126 (Oldsmobile); and 130 (CBS).

broadcaster of the NCAA Tournament, ever since. March madness has become one of the monikers, along with others such as the ″Road to the Final Four,″ which CBS uses to promote the NCAA Tournament during the year, and, of course, most frequently during the period immediately preceding and during the NCAA Tournament. [41] March madness, according to Trowley, is a particularly useful nickname for the NCAA Tournament because the full title, the NCAA Men's Division I College Championship, is a bit lengthy. This Court finds the testimony of Trowley to be highly credible.

42. Moreover, Melissa Caito, the current Director of Licensing and Brand Management testified [**30] that march madness is particularly useful to licensees because the term describes the entire NCAA Tournament, while other terms which are either trademarked or licensed by the NCAA, such as ″Sweet Sixteen″ and ″Elite Eight″ are only useful for a short while during the tournament. This Court finds the testimony of Caito to be highly credible.

43. The NCAA Tournament has grown into a major event on the annual American sports calendar, in the words of one television commentator, it is ″the three-week hardwoood holiday known as March Madness.″ [42] CBS broadcasts every game of the NCAA Tournament nationally, superceding its regularly scheduled programming, and making, according to Trowley, a ″huge″ investment in staff and equipment in order to be able to broadcast from the various game sites. The NCAA Tournament earns strong Nielsen ratings, particularly the national championship and national semifinals, which may be among the most highly rated sports programs during a given year. [43] For CBS, Crowley testified, the value of the NCAA Tournament arises not only from the advertising revenues it generates, but also because it can be used as a vehicle to promote other CBS programming to [**31] the viewing audience of the NCAA Tournament.

44. According to John Waters, the former director of licensing of the NCAA for the period from 1979 through 1995, the NCAA began licensing march madness in 1988. Rather than being licensed separately, march madness was typically included as one of a set of marks relating to NCAA championship. The NCAA licensed the marks as a group in order to encourage corporations to develop advertising not just for one event but across a range of sports. NCAA advertisers were [*798] known as 'Corporate Partners.' A list of marks was updated and provided to licensees annually. The 1993 and 1995 lists of marks both include march madness. [44]

[**32] 45. Due to tax concerns relating to the NCAA's non-profit status, the NCAA licenses all of its marks to one entity, which then sublicenses them to individual corporations. Between 1988 and 1995, the NCAA received up to $ 4 million annually in royalties from NCAA licensees. [45] From 1997-2002, Host paid the NCAA $ 75 million to serve in this role as primary licensee and administrator of its Corporate Partner program, as well as for other broadcast rights. [46] With the expiry of the Host contract, the role formerly played by Host is now carried out by the Collegiate Licensing Program.

46. The NCAA (and its primary licensee) exert considerable quality control over licensed use of the NCAA's marks. Licensees were required to submit drafts of all merchandise and advertising copy which made use of the licensed marks for approval. In many instances either John Waters, other staff at the NCAA, or employees at Host would add a superscripted TM (or SM) to [**33] the term March Madness, or a legend that March Madness is a trademark of the NCAA. [47] Mark Kidd, the president of Host, estimated that, during the period of its contract with the NCAA, Host reviewed approximately five to ten *thousand* drafts of merchandise and advertising copy. This Court finds Kidd's testimony to be highly credible.

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[41] Plaintiff's Ex. 42 (cd-rom containing video clips from the NCAA Tournament).

[42] *Id.* (video clip titled ″05-96 CBS Pregame″).

[43] Plaintiff's Ex. 44 (2001 Nielsen data); *see also* Plaintiff's Ex. 43 (1999 Nielsen data).

[44] Plaintiff's Ex. 3 at 1-2.

[45] Plaintiff's Ex. 4.

[46] Defendants' Ex. 69 at 6.

[47] Plaintiff's Ex. 2 (review by John Waters); Plaintiff's Ex. 48, 50, 52, 53, 56 (review by Host).

47. However, it should also be noted that not all of the NCAA's licensing contracts include the term march madness as a claimed mark. Several agreements included lists of terms in introductory 'whereas' clauses which omitted march madness. While the Handbook for Corporate Partners does list march madness, the license agreement between Host and the NCAA did not. [48] Similarly, the website and cybercasting agreements with Host, both omit explicit mention of march madness. [49] However, exhibit B of the license agreement, a sample sublicense agreement, defines ″Marks″ broadly to [**34] include ″the NCAA name and all related marks.″ Mark Kidd testified that, although a particular mark might be omitted in one contract, the intent of the NCAA and Host, based on their ″daily″ interaction was to include all the NCAA championship marks including march madness, and all the marks, including march madness, were included in the annual list of marks which was given to licensees. The agreement between the NCAA and Andrews and McNeil Company is an example of a license agreement which explicitly lists the term march madness as a covered mark. [50] This Court finds Kidd's testimony to be highly credible.

48. As its licensing program developed, the NCAA became more focused on enforcement of its rights against unauthorized users. The earliest enforcement letter from the NCAA [**35] relating to alleged unauthorized use of march madness is dated November 2, 1993 and is addressed to [*799] the developer of a trivia game which would have march madness in its title. [51] An early example of a response letter from a party who complies with the NCAA's enforcement letter is the letter, dated December 28, 1994, which states that the alleged infringer would no longer run ads or sell software using the words march madness. [52]

49. More recently, in the past several years, the NCAA has been more vigorous in enforcement of marks which it claims to own. Scott Bearby (″Bearby″), assistant general counsel of the NCAA since 1999, estimates that the NCAA now sends approximately 300 cease and desist letters annually, of which approximately 50 to 70 involve unauthorized use of march madness. The NCAA has also been more active using the uniform domain name dispute resolution policy (the ″UDRP″) to obtain web addresses. According to Bearby, many parties transfer [**36] contested domain names rather than engaging in dispute resolution procedures pursuant to the UDRP. Among the domain names which the NCAA has been able to acquire from other parties in recent years are www.wwwmarchmadness.com, www.finalfour2001.org, and www.marchmadness2001.net. [53]

50. In many instances, as evinced in the documentary record and the testimony of Bearby and Caito, the NCAA's decision to send a cease and desist letter for uses of march madness appears to be motivated as much, if not more by business concerns, *i.e.* whether the NCAA already has a corporate partner in that particular industry, rather than legal concerns. [54] Thus the NCAA is particularly concerned about the use of March Madness by Menard's, a home improvement store even though the use does not incorporate a visual basketball motif, because Sears is a Corporate Partner and sells many of the same goods.

[**37] 51. While the NCAA has long had a policy of registering its marks, there has not been ″any consistency in the approach taken″ with respect to when or if a particular mark was registered. [55] Like IHSA, the NCAA waited approximately 60 years to register its own name, and like IHSA, the NCAA did not oppose the Intersport march madness registration in 1989. However, like IHSA, the NCAA later filed a cancellation petition regarding the Intersport registration with the PTO. In the last few years, the NCAA has been much more active in registering its marks.

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[48] *Compare* Plaintiff's Ex. 42 (handbook) *and* Defendants' Ex. 69 (agreement between Host and the NCAA).

[49] Plaintiff's Ex. 70 (website agreement); Plaintiff's Ex. 71 (cybercasting agreement).

[50] Plaintiff's Ex. 10.

[51] Plaintiff's Ex. 9.

[52] Plaintiff's Ex. 8.

[53] Plaintiff's Ex. 83, 85.

[54] *See, e.g.,* Defendants' Ex. 79 (Menard's home improvement store); Defendants' Ex. 74 (1-800 USA Hotels); Defendants' Ex. 99 (Nissan car dealership).

[55] Transcript vol 5, at 56; *see also* Transcript vol 2 (testimony of John Waters).

D. FORMATION OF MMAA

52. With both the NCAA and IHSA claiming exclusive rights to basketball-related, and indeed all commercial uses of march madness, it is not surprising that they eventually came to loggerheads over the issue of ownership of March Madness. In 1996, IHSA sued GTE Vantage seeking to enjoin it from using the term march madness despite the fact [**38] that GTE Vantage had a license from the NCAA to do so. In the suit IHSA claimed it owned the exclusive rights to commercial use of march madness in relation to basketball. In December 1996, the Seventh Circuit Court of Appeals, in *IHSA v. GTE Vantage,* 99 F.3d 244, 247-48 (7th Cir. 1996) ("*GTE Vantage*"), rejected any claim [*800] IHSA had to rights over march madness in the context of the NCAA Tournament.

53. After *GTE Vantage,* IHSA and the NCAA engaged in several years of negotiations before agreeing to pool their trade and service mark resources in march madness into a new entity to be jointly managed between them. On February 29, 2000, one week after this case was filed, the IHSA and NCAA formed MMAA. MMAA is an Illinois limited liability company. [56]

54. Under the terms of the agreement between the NCAA and IHSA (the "MMAA Agreement"), the NCAA and IHSA each assigned all rights it held in march madness, including pending applications at the PTO, to MMAA, and [**39] in return each received an exclusive, perpetual license from MMAA for use of the term in relation to their respective basketball tournaments. [57] The NCAA's license allows for use of march madness:

> solely in reference to the annual men's and women's collegiate basketball tournament series for Division INCAA schools which begins in March of every year and results in final games usually occurring sometime in the first week of April, and with goods and services associated with or promoting the NCAA [men's and women's] Tournament provided that as a condition of the license, the NCAA agrees always to include indicia sufficient to indicate that the licensed mark is referencing the NCAA [men's and womens'] Tournament. [58]

Similarly, the license granted by the MMAA to IHSA allows for use of march madness:

> solely in reference to the annual high school basketball championship tournaments for girls and boys, which take place in or about March, and with goods and services associated with or promoting such high school basketball tournaments, provided that as a condition to the license IHSA agrees always to include indicia sufficient to indicate that the mark is referencing [**40] a high school basketball tournament. [59]

the MMAA Agreement also grants licenses to use the terms 'America's Original March Madness' and 'March Madness Experience' "in connection with basketball tournaments other than college tournaments, and with goods and services related to basketball." [60] Both IHSA and the NCAA are authorized to sublicense march madness within the scope of their respective licenses. MMAA retains all rights to license march madness other than those licensed to either the NCAA or the IHSA. Each such non-IHSA, non-NCAA license must be approved by a majority of the MMAA board of managers (the "Board"). The Board consists of two representatives each from the NCAA and IHSA, and meets quarterly. The MMAA Agreement also includes provisions relating to the sharing of royalties between IHSA and the NCAA.

55. Gary Krugman, an expert witness for Plaintiff, testified that specialized holding [**41] companies which consolidate ownership of trade and service marks are common in industry. Examples include Nestle, which pools all of its trademarks into a Swiss holding company and then licenses them back to individual Nestle companies, and Reed

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[56] Plaintiff's Ex. 11.

[57] Plaintiff's Ex. 12, §§ 2-10.

[58] *Id.,* § 4.

[59] *Id.,* § 7.

[60] *Id.,* § 9.

Elsevier, which is a holding company for trademarks such as LexisNexis and [*801] Martindale-Hubbard. Another similar structure in the world of sports is NFL Properties. Each team in the National Football League transfers its trademarks, e.g. the Dallas Cowboys, to NFL properties, and is then granted a license for their use. On cross-examination, however, Krugman admitted that he is not familiar with the precise details of the structure of NFL properties.

56. MMAA holds title to the following trade or service mark registrations relating to march madness:

	Mark (trademark or service mark)	**Number (Date Registered)**	**Description of Goods and Services**
(1)	March Madness (SM)	2,485,443 (9/4/01)	Entertainment in the nature of college teams, in class 41.
(2)	March Madness (SM)	2,574,780 (6/4/02)	Entertainment services, namely, school basketball games and tournaments, in class 41.
(3)	March Madness (SM)	1,571,340 (12/12/89)	Entertainment services, namely, presentation of athletic and entertainment personalities in a panel forum, in class 41.
(4)	March Madness (TM)	2,525,317 (1/1/02)	Sporting goods; namely, basketballs, basketball backboards and basketball hoops, in class 28.
(5)	March Madness (TM)	2,478,254 (8/14/01)	Wearing apparel associated with an annual basketball tournament between college teams; namely, tee shirts, sweatshirts, sweat pants, caps, sweaters and jackets, in class 25.
(6)	March Madness (TM)	2,425,958 (2/6/01)	Basketballs, basketball backboards and related accessories, namely, pumps, inflation needles and nets, in class 28.
(7)	March Madness (TM)	2,425,962 (2/6/01)	Pre-recorded video cassettes featuring sporting events, in class 9; Programs, folders, handbooks, magazines and trading cards related to interscholastic activities, in class 16; Cups and mugs,in class 21; Towels and cloth banners, in class 24; Clothing, namely shirts, sweatshirts, shorts, and hats, in class 25.
(8)	America's Original March Madness (SM)	2,447,259 (5/1/01)	Sanctioning, supervising, regulating and conducting high school basketball games and tournaments, in class 41.
(9)	America's Original March Madness (TM)	1,866,144 (12/6/94)	Programs, stationery folders, books and magazines concerning interscholastic activities, in class 16.
(10)	America's Original March Madness (TM)	1,870,486 (12/27/94)	Ornamental pins, in class 14.
(11)	America's	1,873,048	Cups and mugs, in class 21; Towels

	Mark (trademark or service mark)	Number (Date Registered)	Description of Goods and Services
	Original March Madness (TM)	(1/10/95)	and cloth banners, in class 24.
(12)	America's Original March Madness (TM)	2,425,960 (2/6/01)	Trading cards related to interscholastic activities, in class 16.
(13)	March Madness Experience (TM and SM)	2,608,347 (8/20/02)	Clocks and ornamental pins, in class 14; Cups, in class 21; Wearing apparel, namely, caps, t-shirts, sweatshirts, in class 25; Entertainment services in the nature of amusement facilities, in class 41.

[**42] [*802] The above table demonstrates that nearly all of these registrations were obtained within the past two years, while this case has been pending. The only 'march madness' registration to predate this case is the former Intersport registration (*supra* no. (3)) for panel presentations of athletic and entertainment personalities, and three 'America's Original March Madness' registrations for publications relating to interscholastic (i.e. high school) activities, and pins, cups, and mugs (*supra* nos. 9-11). [61]

E. 'MARCH MADNESS' IS A TRADEMARK

57. After considering the full evidentiary record in this case, this Court finds that the phrase 'march madness' is a protectable trademark, and is not a generic term.

58. A more difficult question arises in determining which trademark category to place march madness in. Specifically, the question is whether march madness is a suggestive mark or a descriptive mark which has [**43] acquired secondary meaning. The categories themselves are constructs which represent points along a spectrum. After careful consideration of the evidence, this Court finds that 'March Madness' is a descriptive mark which has acquired secondary meaning, and is, therefore, protectable as a trademark.

59. The phrase 'march madness' is not contained in general reference dictionaries, although its constituent components, march and madness, are. [62] March, of course, among its other meanings, refers to the third month of the year. The first definition of madness, according to *Webster's Dictionary,* is ″the quality or state of being mad: as rage, insanity, extreme folly, ecstasy [and] enthusiasm.″ [63] Putting march and madness together, it is reasonable to assume that the phrase would refer to something mad in March. Thus the phrase is descriptive of some of its underlying qualities, namely, the time the tournaments occur and the high level of energy or enthusiasm with which they are associated. However, there is nothing inherent in the phrase march madness which would lead one who had never heard the term before to understand that it relates to basketball tournaments-either high [**44] school or the NCAA Tournament. Comprehension of the meaning of the phrase, therefore, requires imagination, in much the same way that comprehension of the title, *Business Week,* requires imagination even though it is readily apparent that the title [*803] has something to do with business and the time period of one week.

60. March madness is not a phrase which is inherently necessary in order to describe basketball tournaments occurring in March. It is not difficult to conjure up other appellations for such tournaments which do not use the phrase March madness, i.e., 'Spring Championship,' 'Basketball League Finals,' etc. Other parties seeking to hold basketball

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[61] *See* Plaintiff's Ex. 91 (copies of march madness registered marks).

[62] *See* Plaintiff's Ex. 76 (excerpts from dictionaries).

[63] *Merriam Webster's Collegiate Dictionary* 698 (10th ed. 1994). The second definition for madness is ″any of several ailments of animals marked by frenzied behavior, specfic[ally] rabies.″

tournaments in March, are not left unable to describe their tournaments by virtue of the protection [**45] accorded March Madness. The best example of this is the National Invitational Tournament (the ″NIT″) which also involves NCAA Division I Men's basketball teams and occurs nearly simultaneously to the NCAA Tournament.

61. March madness has acquired secondary meaning in the mind of the public. [64] [**46] Gary Mantis (″Mantis″), commissioned as an expert witness by the Plaintiff, conducted a Teflon survey, and concluded that the primary significance of March madness, to members of the public over the age of 18 who are likely to visit a sports website, is as a trade name relating to basketball. The survey, conducted in January 2001, asked its participants to give their opinion as to whether March madness was a 'trade name' or a 'common name.' While the survey was not ideal in every respect, [65] this Court finds the survey's methodology, administration, and universe to be of sufficient quality that the survey results can be considered credible. The results are indicative of the understanding of likely visitors to the marchmadness.com website of the nature of the phrase March madness.

62. The survey was a double-blind survey; [**47] neither the person administering the survey nor the person taking it knew what the survey was intended to demonstrate. Approximately 700 adults were contacted by phone based on a list of randomly generated residential phone numbers from the continental United States. The 'next birthday technique' was used to randomly select the actual respondent to the survey within each residence which was called. Not everyone who was contacted was deemed 'qualified' to respond to the survey. Qualified respondents were those who (1) within the last 30 days had used (or in the next 30 days were likely to use) the internet for something other than email, (2) within the last 30 days had read about or attended a sports event (or were likely to do so within the next 30 days), and (3) were able to demonstrate, on the first part of the survey, that they understood the difference between trade names and common names. The respondents were asked to classify terms as either 'trade names' or 'common names.' The sequence of terms was rotated on different surveys in order to avoid term order bias. Of 215 qualified respondents, 180 had heard of March madness, and 150 associated [*804] it with basketball. Of the 150 who [**48] associated March madness with basketball, 98 (61.3 %)stated that it was a trade name, 48 (32%) stated that it was a common name, and 9 (6%) said they did not know. In other words, within the relevant sample of persons who knew March madness was related to basketball, over 60% classified it as a trade name. Based on this evidence, the Court finds that March madness has acquired secondary meaning as a trade name.

63. Defendants have not offered any survey evidence.

64. Moreover, the Court also notes that Trowley testified that CBS uses the term March madness in its national broadcasts of the NCAA tournament and related programming because it believes that the public understands the term to mean the NCAA Tournament. Trowley also testified that he, personally, has interviewed approximately 200 people to ask them if they associate March madness with the NCAA Tournament. In addition, the Court notes the many media uses of March madness to refer to the NCAA Tournament, including crossword puzzles in both the *New York Times* and *USA Today* which have as their clue: ″March Madness org″ and for the answer ″NCAA.″ [66]
[**49]

F. LIKELIHOOD OF CONFUSION BETWEEN 'MARCH MADNESS' AND 'MARCHMADNESS.COM'

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[64] Plaintiff's Ex. 95, 95a, 95b.

[65] In particular, the Court notes that one of the sample questions was whether ″Double Header″ is a trade name or a common name. Mantis apparently believed it to be a common name. On cross-examination, Defense counsel stated in a question (without offering evidence) that Double Header had been trademarked for a sports related use in 1920. After conducing a search at the PTO's internet site, www.uspto.gov, this Court takes judicial notice, pursuant to Rule 201(b)(2), that a trademark for a graphical design and text for 'Double Header' to be used for baseballs was registered on July 13, 1920 (Registration No. 133, 114). *See* FED. R. EVID. 201(b)(2) (″[a] judicially noticed fact must be one not subject to reasonable dispute that is ... capable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be questioned″); Scanlan v. Tex. A&M Univ., 343 F.3d 533, 2003 U.S. App. LEXIS 16978, 2003 WL 21961422, at *3 (5th Cir. Aug. 19, 2003). This fact does not materially impact the value of the results of the survey.

[66] Plaintiff's Ex. 66; *see also* Plaintiff's Ex. 64 (media uses); Plaintiff's Ex. 99 (excerpt from the *Complete Idiot's Guide to Basketball).*

65. This Court finds a strong likelihood of confusion to exist between the protected trademark March madness and Defendants' website, marchmadness.com. The factors to be examined in determining likelihood of confusion include, but are not limited to: (1) the type of mark allegedly infringed; (2) the similarity between the two marks; (3) the similarity of the products or services; (4) the identity of the retail outlets and purchasers; (5) the identity of the advertising media used; (6) the defendant's intent; and (7) any evidence of actual confusion. *Pebble Beach Co., v. Tour 18 I Limited,* 155 F.3d 526, 543 (5th Cir. 1998). Each of these factors is examined below.

66. March madness is a strong mark within the context of basketball. Defendants have introduced numerous third party uses of the march madness in commercial settings, including some involving other sporting events such as a volleyball tournament and a long distance race. [67] Within the scope of basketball, however, Defendants have failed to establish anything other than isolated instances of unauthorized use by parties [**50] other than the MMAA (or its predecessors in interest). Defendants have not shown any examples of trademark registrations for March madness, or confusingly similar terms, by parties other than the MMAA (or its predecessors in interest). And, as previously noted, SMI's website is entirely devoted to the NCAA Tournament.

67. The phrase march madness and domain name marchmadness.com are identical. The domain name omits the space between march and madness, and adds the suffix ".com." It is otherwise indistinguishable from march madness The differences in visual appearance are insignificant and arise from the formatting necessities of domain names, in much the same way that 'earnestandjuliogallo.com' is identical to "Ernest & Julio Gallo." *See E & J Gallo Winery v. Spider Webs Ltd.,* 286 F.3d 270, 272 (5th Cir. 2002).

[*805] 68. March madness and marchmadness.com provide similar services in the sports entertainment marketplace. Both derive their value primarily [**51] from the NCAA Tournament, although march madness also derives value from the IHSA tournament and IHSA licensees. Marchmadness.com competes directly with the NCAA's NCAA Tournament website, www.finalfour.net, [68] and with the website produced by a partner of an NCAA licensee, CBS, www.cbssportsline.com, although that website also covers other sports.

69. March madness and marchmadness.com seek business from the same consumers, fans of the NCAA Tournament. Both Dirk and Hall stated that the target group for marchmadness.com was fans of the NCAA Tournament, although Dirk was less inclined to admit this and only did so after repeated questioning during cross-examination.

70. SMI solicited advertising for marchmadness.com from the many of the same advertisers as the NCAA. Indeed, SMI, as testified to by Hall and Dirk, approached any advertisers which seemed promising, regardless [**52] of whether or not the advertiser had a preexisting relationship with the NCAA (or IHSA).

71. SMI's primary intent in acquiring and developing marchmadness.com was to make a profit.

72. With the exception of the initial acquisition by Netfire of the marchmadness.com domain name from Stein (*see supra),* this Court does not believe that Defendants intended to deceive either prospective advertisers or the public with respect to any affiliation with the NCAA. Rather, it appears that SMI believed, albeit unreasonably, that by virtue of having acquired the marchmadness.com domain name it had the legal right to use the domain name as it saw fit. And, from the prospective of an entrepreneur, the most profitable use of the domain name was to exploit preexisting good will, specifically that of the NCAA Tournament. Indeed, that is why the domain name was acquired.

73. While actual confusion among consumers has not been demonstrated in this case, there is abundant evidence of actual confusion among advertisers who were solicited by Hall. As noted above, approximately 25% of the advertisers contacted by Hall inquired, *on their own initiative,* as to whether marchmadness.com [**53] was affiliated with the NCAA. Indeed, Hall stated that in one case, someone he spoke with expected to be able to advertise on marchmadness.com for free because the corporation was already a corporate sponsor of the NCAA. This testimony

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[67] *See* Defendant's Ex. 144, 146, 206.

[68] *See* Plaintiff's Ex. 60 *and* Transcript vol 2 (testimony of Colin Boatwright) for additional information on finalfour.net.

from a former employee of SMI evinces many instances of confusion. Another instance of confusion was that of David Smith, the head of an advertising company, who testified in his video deposition that, *after* hearing the sales pitch from Hall, he inquired ″Don, you guys have the rights to use this?″ Hall responded by assuring him that SMI had the rights to the website.

74. Reviewing the evidence on these seven digits of confusion, this Court concludes that there is a substantial likelihood of confusion between marchmadness.com and march madness. All seven of the digits of confusion point to the existence of a substantial likelihood of confusion.

75. If any of the foregoing Findings of Fact may be more properly deemed a Conclusion [*806] of Law, it is hereby incorporated by reference into the Conclusions of Law

II. CONCLUSIONS OF LAW

A. TRADEMARK INFRINGEMENT

1. ″A trademark is a word, name, or symbol that is intended to [**54] distinguish one producer's goods from those of other producers.″ *Sport Supply Corp., Inc. v. Columbia Casualty Co.,* 335 F.3d 453, 460 (5th Cir. 2003); 15 U.S.C. § 1127. Discussing the function of trademarks and the rationale for their legal protection, Justice Frankfurter, in 1942, stated:

> The protection of trade-marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same - to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.

Mishakawa Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205, 86 L. Ed. 1381, 62 S. Ct. 1022, 1942 Dec. Comm'r Pat. 767 (1942). [**55] ″Trademark law helps ensure that a trademark can serve this function of distinguishing a producer's goods, because it prohibits other producers from using a similar mark in a way that is 'likely to cause confusion' among consumers (*i.e.,* by making consumers wonder which producers created which products.″ *Sport Supply,* 335 F.3d at 460. Protection of trademarks ″lowers consumer search costs and encourages higher quality production by discouraging free riders.″ *Union National Bank of Tx., Laredo, Tx., v. Union National Bank of Tx., Austin, Tx.,* 909 F.2d 839, 844 (5th Cir. 1990).

2. ″The threshold issue in any action for trademark infringement is whether the word or phrase is initially registerable or protectable.″ *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.,* 698 F.2d 786, 790 (5th Cir. 1983) (citing *Vision Center v. Opticks, Inc.,* 596 F.2d 111, 115 (5th Cir. 1979)). Once protectability under the Lanham Act has been established, the second inquiry is whether a likelihood of confusion exists between the marks at issue. *Society of Financial Examiners v. National Ass'n of Certified Fraud Examiners, Inc.,* 41 F.3d 223, 224 (5th Cir. 1995); [**56] *Pebble Beach,* 155 F.3d at 543 (″The touchstone of infringement is whether the use creates a likelihood of confusion″); *Sun Banks of Florida, Inc. v. Sun Federal Savings and Loan Ass'n,* 651 F.2d 311, 319 (5th Cir. 1981) (″When there is no likelihood of confusion, there can be no trademark infringement″); *see also IHSA v. GTE Vantage,* 99 F.3d at 246 (″The issue of likelihood of confusion does not arise, however, until it is determined that the plaintiff has a trademark that the law will protect″). Both the determination of protectability and that of likelihood of confusion are ″fact-intensive inquiries [which] cannot be conducted properly without a trial.″ *Society of Financial Examiners,* 41 F.3d at 224. The requirements for trademark infringement under Texas law are the same as those under the Lanham Act. *Sport Supply,* 335 F.3d at 461; *Elvis Presley Enterprises, Inc. v. Capece,* 141 F.3d 188, 193 (5th Cir. 1998).

[*807] 3. Although registration with the PTO confers certain procedural advantages upon trademark owners, registration is not necessary to bring an infringement action under [**57] § 43 of the Lanham Act, codified at 15

U.S.C. § 1125(a). *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768, 120 L. Ed. 2d 615, 112 S. Ct. 2753 (1992) (″it is common ground that § 43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)″); *Union Bank,* 909 F.2d at 842 (″Ownership of trademarks is established by use, not by registration″); § 27-14 (4th ed.).

4. At the time this case was filed, February 22, 2000, MMAA (and its predecessors in interest) held one registration for the phrase March madness, namely, the service mark originally obtained by Intersport in December 1989 (number 1,571,340). *See supra* table of registered marks. [69] However, this mark was for ″entertainment services, namely, presentation of athletic and entertainment personalities in a panel forum, in class 41.″ [70]

[**58]

5. Although the classification of goods and services made by the PTO does ″not limit or extend the applicant's or registrant's rights,″ 15 U.S.C. § 1112, MMAA, in this action, is not relying solely on rights arising from this registered trademark. Instead, MMAA contends that, through its (and its licensees) use of March madness, it has acquired significant common law rights to March madness. Moreover, after this case was filed, MMAA obtained registrations for six additional March madness trade or service marks from the PTO.

6. These subsequent registrations are prima facie evidence of the existence of a protectable mark. 15 U.S.C. § 1125(a). However, the outcome of this case is unaffected by whether the burden is placed on MMAA or Defendants to establish the validity or genericness of March madness.

7. The protectability of a multiword mark such as March madness is determined by analysis of the entire phrase considered as a whole, not by the protectability of its constituent words. *Ass'n of Co-operative Members, Inc. v. Farmland Industries, Inc.,* 684 F.2d 1134, 1140 (5th Cir. 1982) [**59] (″The whole, in trademark law, is often greater than the sum of its parts. Common words in which no one may acquire a trademark because they are descriptive or generic may, when used in combination, become a valid trademark.″); *Union Bank,* 909 F.2d at 848 n.25 (″The commercial impression of a trade-mark is derived from it *as a whole,* not from its elements separated and considered in detail. For this reason it should be considered in its entirety″) (quoting *Estate of P.D. Beckwith v. Commissioner of Patents,* 252 U.S. 538, 545, 64 L. Ed. 705, 40 S. Ct. 414, 1920 Dec. Comm'r Pat. 471 (1920)).

8. To determine whether a mark is protectable, a court must assign the mark into one of five categories, which, arranged in order of increasing distinctiveness, are: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. *Two Pesos,* 505 U.S. at 768. ″The significance of assigning a word or phrase to one of these categories is that the assignment determines whether or not, or in what circumstances, the word or phrase is eligible [*808] for trademark protection.″ *Union Bank,* 909 F.2d at 844. ″Although these categories are meant to be mutually exclusive, they are spectrum-like [**60] and tend to merge imperceptibly from one to another. For this reason, they are difficult to define and, quite frequently, difficult to apply.″ *Vision Center,* 596 F.2d at 115; *see also Soweco, Inc. v. Shell Oil Co.,* 617 F.2d 1178, 1183 (5th Cir. 1980) (″although meant as pigeon-holes, these useful labels are instead central tones in a spectrum″).

9. A generic term ″refers to an entire class of products (such as 'airplane' or 'computer'), does not distinguish a product at all, and therefore receives no protection under trademark law.″ *Sport Supply,* 335 F.3d at 461 n.7; *see also Union Bank,* 909 F.2d at 845 (″A generic term is one which identifies a genus or class of things or services, of which the particular item in question is merely a member.″); *Soweco,* 617 F.2d at 1183 (″A word may be generic of some things and not of others: 'ivory' is generic of elephant tusks but arbitrary as applied to soap″).

10. A descriptive term ″describes some features or characteristics of a product (*i.e.,* 'All Bran' or 'Holiday Inn'), [and] is 'not inherently distinctive.'″ *Sport Supply,* 335 F.3d at 461 n.7; [**61] *see also Union Bank,* 909 F.2d at 845 (″A

[69] There are also several registrations for ″America's Original March Madness″ which predate this suit.

[70] Plaintiff's Ex. 91.

descriptive term is one that 'identifies a characteristic or quality of the article or service.'") A descriptive term does not receive trademark protection unless it has acquired secondary meaning. *Sport Supply,* 335 F.3d at 461 n.7; *Two Pesos,* 505 U.S. at 769.

11. "Suggestive, arbitrary, and fanciful marks, by contrast, better distinguish their products and are therefore accorded more protection." *Sport Supply,* 335 F.3d at 461 n.7. These three types of marks are deemed to be "inherently distinctive" and are, therefore, protectable without requiring a showing of secondary meaning. A suggestive term "merely suggests the features of the product, requiring the purchaser to use imagination, thought, and perception to reach a conclusion as to the nature of the goods." *Id.* (quoting *Lane Capital Management, Inc. v. Lane Capital Management, Inc.,* 192 F.3d 337, 344 (2d Cir. 1999)); *see also Union Bank,* 909 F.2d at 845. An arbitrary term "uses 'a common word in an unfamiliar way.'" And, a fanciful term "is 'not a real word at all,' but is invented [**62] solely for the purpose of identifying a particular product." *Sport Supply,* 335 F.3d at 461 n.7.

12. A judicial finding of genericness is fatal to any mark's claim of legal protection, for "the terms 'generic' and 'trademark' are mutually exclusive." *Society of Financial Examiners,* 41 F.3d at 226 (quoting MCCARTHY § 1201 (3d ed.)). Even "total confusion" becomes "irrelevant" if the complaining mark is a deemed to be generic. *Society of Financial Examiners,* 41 F.3d at 225. "Genericide" can occur when a protected mark, over time, becomes the shorthand name for an entire genus of products sold under it. MCCARTHY § 8.7.3 (4th ed.). Examples of once trademarked terms that have become generic include "thermos," "escalator," "aspirin," and "yo-yo." *Id; see also Union Bank,* 909 F.2d at 846 ("The English language, more than most, is in a constant state of flux. A word which is today fanciful may tomorrow become descriptive or generic"). Although it is possible for a party to recapture a generic term from the public domain, such a feat is rare. *See id.* (discussing the recapture of "Singer" for sewing machines).

13. [**63] Classification of a mark into one of these categories is a question of fact. *Union Bank,* 909 F.2d at 846 ("the categorization of a term is properly considered a matter of fact because the appropriate [*809] categorization is not self-evident"); *Lane Capital,* 192 F.3d at 344. In this case, after carefully considering the full record, this Court has found "March madness" to be a descriptive term which has acquired secondary meaning. *See Findings of Fact.* It is therefore protectable as a trademark under the Lanham Act, and Texas law. In so doing, this Court rejects Defendants assertions that March madness has become generic.

14. March Madness is a descriptive term, *see Findings of Fact,* and is, therefore, only protectable upon a strong showing of secondary meaning. The secondary meaning must be shown at the time Defendants allegedly violated 15 U.S.C. § 1125 by developing and then placing on-line their website. *Sugar Busters LLC v. Brennan,* 177 F.3d 258, 269 n8 (5th Cir. 1999). "Secondary meaning is achieved when 'in the mind of the public, the primary significance of a product feature or term is to identify [**64] the source of the product rather than the product itself." *Id.,* at 268 (5th Cir. 1999) (quoting *Two Pesos,* 505 U.S. at 766 n.4); 15 U.S.C. § 1064(3); *see also Union Bank,* 909 F.2d at 841 n.3.

15. The primary significance of a term to the relevant public determines which category the term will be placed in. *Lane Management,* 192 F.3d at 344-45. By "relevant public" is meant neither the Court, the party claiming the term, nor the general public. Rather the relevant public is the "prospective purchasers of the product." *Id.,* at 345; *see also* MCCARTHY §§ 12:4, 12:6 (4th ed.). The question, as put by Learned Hand, is "what do *buyers* understand by the word for whose use the parties are contending?" *Bayer Co. v. United Drug Co.,* 272 F. 505, 509 (S.D.N.Y. 1921) (emphasis added).

16. Survey evidence is the preferred method of determining secondary meaning. *Zatarains,* 698 F.2d at 795 ("survey evidence is the most direct and persuasive way of establishing secondary meaning"); *Sugar Busters,* 177 F.3d at 269. However, in [**65] addition to survey evidence, other circumstantial evidence such as "amount and manner of advertising, volume of sales, and length and manner of use" is also considered relevant to a determination of secondary meaning. *Zatarains,* 698 F.2d at 795. Teflon surveys, in which a respondent is given "a mini-course in the generic versus trademark distinction" and then asked to apply his understanding to a set of terms, are common in trademark cases. MCCARTHY § 12:16 (4th ed.).

17. When deciding how much weight to give to survey data, courts pay particular attention to "the format of the questions and the manner of conducting the survey." *Exxon Corp. v. Tx. Motor Exchange of Houston, Inc.,* 628 F.2d

500, 506 (likelihood of confusion survey); *see also Amstar Corp. v. Domino's Pizza, Inc.,* 615 F.2d 252, 264 (5th Cir. 1980) (same). Indeed, in some instances, Courts have entirely discounted survey evidence offered by a party. *Amstar,* 615 F.2d at 263 (the trial court found a survey ″about as contrived a survey as I have ever run across″). This Court has examined the format, methodology, universe of respondents, and survey administration [**66] carried out by Mantis on behalf of Plaintiff, and concluded that the survey should be given substantial weight as indicative of the primary significance of March madness as a trade name within the context of basketball. *See Findings of Fact.* The Court also noted, and gave additional, albeit less, weight to the other circumstantial evidence offered by Plaintiff in support of a finding of secondary meaning. This includes the evidence of large national TV audiences. After conducting its analysis, the Court found that March madness is a descriptive term which has acquired [*810] secondary meaning in the context of basketball.

18. In finding March madness to be a descriptive term which has acquired secondary meaning, this Court rejects the arguments in favor of genericness made by Defendants. Defendants raise three primary arguments in support of their contention that March madness is generic: (1) the large number of unauthorized third party uses makes the term generic; (2) testimony of Fry and Caito that March madness ″transcends″ the sport of basketball makes the term generic; and (3) because both IHSA and NCAA are sources for March madness, the term is generic and has been held to [**67] be so the Seventh Circuit in *IHSA v. GTE Vantage.* Each of these arguments is considered below.

19. Third party uses outside the scope of basketball are of little, if any, relevance to the analysis of which of the five categories March madness should be assigned to, although such uses are relevant to the likelihood of confusion analysis. *Union Bank,* 909 F.2d at 848. As the Fifth Circuit has stated, in order to determine the appropriate category for a term, ″parties may introduce evidence regarding how many other businesses *in the same industry* use the term to describe their product.″ *Union Bank,* 909 F.2d at 848 (emphasis in original). Evidence of use within the same industry is probative of whether or not a term is generic. Similarly, the Seventh Circuit, in *IHSA v. GTE Vantage,* stated that uses of March madness to promote discount car sales ″are too remote to bear significantly″ on the question of the underlying trademark rights of March madness. *IHSA v. GTE Vantage,* 99 F.3d at 247. In this case, Defendants have offered only a few isolated instances of the use of March madness within the basketball entertainment industry [**68] by a party other than MMAA (or its predecessors in interest, the NCAA and IHSA). As such, there are few third party uses to speak of. Specifically, there is the book *March Madness: The Kentucky High School Basketball Tournament,* written by Mike Embry and published in 1985 by Icarus Press, in South Bend, Indiana. [71] Testimony at trial indicated that IHSA was not aware of this book at the time it was published, and the book is currently out of print. Moreover, the Commissioner of the Kentucky High School Athletic Association (″KHSAA″), in a declaration, stated that the author of the book had never been an employee of the KHSAA and the KHSSA ″did not authorize, sanction, or participate in the writing of the book,″ and has never distributed it or used it in any promotions. [72] Accordingly, this one-time instance of publication in the mid-1980s is not enough to overcome the other evidence in support of a finding of acquired distinctiveness of the term March madness. The same is true for the more recent publication, *March Madness,* written by Stanley Wagner, and published in 1999 by SterlingHouse Publisher, Inc., although the factual record regarding this book is less developed. [**69] [73]

20. Defendants also contend that Plaintiff, specifically Caito and Fry, both admitted, in their depositions, that March madness is generic, and that such statements are judicial admissions binding upon the NCAA, IHSA, and MMAA by virtue of Caito and Fry's status as designated witnesses pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure. Specifically, Defendants contend that statements made by Fry and Caito that March madness ″transcends the particular use of [*811] both the Illinois High School Association and the NCAA and means the seasonal culmination of the sport of basketball″ are admissions that the term is generic. [74] However, 30(b)(6) is not the straitjacket Defendants presume it to be. In *A.I. Credit,* the Seventh Circuit recently rejected an attempt similar to that

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[71] Defendants' Ex. 88.

[72] Plaintiff's Ex. 212.

[73] Defendants Ex. 210.

[74] *See* Transcript Vol. 4 at 130-42 (Caito) *and* Transcript Vol. 2 at 227-29 (Fry).

being made by Defendants, instead holding that because the testimony ″can be construed″ to mean different things, the issue is one for the [**70] finder of fact. *A.I. Credit Corp. v. Legion Ins. Co.,* 265 F.3d 630, 637 (7th Cir. 2001). The same holds true in this case. Both Fry and Caito testified that, in agreeing with the ″transcends″ statement in Defense counsel's question, they meant that March madness is a strong enough term that it can be marketed and licensed outside the sport of basketball, and such a view is reasonable. It is an issue for the finder of fact. Moreover, even presuming *arguendo* that Caito and Fry both felt the term was generic, which this Court does not believe, it is the view of the prospective purchasers which controls, not that of the term's licensors.

21. Third, and perhaps most importantly, Defendants argue that March madness is generic because both IHSA and the NCAA claim to be the owners of the term, and thus the term does not refer to a single source. As discussed in the *Findings of Fact,* both IHSA and the [**71] NCAA have sought protection for their uses, within the context of basketball, for the term March madness. Their competing claims led to a case wherein IHSA sought to enjoin one of the NCAA's licensees from using March madness. *IHSA v. GTE Vantage,* 99 F.3d 244 (7th Cir. 1996). Defendants contend that, on appeal, the Seventh Circuit held the term March madness to be generic. However, a closer examination of the Seventh Circuit's opinion reveals this to not be the case. Judge Posner, writing for the Seventh Circuit, addressed the question of the scope of IHSA's rights *vis a vis* the NCAA, and held that IHSA's right do not extend to the NCAA Tournament. The Court, in its closing paragraph made this quite clear, stating:

> We do not opine on the scope of the trademark rights that either the IHSA or NCAA has, beyond ruling that IHSA's rights do not extend to the NCAA tournament and to merchandise such as Vantage's game that is sold in connection with the tournament.

IHSA v. GTE Vantage, 99 F.3d at 248. In other words, IHSA could not prevent the NCAA from using March madness in the context of the NCAA Tournament and related merchandising. [**72] The opinion also contains language regarding dual-use terms, and stating that the categorization of such terms, as ″an issue of first impression ... should be resolved against trademark protection, thus assimilating dual-use or multiple-use terms to generic terms.″ *Id.,* at 247. However, this analysis of dual-use terms is not necessary to support Judge Posner's holding; the holding was simply that IHSA's rights do not extend to the NCAA Tournament.

22. Subsequent to *IHSA v. GTE Vantage,* IHSA and the NCAA formed MMAA to pool their rights to March madness, and thus create a single source for the marks. Assignments and licensing arrangements among holders of trademark rights are common, and are provided for by the Lanham Act. *See* 15 U.S.C. §§ 1060 (assignment of marks), 1055 (use of marks by related companies); 1127 (definition of related companies); *Moore Business Forms, Inc. v. Ryu,* 960 F.2d 486, 489 (5th Cir. 1992) (″A trademark owner may grant a license and remain protected provided [*812] quality control of the goods and services sold under the trademark by the licensees is maintained″).

23. A more interesting question [**73] concerns the evolution of the rights in March madness, from first use by IHSA, through dominant use in the national media by the NCAA, to the current situation where use by both inures to the MMAA. As stated by the Fifth Circuit:

> The first one to use a mark is generally held to be the 'senior' user and is entitled to enjoin other 'junior' users from using the mark, or one that is deceptively similar to it, subject to limits imposed by the senior user's market and natural area of expansion.

Union Bank, 909 F.2d at 842-43; *see also id.,* at 843 n.9 (noting the difficulties in senior and junior user analysis). In this case, that first user was IHSA. However, as noted by Judge Posner, ″IHSA was not assiduous″ in protecting its mark, allowing the mark to be used by a ″junior″ (*i.e.* later in time) party, the NCAA. *IHSA v. GTE Vantage,* 99 F.3d at 246; *see also Amstar,* 615 F.2d at 265 (″We also note that plaintiff has not been vigilant in protecting its rights in the 'Domino' mark″). Ultimately, the NCAA and IHSA, to address any issues relating to their separate rights in March Madness, pooled their rights [**74] into the MMAA. MMAA now properly holds those rights. Defendants assertions to the contrary are without merit.

24. As noted earlier, the content of Defendants' marchmadness.com website solely related to the NCAA Tournament. There was no content relating to high school basketball. As such, it would appear that Defendants website infringed

primarily on the underlying rights of the NCAA. However, with the formation of MMAA, there is no need to reach this question.

25. As noted in the *Findings of Fact,* a number of factors are examined in order to determine if a likelihood of confusion exists, including: (1) the type of mark allegedly infringed, (2) the similarity between the two marks, (3) the similarity of the products or services, (4) the identity of the retail outlets and purchasers, (5) the identity of the advertising media used, (6) the defendant's intent, and (7) any evidence of actual confusion. *Pebble Beach Co., v. Tour 18 I Limited,* 155 F.3d 526, 543 (5th Cir. 1998). ″No single factor is dispositive,″ nor does a finding of likelihood of confusion require ″a positive finding on a majority of these 'digits of confusion.'″ *Westchester Media, v. PRL USA Holdings, Inc.,* 214 F.3d 658, 664 (5th Cir. 2000). [**75] Moreover, a court is also ″free to consider other relevant factors in determining whether a likelihood of confusion exists.″ *Id.* However, likelihood of confusion does require more than the mere possibility of confusion; it requires ″a probability of confusion.″ *Id.* After examining the evidence, this Court believes a strong likelihood of confusion exists between Marchmadness.com and March madness. *See Finding of Fact.* Fans of the NCAA Tournament who visit the marchmadness.com website are likely to have the impression that the site is, in some way, affiliated with or authorized by the NCAA.

26. Fans seeking to find a website about the NCAA Tournament are likely to suffer confusion when they intuitively type marchmadness.com into their web browsers, and, rather than arriving at an authorized NCAA site, end up at the site owned by Defendants. Once at Defendants' site, users may not visit other sites, thus depriving the NCAA's authorized sites of visitors, and, hence, advertising and sales revenue. Such diversion of traffic is known as initial interest confusion and can support a finding of trademark infringement. *See Elvis Enterprises,* 141 F.3d at [*813] 204 [**76] (″Initial-interest confusion is beneficial to the defendants because it brings patrons in the door ... Once in the door, the confusion has succeeded because some patrons may stay, despite realizing that the bar has no relationship with [the trademark holder]″).

27. SMI's use is not fair use because SMI attempted to commercially use March madness in its trademark sense, as a moniker for the NCAA Tournament, rather than in its descriptive sense as something crazy which occurs in March. *Sugar Busters,* 177 F.3d at 270-71 (″The fair-use defense allows a party to use a term in good faith to describe its goods or services, but only in actions involving descriptive terms and only when the term is used in its descriptive sense rather than in its trademark sense″); *Gallo Winery,* 286 F.3d at 275 (defendant's ″use is commercial, and there is no indication that it is a fair use″).

28. Moreover, MMAA (and its predecessors in interest) are not barred by the doctrine of laches, as both the NCAA and IHSA sent cease and desist letters to SMI in 1996. *See Findings of Fact; Elvis Enterprises,* 141 F.3d at 205 (″Any acts after receiving a case [**77] and desist letter are at the defendant's own risk because it is on notice of the plaintiff''s objection to such acts″). There is also no evidence of permission, acquiescence, or abandonment on the part of the NCAA, IHSA or MMAA. *Elvis Enterprises,* 141 F.3d at 206 (″Acquiescence involves the plaintiff's implicit or explicit assurance to the defendant which induces reliance by the defendant ... The period of silence relevant to acquiescence would not include any time after the cease and desist letter was sent because EPE explicitly communicated its objection″); 15 U.S.C. § 1127 (defining abandonment); *Pebble Beach,* 155 F.3d at 543-44 (discussing abandonment and permission).

29. Other arguments raised by Defendants are also without merit, and need not be addressed in great detail. The lack of registrations on the part of IHSA and the NCAA, as noted *supra* does not impact the existence of trade mark rights, except for those procedural advantages such as incontestability which are available only to registered marks. No trademark rights arise from the mere acquisition of a domain name when that name is confusingly similar [**78] to an existing trademark. To acquire ibm.com and then claim, by virtue of such acquisition, that one has an independent right to use the name IBM to sell computers is wishful thinking which will not stand in a court of law. This is what Defendants have attempted to do with marchmadness.com

B. CYBERSQUATTING

30. The Anti-Cybersquatting Consumer Protection Act (″ACPA″) provides a right of action for the owner of a trademark against a person who:

> (i) has a bad faith intent to profit from that mark ..; and (ii) registers, traffics in, or uses a domain name that … in the case of a mark that is distinctive at the time of registration of the domain name is identical or confusingly similar to that mark.

15 U.S.C. § 1125(d)(1)(A); *see generally Gallo Winery,* 286 F.3d at 273-278. In this case, it is undisputed that Defendants (specifically, Netfire acting on behalf of SMI) acquired the registration of marchmadness.com on February 6, 1996. *See Findings of Fact.* The domain name marchmadness.com is identical to March madness. *Gallo Winery,* 286 F.3d at 272.

31. This Court finds that March madness [**79] was a distinctive mark on February 6, 1996. In the absence of survey data for precisely that period, this Court looks to [*814] other available evidence in the record. By February 1996, in the context of high school basketball tournaments, IHSA already had been using the term for over 50 years. In addition, IHSA owned the Intersport registration. Moreover, the NCAA (through a licensee, CBS) had already been using the term for almost 15 years in its national broadcasts of the NCAA Tournament, and had been licensing it since 1988. Accordingly, this Court finds that March madness was a descriptive term which had acquired secondary meaning by February 6, 1996.

32. In order to determine whether a person who is an alleged cybersquatter had a ″bad faith intent to profit,″ the ACPA provides that ″a court may consider″ includes:

> (I) the trademark or other intellectual property rights of the person, if any, in the domain name; (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person; (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or [**80] services; (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name; (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site; (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used or having an intent to use, the domain name in the bona fide offering of goods or services, or the person's prior conduct indicating a pattern of such conduct; (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct; (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly [**81] similar to marks of others that are distinctive at the time of registration of such domain names … without regard to the goods or services of the parties; and (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of this section.

15 U.S.C. § 1125(d)(1)(B)(i).

33. The ACPA also provides a fair use defense which provides that ″bad faith intent … shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.″ 15 U.S.C. § 1125(d)(1)(B)(ii). SMI's use of marchmadness.com is not fair use under the ACPA, for despite whatever Defendants subjective beliefs may have been, they certainly did not have ″reasonable grounds″ to believe that their use of marchmadness.com was a fair use. It was a commercial use seeking to exploit the goodwill at the core of the NCAA's (and now MMAA's) rights to March madness, namely, the NCAA Tournament. Having disposed of the ACPA's fair use defense, the Court now turns [**82] to the factors relating to bad faith intent. *C.f. Gallo Winery,* 286 F.3d at 275-278.

[*815] 34. SMI's had no intellectual property in march madness; it had only its registration of the domain name of marchmadness.com (factor I). Marchmadness.com does not contain the name of SMI or any of the other Defendants

(factor II). The Defendants did not make any prior use of marchmadness.com in connection with the bona fide offer of goods or services (factor III). The Defendants did not make any bona fide noncommercial or fair use of marchmadness.com (factor IV). Defendants, as borne out by the testimony of Dirk and the deposition of Hall, sought to divert traffic from the NCAA (and its licensees') own web sites, such as finalfour.net and cbssportsline.com (factor V). This Court finds Dirk's denials and evasiveness on the issue of diversion of traffic to be entirely without credibility. Defendants did not offer to sell marchmadness.com to MMAA (or its predecessors in interest) without using it, instead they intended to develop a full-featured site about the NCAA Tournament (factor VI). There is no evidence that Jones or SMI provided false information to NSI when registering the [**83] domain name, however, there is evidence that Jones made misrepresentations to Stein when acquiring the domain name from him (factor VII). Although Jones has registered many domain names that are identical or confusingly similar to distinctive marks, there is no evidence in the record that SMI has done so (factor VIII). Lastly, this Court has not found that march madness is a distinctive and famous mark (factor IX).

35. Reviewing the results, it is apparent that the majority of factors, at least seven with respect to Jones, and five with respect to SMI bode in favor of finding bad faith intent. Considering the above factors, and the other evidence in this case, this Court holds that SMI, Netfire and Jones acted with bad faith intent, and that their use of the marchmadness.com was in violation of the ACPA. While the ACPA applies to "all domain names" irrespective of when they were registered, damages are not available for any violations occurring before November 29, 1999. 15 U.S.C.A. § 1117; Pub. L. 106-113 § 3010; *Gallo Winery,* 286 F.3d at 277. The evidence in this case shows that, by the end of July 1999, the marchmadness.com website had [**84] been placed on hold by NSI where it was until April 4, 2000 when it was placed in the registry of this Court. Accordingly, there is no evidence of any "use" of marchmadness.com by Defendants on or after November 29, 1999. *C.f. Gallo Winery,* 286 F.3d at 277 ("although Spider Webs registered the domain name before the effective date of the ACPA, because they *used* the domain name after this date, they can be held liable for statutory damages for this use").

36. Despite the unavailability of damages, this court may provide redress for a violation of the ACPA by ordering "the forfeiture or cancellation ... or the transfer of the domain name to the owner of the mark." 15 U.S.C. § 1125(d)(1)(C).

C. CIVIL CONSPIRACY

37. Plaintiff contends that Defendants were engaged in a conspiracy to unlawfully register and use the domain name marchmadness.com. Under Texas law, a civil conspiracy requires: "(1) two or more persons; (2) an object to be accomplished; (3) a meeting of minds on the object or course of action; (4) one or more unlawful, overt acts; and (5) damages as the proximate result." *Massey v. Armco Steel Co.,* 652 S.W.2d 932, 934, 26 Tex. Sup. Ct. J. 438 (Tex. 1983). [**85] "The 'gist of a civil conspiracy' is the injury the conspirators intend to cause." *Firestone Steel Products Co. v. Barajas,* 927 S.W.2d 608, 614, 39 Tex. Sup. Ct. J. 848 (Tex. 1996). Moreover, "civil conspiracy requires specific [*816] intent ... the parties must be aware of the harm or the wrongful conduct at the beginning of the combination or agreement .... One cannot agree, expressly or tacitly, to commit a wrong about which he has no knowledge." *Id.*

38. Plaintiff has failed to prove, by a preponderance of the evidence, the existence of a civil conspiracy in this case. MMAA's Amended Complaint alleges that: "Netfire, through Jones, and SMI acted together to defraud Stein and tortiously interfere with NCAA's prospective business relationship with Stein and/or IGS, a relationship NCAA had a reasonably [sic] probability of entering into." [75] And, further that: "There occurred a meeting of the minds on the object and course of actions by and between Netfire and SMI, their employees and representatives acting on their behalf on or before February 1996." [76] The conspiracy claim, therefore, focuses on the period prior to the acquisition of the marchmadness.com domain name from Stein. While [**86] the evidence shows that there was a meeting of the minds to acquire the domain name, *i.e.* Dirk's instructions to Jones in late 1995 or early 1996, the preponderance of the evidence does not indicate a specific intent to harm Stein. Rather the shared intent was to procure marchmadness.com by registering it directly from NSI. Both Dirk and Jones testified that Dirk did not even know

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[75] Amended Complaint (filed September 10, 2001) P23.

[76] *Id.,* P24.

about Jones' purchase from Stein until 2001. While both Dirk and Jones were not highly credible overall, this Court does believe that Jones acquired the domain name from Stein without telling Dirk. Thus, as there was no meeting of the minds with respect to Stein, it follows that there was no meeting of the minds to defraud Stein or to interfere with a proposed contractual relationship between the NCAA and Stein. There was no conspiracy to defraud Stein or any other party.

D. REMEDIES FOR TRADEMARK INFRINGEMENT AND CYBERSQUATTING

39. The Lanham [**87] Act allows a range of remedies for trademark infringement and false representation. 15 U.S.C. § 1117. The act states that:

> when a violation of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) 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 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 is either inadequate of excessive the court may [**88] 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 [*817] award reasonable attorney fees to the prevailing party.

15 U.S.C. § 1117(a). This Court hereby holds that Defendants have violated 15 U.S.C. § 1125. Specifically, SMI, Netfire and Jones have violated §§ 1125(a)and (d) by committing trademark infringement of the term March madness. In addition, Netfire and Jones has made false representations in violation of 15 U.S.C. § 1125(a).

40. On the question of profits, Plaintiff has not shown any evidence of Defendants' sales from Marchmadness.com. The only evidence was for one sale for $ 6,500 of web advertising, and that sale ultimately was not consummated. The site was put on hold by NSI before Defendants were able to complete any sales. Thus Defendants' sales, and hence profits, are zero.

41. Plaintiff has also not offered meaningful evidence to support a specific award of damages. Plaintiff appears [**89] to have two different damage theories, neither of which is persuasive. First, Boatwright testified and submitted a report regarding the financial position of www.finalfour.net. [77] However, Boatwright's testimony is of little use to this Court, both because Plaintiff has not articulated its theory of how finalfour.net was damaged by Defendants' registration and use of marchmadness.com, and because the report Boatwright drafted states very clearly that its financial numbers are very rough estimates, based on scant documentation, conjured up well after the fact. [78] As such, although Boatwright was a credible witness, this Court gives very little weight to his report. Second, Bearby testified that the NCAA (and MMAA) have spent over one million dollars prosecuting this case. However, *no documentary evidence substantiating this sum,* and dividing it into its component portions, has been offered. The argument appears to be that, were it not for Defendants, the NCAA would have purchased marchmadness.com from Stein for a minimal sum, and, therefore, that all expenses the NCAA has incurred in this case are damages. However, such a supposition is mere conjecture. Unsupported by documentary [**90] evidence detailing the distribution of the requested sums, it is an insufficient basis for a damage award. Moreover, much of any calculation of damages, in the absence of sales, would serve as another route to a recovery of fees. Thus, this Court concludes that Plaintiff has failed to demonstrate any actual damages.

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[77] Plaintiff's Ex. 60.

[78] *Id.,* at 4 ("finding exact revenue and expense figures for the www.finalfour.net ... was extremely difficult" because (1) revenue relating to finalfour.net was not separately recorded, (2) expenses were not tracked by web site, and (3) the relationship with the NCAA provided for $ 750,000 of expenses so there was no incentive to account for anything beyond that").

42. Plaintiff is awarded costs of this action.

43. There is no clear formula for determining if a case is exceptional. Rather, the district court is to ″consider all the facts and circumstances.″ *Id.,* at 527. ″An exceptional case is one where the violative acts can be characterized as malicious, [**91] fraudulent, deliberate, or willful.″ *Pebble Beach,* 155 F.3d at 555 (quoting *Seven-Up Co. v. Coca-Cola Co.,* 86 F.3d 1379, 1390 (5th Cir. 1996)). Plaintiff, as the prevailing party, ″must demonstrate the exceptional nature of the case by clear and convincing evidence.″ *Proctor & Gamble Co. v. Amway Corp.,* 280 F.3d 519, 526 (5th Cir. 2002). ″A district court normally should not find a case exceptional where the party presents what it in good faith believes may be a legitimate defense.″ *Pebble Beach,* 155 F.3d at 556 (quoting [*818] *CJC Holdings Inc. v. Wright & Lato, Inc.,* 979 F.2d 60, 65-66 (5th Cir. 1992). Moreover, ″lack of damages is an important factor in determining whether a case is exceptional.″ *Id.,* at 556. If a fee award is made, the district court should award fees only for work that is shown to have been on Lanham Act claims. *Procter & Gamble,* 280 F.3d at 527 (fees only for Lanham Act claims unless the work is ″so intertwined that it is *impossible to differentiate* ″ between work done on Lanham and non-Lanham claims).

44. Whether this case is an ″exceptional″ one for purposes [**92] of § 1117 is a close question. On the one hand, SMI, with the active assistance of Netfire and Jones, has certainly engaged in willful exploitation of the good will built up over many years. It is precisely such good will which makes march madness such a valuable term. However, on the other hand, the bundle of trademark rights in march madness held by the NCAA (now MMAA) was not something that was readily apparent. The NCAA had not registered the March madness mark. Moreover, within months of acquiring the marchmadness.com domain name from Stein in early 1996, SMI received cease and desist letters from *two* different parties-IHSA and the NCAA, which at the time were engaged in litigation in the *IHSA v. GTE Vantage.* The subsequently issued holding from the Seventh Circuit leaves little room for doubt that IHSA's rights do not extend to the NCAA Tournament. However, Judge Posner's opinion also states that the issue of dual-use trademarks is one of first impression. Given this uncertainty about the rights of IHSA and the NCAA, it is foreseeable, although not reasonable, that an entrepreneur would attempt to profit from the unsettled trademark situation by acquiring the domain [**93] name marchmadness.com and attempting to profit from the NCAA Tournament. In addition, Plaintiff has not established any of damages, nor shown any loss of sales. Taking these various factors into account, and keeping in mind that Plaintiff is required to establish the ″exceptional″ nature of the case by clear and convincing evidence, this Court holds that this case is not exceptional for purposes of 15 U.S.C. § 1117. Accordingly, each party shall bear its own fees.

45. Immediate transfer of the domain name from the registry of this Court is proper for the violation of §§ 1125(d), as well as, 1125(a).

46. If any of the foregoing Conclusions of Law may be more properly deemed a Finding of Fact, it is hereby incorporated by reference into the Findings of Fact

III. CONCLUSION

In the above Findings of Fact and Conclusions of Law, Defendants were found to have committed trademark infringement in violation of the Lanham Act and Texas law, and committed cybersquatting in violation of the Lanham Act.

Defendants are hereby **ORDERED** (1) to pay costs of this action, and (2) to cease commercial use of the term March madness, or any terms which [**94] are confusingly similar or likely to create a likelihood of confusion with March madness.

The Clerk of the Court is hereby **ORDERED** to immediately transfer the certificate of the domain name marchmadness.com to Plaintiff.

It is so **ORDERED.**

August 27, 2003.

310 F. Supp. 2d 786, *818;

JUDGE JERRY BUCHMEYER

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF TEXAS

does not contain provisions specifying its term or duration, and the author has not terminated the agreement under this section, the agreement continues for the term of the copyright, subject to any right of termination under circumstances which may be specified therein. If, however, an agreement does contain provisions governing its duration—for example, a term of fifty years—and the author has not exercised his or her right of termination under the statute, the agreement will continue according to its terms—in this example, for only fifty years. The quoted language is not to be construed as requiring agreements to reserve the right of termination.

AMENDMENTS

2002—Subsec. (a)(2)(A) to (C). Pub. L. 107–273, in subpars. (A) to (C), substituted "The" for "the" and, in subpars. (A) and (B), substituted period for semicolon at end.

1998—Subsec. (a)(2). Pub. L. 105–298, §103(1), struck out "by his widow or her widower and his or her children or grandchildren" after "exercised," in introductory provisions.

Subsec. (a)(2)(D). Pub. L. 105–298, §103(2), added subpar. (D).

§ 204. Execution of transfers of copyright ownership

(a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

(b) A certificate of acknowledgement is not required for the validity of a transfer, but is prima facie evidence of the execution of the transfer if—

(1) in the case of a transfer executed in the United States, the certificate is issued by a person authorized to administer oaths within the United States; or

(2) in the case of a transfer executed in a foreign country, the certificate is issued by a diplomatic or consular officer of the United States, or by a person authorized to administer oaths whose authority is proved by a certificate of such an officer.

(Pub. L. 94–553, title I, §101, Oct. 19, 1976, 90 Stat. 2570.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94–1476

Section 204 is a somewhat broadened and liberalized counterpart of sections 28 and 29 of the present statute [sections 28 and 29 of former title 17]. Under subsection (a), a transfer of copyright ownership (other than one brought about by operation of law) is valid only if there exists an instrument of conveyance, or alternatively a "note or memorandum of the transfer," which is in writing and signed by the copyright owner "or such owner's duly authorized agent." Subsection (b) makes clear that a notarial or consular acknowledgment is not essential to the validity of any transfer, whether executed in the United States or abroad. However, the subsection would liberalize the conditions under which certificates of acknowledgment of documents executed abroad are to be accorded prima facie weight, and would give the same weight to domestic acknowledgments under appropriate circumstances.

§ 205. Recordation of transfers and other documents

(a) CONDITIONS FOR RECORDATION.—Any transfer of copyright ownership or other document pertaining to a copyright may be recorded in the Copyright Office if the document filed for recordation bears the actual signature of the person who executed it, or if it is accompanied by a sworn or official certification that it is a true copy of the original, signed document. A sworn or official certification may be submitted to the Copyright Office electronically, pursuant to regulations established by the Register of Copyrights.

(b) CERTIFICATE OF RECORDATION.—The Register of Copyrights shall, upon receipt of a document as provided by subsection (a) and of the fee provided by section 708, record the document and return it with a certificate of recordation.

(c) RECORDATION AS CONSTRUCTIVE NOTICE.—Recordation of a document in the Copyright Office gives all persons constructive notice of the facts stated in the recorded document, but only if—

(1) the document, or material attached to it, specifically identifies the work to which it pertains so that, after the document is indexed by the Register of Copyrights, it would be revealed by a reasonable search under the title or registration number of the work; and

(2) registration has been made for the work.

(d) PRIORITY BETWEEN CONFLICTING TRANSFERS.—As between two conflicting transfers, the one executed first prevails if it is recorded, in the manner required to give constructive notice under subsection (c), within one month after its execution in the United States or within two months after its execution outside the United States, or at any time before recordation in such manner of the later transfer. Otherwise the later transfer prevails if recorded first in such manner, and if taken in good faith, for valuable consideration or on the basis of a binding promise to pay royalties, and without notice of the earlier transfer.

(e) PRIORITY BETWEEN CONFLICTING TRANSFER OF OWNERSHIP AND NONEXCLUSIVE LICENSE.—A nonexclusive license, whether recorded or not, prevails over a conflicting transfer of copyright ownership if the license is evidenced by a written instrument signed by the owner of the rights licensed or such owner's duly authorized agent, and if—

(1) the license was taken before execution of the transfer; or

(2) the license was taken in good faith before recordation of the transfer and without notice of it.

(Pub. L. 94–553, title I, §101, Oct. 19, 1976, 90 Stat. 2571; Pub. L. 100–568, §5, Oct. 31, 1988, 102 Stat. 2857; Pub. L. 111–295, §3(b), Dec. 9, 2010, 124 Stat. 3180.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94–1476

The recording and priority provisions of section 205 are intended to clear up a number of uncertainties arising from sections 30 and 31 of the present law [sections 30 and 31 of former title 17] and to make them more effective and practical in operation. Any "document pertaining to a copyright" may be recorded under subsection (a) if it "bears that actual signature of the person who executed it," or if it is appropriately certified as a true copy. However, subsection (c) makes clear that the recorded document will give constructive no-the patent that is the subject of the supplemental examination, then in addition to any other actions the Director is authorized to take, including the cancellation of any claims found to be invalid under section 307 as a result of a reexamination ordered under this section, the Director shall also refer the matter to the Attorney General for such further action as the Attorney General may deem appropriate. Any such referral shall be treated as confidential, shall not be included in the file of the patent, and shall not be disclosed to the public unless the United States charges a person with a criminal offense in connection with such referral.

(f) RULE OF CONSTRUCTION.—Nothing in this section shall be construed—

(1) to preclude the imposition of sanctions based upon criminal or antitrust laws (including section 1001(a) of title 18, the first section of the Clayton Act, and section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition);

(2) to limit the authority of the Director to investigate issues of possible misconduct and impose sanctions for misconduct in connection with matters or proceedings before the Office; or

(3) to limit the authority of the Director to issue regulations under chapter 3 relating to sanctions for misconduct by representatives practicing before the Office.

(Added and amended Pub. L. 112–29, §§ 12(a), 20(j), Sept. 16, 2011, 125 Stat. 325, 335.)

REFERENCES IN TEXT

The first section of the Clayton Act, referred to in subsec. (f)(1), is classified to section 12 of Title 15, Commerce and Trade, and section 53 of Title 29, Labor.

Section 5 of the Federal Trade Commission Act, referred to in subsec. (f)(1), is classified to section 45 of Title 15, Commerce and Trade.

AMENDMENTS

2011—Subsec. (c)(2)(B). Pub. L. 112–29, § 20(j), struck out ''of this title'' after ''281''.

EFFECTIVE DATE OF 2011 AMENDMENT

Amendment by section 20(j) of Pub. L. 112–29 effective upon the expiration of the 1-year period beginning on Sept. 16, 2011, and applicable to proceedings commenced on or after that effective date, see section 20(*l*) of Pub. L. 112–29, set out as a note under section 2 of this title.

EFFECTIVE DATE

Pub. L. 112–29, § 12(c), Sept. 16, 2011, 125 Stat. 327, provided that: ''The amendments made by this section [enacting this section] shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act [Sept. 16, 2011] and shall apply to any patent issued before, on, or after that effective date.''

CHAPTER 26—OWNERSHIP AND ASSIGNMENT

§ 261. Ownership; assignment

Subject to the provisions of this title, patents shall have the attributes of personal property.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

(July 19, 1952, ch. 950, 66 Stat. 810; Pub. L. 93–596, § 1, Jan. 2, 1975, 88 Stat. 1949; Pub. L. 97–247, § 14(b), Aug. 27, 1982, 96 Stat. 321; Pub. L. 112–211, title II, § 201(d), Dec. 18, 2012, 126 Stat. 1535.)

AMENDMENT OF SECTION

Pub. L. 112–211, title II, §§ 201(d), 203, Dec. 18, 2012, 126 Stat. 1535, 1536, provided that, effective on the date that is 1 year after Dec. 18, 2012, applicable to patents issued before, on, or after that effective date and patent applications pending on or filed after that effective date, and not effective with respect to patents in litigation commenced before that effective date, this section is amended as follows:

(1) in the first undesignated paragraph, by adding at the end ''The Patent and Trademark Office shall maintain a register of interests in patents and applications for patents and shall record any document related thereto upon request, and may require a fee therefor.''; and

(2) in the fourth undesignated paragraph, by substituting ''An interest that constitutes an assignment'' for ''An assignment''.

See 2012 Amendment note below.

HISTORICAL AND REVISION NOTES

Based on Title 35, U.S.C., 1946 ed., § 47 (R.S. 4898, amended (1) Mar. 3, 1897, ch. 391, § 5, 29 Stat. 93, (2) Feb. 18, 1922, ch. 58, § 6, 42 Stat. 391, (3) Aug. 18, 1941, ch. 370, 55 Stat. 634).

The first paragraph is new but is declaratory only. The second paragraph is the same as in the corresponding section of existing statute. The third paragraph is from the existing statute, a specific reference to another statute is omitted. The fourth paragraph is the same as the existing statute but language has been changed.

AMENDMENTS

2012—Pub. L. 112–211 inserted ''The Patent and Trademark Office shall maintain a register of interests in patents and applications for patents and shall record any document related thereto upon request, and may require a fee therefor.'' at end of first par. and substituted ''An interest that constitutes an assignment'' for ''An assignment'' in fourth par.

1982—Pub. L. 97–247 inserted '', or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States''.

1975—Pub. L. 93–596 substituted ''Patent and Trademark Office'' for ''Patent Office''.

EFFECTIVE DATE OF 2012 AMENDMENT

Amendment by Pub. L. 112–211 effective on the date that is 1 year after Dec. 18, 2012, applicable to patents issued before, on, or after that effective date and patent applications pending on or filed after that effective date, and not effective with respect to patents in litigation commenced before that effective date, see section 203 of Pub. L. 112–211, set out as an Effective Date note under section 27 of this title.

EFFECTIVE DATE OF 1982 AMENDMENT

Amendment by Pub. L. 97–247 effective Aug. 27, 1982, see section 17(a) of Pub. L. 97–247, set out as a note under section 41 of this title.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93–596 effective Jan. 2, 1975, see section 4 of Pub. L. 93–596, set out as a note under section 1111 of Title 15, Commerce and Trade.

§262. Joint owners

In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other owners.

(July 19, 1952, ch. 950, 66 Stat. 810; Pub. L. 103–465, title V, §533(b)(3), Dec. 8, 1994, 108 Stat. 4989.)

HISTORICAL AND REVISION NOTES

This section states a condition in existing law not expressed in the existing statutes.

AMENDMENTS

1994—Pub. L. 103–465 substituted ''use, offer to sell, or sell'' for ''use or sell'' and inserted ''within the United States, or import the patented invention into the United States,'' after ''invention''.

EFFECTIVE DATE OF 1994 AMENDMENT

Amendment by Pub. L. 103–465 effective on date that is one year after date on which the WTO Agreement enters into force with respect to the United States [Jan. 1, 1995], with provisions relating to earliest filed patent application, see section 534(a), (b)(3) of Pub. L. 103–465, set out as a note under section 154 of this title.

CHAPTER 27—GOVERNMENT INTERESTS IN PATENTS

AMENDMENTS

1965—Pub. L. 89–83, §8, July 24, 1965, 79 Stat. 261, struck out item 266 ''Issue of patents without fees to Government employees''.

[§266. Repealed. Pub. L. 89–83, §8, July 24, 1965, 79 Stat. 261]

Section, act July 19, 1952, ch. 950, §1, 66 Stat. 811, provided for issuance of patents to government employees without fees.

EFFECTIVE DATE OF REPEAL

Repeal effective three months after July 24, 1965, see section 7(a) of Pub. L. 89–83, set out as an Effective Date of 1965 Amendment note under section 41 of this title.

§267. Time for taking action in Government applications

Notwithstanding the provisions of sections 133 and 151, the Director may extend the time for taking any action to three years, when an application has become the property of the United States and the head of the appropriate department or agency of the Government has certified to the Director that the invention disclosed therein is important to the armament or defense of the United States.

(July 19, 1952, ch. 950, 66 Stat. 811; Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §4732(a)(10)(A)], Nov. 29, 1999, 113 Stat. 1536, 1501A–582; Pub. L. 107–273, div. C, title III, §13206(b)(1)(B), Nov. 2, 2002, 116 Stat. 1906; Pub. L. 112–29, §20(j), Sept. 16, 2011, 125 Stat. 335.)

HISTORICAL AND REVISION NOTES

Based on Title 35, U.S.C., 1946 ed., §37 (R.S. 4894, amended (1) Mar. 3, 1897, ch. 391, §4, 29 Stat. 692, 693, (2) July 6, 1916, ch. 225, §1, 39 Stat. 345, 347–8, (3) Mar. 2, 1927, ch. 273, §1, 44 Stat. 1335, (4) Aug. 7, 1939, ch. 568, 53 Stat. 1264).

This provision, which appears as the last two sentences of the corresponding section of the present statute (see note to section 133) is made a separate section and rewritten in simpler form.

AMENDMENTS

2011—Pub. L. 112–29 struck out ''of this title'' after ''151''.

2002—Pub. L. 107–273 made technical correction to directory language of Pub. L. 106–113. See 1999 Amendment note below.

1999—Pub. L. 106–113, as amended by Pub. L. 107–273, substituted ''Director'' for ''Commissioner'' in two places.

EFFECTIVE DATE OF 2011 AMENDMENT

Amendment by section 20(j) of Pub. L. 112–29 effective upon the expiration of the 1-year period beginning on Sept. 16, 2011, and applicable to proceedings commenced on or after that effective date, see section 20(*l*) of Pub. L. 112–29, set out as a note under section 2 of this title.

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106–113 effective 4 months after Nov. 29, 1999, see section 1000(a)(9) [title IV, §4731] of Pub. L. 106–113, set out as a note under section 1 of this title.

CHAPTER 28—INFRINGEMENT OF PATENTS

AMENDMENTS

2011—Pub. L. 112–29, §5(b), Sept. 16, 2011, 125 Stat. 299, amended item 273 generally, substituting ''Defense to infringement based on prior commercial use'' for ''Defense to infringement based on earlier inventor''.

1999—Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §4302(b)], Nov. 29, 1999, 113 Stat. 1536, 1501A–557, added item 273.

§271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers served upon the person so designated by leaving with that person or mailing to that person a copy thereof at the address specified in the last designation so filed. If the person so designated cannot be found at the address given in the last designation, such notice or process may be served upon the Director.''

1999—Subsec. (a). Pub. L. 106–113, § 1000(a)(9) [title IV, § 4732(b)(1)(B)], substituted ''Director'' for ''Commissioner''.

Subsec. (b). Pub. L. 106–113, § 1000(a)(9) [title IV, § 4732(b)(1)(B), (C)], amended subsec. (b) identically, substituting ''Director'' for ''Commissioner'' in two places.

Subsec. (c). Pub. L. 106–113, § 1000(a)(9) [title IV, § 4732(b)(1)(B)], substituted ''Director'' for ''Commissioner''.

1998—Pub. L. 105–330 amended section catchline and text generally. Prior to amendment, text consisted of subsecs. (a) to (c) relating to period of renewal and time for renewal, notification of refusal of renewal, and applicants for renewal not domiciled in the United States.

1988—Subsec. (a). Pub. L. 100–667, § 111(1), substituted ''ten'' for ''twenty''.

Subsec. (c). Pub. L. 100–667, § 111(2), substituted ''1051(e)'' for ''1051(d)''.

1962—Pub. L. 87–772 designated existing provisions as subsecs. (a) and (c), added subsec. (b), and among other changes, amended subsec. (a) by substituting provisions requiring a verified application specifying the goods or services recited in the registration on or in connection with which the mark is still in use in commerce and having attached a specimen showing current use of the mark, or showing that any nonuse is due to special circumstances which excuse the nonuse and that it's not due to an intention to abandon the mark, for provisions requiring an affidavit by the registrant stating that the mark is still in use in commerce.

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106–113 effective 4 months after Nov. 29, 1999, see section 1000(a)(9) [title IV, § 4731] of Pub. L. 106–113, set out as a note under section 1 of Title 35, Patents.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105–330 effective on the date that is 1 year after Oct. 30, 1998, see section 110 of Pub. L. 105–330, set out as a note under section 1051 of this title.

For provisions relating to applicability of amendment by Pub. L. 105–330 to applications for registration of trademarks, see section 109(b) of Pub. L. 105–330, set out as a note under section 1051 of this title.

Pub. L. 105–330, title I, § 109(d), Oct. 30, 1998, 112 Stat. 3069, provided that: ''The amendment made by section 106 [amending this section] shall apply to the filing of an application for renewal of a registration if the expiration date of the registration for which the renewal application is filed is on or after the effective date of this Act [probably should be ''this title'', see section 110 of Pub. L. 105–330, set out as an Effective Date of 1998 Amendment note under section 1051 of this title].''

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100–667 effective one year after Nov. 16, 1988, see section 136 of Pub. L. 100–667, set out as a note under section 1051 of this title.

REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes set out under section 1051 of this title.

RENEWAL UNDER PRIOR ACTS

Renewal of registrations under prior acts, see section 46(b) of act July 5, 1946, set out as a note under section 1051 of this title.

EXTENSION OF TIME FOR RENEWAL BY FOREIGN REGISTRANT

Act July 17, 1946, ch. 587, 60 Stat. 568, provided for extension of time for renewal by a foreign registrant and expired by its own terms July 17, 1949.

§ 1060. Assignment

(a)(1) A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark. Notwithstanding the preceding sentence, no application to register a mark under section 1051(b) of this title shall be assignable prior to the filing of an amendment under section 1051(c) of this title to bring the application into conformity with section 1051(a) of this title or the filing of the verified statement of use under section 1051(d) of this title, except for an assignment to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing.

(2) In any assignment authorized by this section, it shall not be necessary to include the good will of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted.

(3) Assignments shall be by instruments in writing duly executed. Acknowledgment shall be prima facie evidence of the execution of an assignment, and when the prescribed information reporting the assignment is recorded in the United States Patent and Trademark Office, the record shall be prima facie evidence of execution.

(4) An assignment shall be void against any subsequent purchaser for valuable consideration without notice, unless the prescribed information reporting the assignment is recorded in the United States Patent and Trademark Office within 3 months after the date of the assignment or prior to the subsequent purchase.

(5) The United States Patent and Trademark Office shall maintain a record of information on assignments, in such form as may be prescribed by the Director.

(b) An assignee not domiciled in the United States may designate by a document filed in the United States Patent and Trademark Office the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark. Such notices or process may be served upon the person so designated by leaving with that person or mailing to that person a copy thereof at the address specified in the last designation so filed. If the person so designated cannot be found at the address given in the last designation, or if the assignee does not designate by a document filed in the United States Patent and Trademark Office the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark, such notices or process may be served upon the Director.

(July 5, 1946, ch. 540, title I, § 10, 60 Stat. 431; Pub. L. 87–772, § 6, Oct. 9, 1962, 76 Stat. 770; Pub.

L. 93–596, §1, Jan. 2, 1975, 88 Stat. 1949; Pub. L. 100–667, title I, §112, Nov. 16, 1988, 102 Stat. 3939; Pub. L. 105–330, title I, §107, Oct. 30, 1998, 112 Stat. 3068; Pub. L. 106–43, §6(a), Aug. 5, 1999, 113 Stat. 220; Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §4732(b)(1)(B)], Nov. 29, 1999, 113 Stat. 1536, 1501A–583; Pub. L. 107–273, div. C, title III, §13207(b)(5), Nov. 2, 2002, 116 Stat. 1907.)

PRIOR PROVISIONS

Act Feb. 20, 1905, ch. 592, §10, 33 Stat. 727.

AMENDMENTS

2002—Subsecs. (a), (b). Pub. L. 107–273 amended subsecs. (a) and (b) generally, in subsec. (a) substituting pars. (1) to (5) for substantially identical undesignated provisions, and in subsec. (b) adding provisions relating to service on Director if assignee does not designate name and address of a person resident in the United States on whom may be served notices or process.

1999—Pub. L. 106–43, §6(a)(2), (3), which directed the amendment of this section by substituting ''mark.'' for ''mark,'' in the first sentence and striking out a second period at the end of the third sentence, could not be executed because ''mark,'' and the second period did not appear subsequent to amendment by Pub. L. 105–330. See 1998 Amendment note below.

Subsec. (a). Pub. L. 106–113, §1000(a)(9) [title IV, §4732(b)(1)(B)], substituted ''Director'' for ''Commissioner'' in last sentence.

Pub. L. 106–43, §6(a)(1), which directed the amendment of the penultimate sentence of this section by substituting ''assignment'' for ''subsequent purchase'', was executed by making the substitution for ''subsequent purchase'' in two places in the penultimate sentence of subsec. (a), after ''date of the'' and ''prior to the'', to reflect the probable intent of Congress.

Subsec. (b). Pub. L. 106–113, §1000(a)(9) [title IV, §4732(b)(1)(B)], substituted ''Director'' for ''Commissioner'' in last sentence.

1998—Pub. L. 105–330 amended section catchline and text generally. Prior to amendment, text read as follows:

''A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark,. However, no application to register a mark under section 1051(b) of this title shall be assignable prior to the filing of the verified statement of use under section 1051(d) of this title, except to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing. In any assignment authorized by this section it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted. Assignments shall be by instruments in writing duly executed. Acknowledgment shall be prima facie evidence of the execution of an assignment and when recorded in the Patent and Trademark Office the record shall be prima facie evidence of execution. An assignment shall be void as against any subsequent purchaser for a valuable consideration without notice, unless it is recorded in the Patent and Trademark Office within three months after the date thereof or prior to such subsequent purchase. A separate record of assignments submitted for recording hereunder shall be maintained in the Patent and Trademark Office.

''An assignee not domiciled in the United States shall be subject to and comply with the provisions of section 1051(e) of this title.''

1988—Pub. L. 100–667 substituted ''. However, no application to register a mark under section 1051(b) of this title shall be assignable prior to the filing of the verified statement of use under section 1051(d) of this title, except to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing. In any assignment authorized by this section'' for ''and in any such assignment'' in first par., and ''1051(e)'' for ''1051(d)'' in last par.

1975—Pub. L. 93–596 substituted ''Patent and Trademark Office'' for ''Patent Office''.

1962—Pub. L. 87–772 substituted provisions which require a separate record of assignments to be kept in the Patent Office, for provisions which required the Commissioner to keep such record, and eliminated provisions permitting the cancellation of any assigned registration at any time if the registered mark is being used by, or with the permission of, the assignee so as to misrepresent the source of the goods or services in connection with which the mark is used.

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106–113 effective 4 months after Nov. 29, 1999, see section 1000(a)(9) [title IV, §4731] of Pub. L. 106–113, set out as a note under section 1 of Title 35, Patents.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105–330 effective on the date that is 1 year after Oct. 30, 1998, see section 110 of Pub. L. 105–330, set out as a note under section 1051 of this title.

For provisions relating to applicability of amendment by Pub. L. 105–330 to applications for registration of trademarks, see section 109(b) of Pub. L. 105–330, set out as a note under section 1051 of this title.

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100–667 effective one year after Nov. 16, 1988, see section 136 of Pub. L. 100–667, set out as a note under section 1051 of this title.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93–596 effective Jan. 2, 1975, see section 4 of Pub. L. 93–596, set out as a note under section 1111 of this title.

REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes set out under section 1051 of this title.

TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of Department of Commerce, with certain exceptions, to Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

§ 1061. Execution of acknowledgments and verifications

Acknowledgments and verifications required under this chapter may be made before any person within the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States or before any official authorized to administer oaths in the foreign country concerned whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, and shall be valid if they comply with the laws of the state or country where made.

Traditional legal actions that may involve transfer of ownership, such as bankruptcy proceedings and mortgage foreclosures, are not within the scope of this subsection; the authors in such cases have voluntarily consented to these legal processes by their overt actions—for example, by filing in bankruptcy or by hypothecating a copyright.

AMENDMENTS

1978—Subsec. (e). Pub. L. 95–598 inserted '', except as provided under title 11''.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment effective Oct. 1, 1979, see section 402(a) of Pub. L. 95–598 set out as an Effective Date note preceding section 101 of Title 11, Bankruptcy.

§202. Ownership of copyright as distinct from ownership of material object

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

(Pub. L. 94–553, title I, §101, Oct. 19, 1976, 90 Stat. 2568.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94–1476

The principle restated in section 202 is a fundamental and important one: that copyright ownership and ownership of a material object in which the copyrighted work is embodied are entirely separate things. Thus, transfer of a material object does not of itself carry any rights under the copyright, and this includes transfer of the copy or phonorecord—the original manuscript, the photographic negative, the unique painting or statue, the master tape recording, etc.—in which the work was first fixed. Conversely, transfer of a copyright does not necessarily require the conveyance of any material object.

As a result of the interaction of this section and the provisions of section 204(a) and 301, the bill would change a common law doctrine exemplified by the decision in *Pushman v. New York Graphic Society, Inc.*, 287 N.Y. 302, 39 N.E.2d 249 (1942). Under that doctrine, authors or artists are generally presumed to transfer common law literary property rights when they sell their manuscript or work of art, unless those rights are specifically reserved. This presumption would be reversed under the bill, since a specific written conveyance of rights would be required in order for a sale of any material object to carry with it a transfer of copyright.

§203. Termination of transfers and licenses granted by the author

(a) CONDITIONS FOR TERMINATION.—In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by one author, termination of the grant may be effected by that author or, if the author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest. In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it; if any of such authors is dead, the termination interest of any such author may be exercised as a unit by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

(4) The termination shall be effected by serving an advance notice in writing, signed by the number and proportion of owners of termination interests required under clauses (1) and (2) of this subsection, or by their duly authorized agents, upon the grantee or the grantee's successor in title.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

(b) EFFECT OF TERMINATION.—Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the author, authors, and other persons owning termination interests under clauses (1) and (2) of subsection (a), including those owners who did not join in signing the notice of termination under clause (4) of subsection (a), but with the following limitations:

(1) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(2) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of subsection (a). The rights vest in the author, authors, and other persons named in, and in the proportionate shares provided by, clauses (1) and (2) of subsection (a).

(3) Subject to the provisions of clause (4) of this subsection, a further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under clause (2) of this subsection, as are required to terminate the grant under clauses (1) and (2) of subsection (a). Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under clause (2) of this subsection, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this clause.

(4) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the persons provided by clause (3) of this subsection and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of subsection (a).

(5) Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(6) Unless and until termination is effected under this section, the grant, if it does not provide otherwise, continues in effect for the term of copyright provided by this title.

(Pub. L. 94–553, title I, § 101, Oct. 19, 1976, 90 Stat. 2569; Pub. L. 105–298, title I, § 103, Oct. 27, 1998, 112 Stat. 2829; Pub. L. 107–273, div. C, title III, § 13210(9), Nov. 2, 2002, 116 Stat. 1909.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94–1476

The Problem in General. The provisions of section 203 are based on the premise that the reversionary provisions of the present section on copyright renewal (17 U.S.C. sec. 24 [section 24 of former title 17]) should be eliminated, and that the proposed law should substitute for them a provision safeguarding authors against unremunerative transfers. A provision of this sort is needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited. Section 203 reflects a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved.

Scope of the Provision. Instead of being automatic, as is theoretically the case under the present renewal provision, the termination of a transfer or license under section 203 would require the serving of an advance notice within specified time limits and under specified conditions. However, although affirmative action is needed to effect a termination, the right to take this action cannot be waived in advance or contracted away. Under section 203(a) the right of termination would apply only to transfers and licenses executed after the effective date of the new statute [Jan. 1, 1978], and would have no retroactive effect.

The right of termination would be confined to inter vivos transfers or licenses executed by the author, and would not apply to transfers by the author's successors in interest or to the author's own bequests. The scope of the right would extend not only to any "transfer of copyright ownership," as defined in section 101, but also to nonexclusive licenses. The right of termination would not apply to "works made for hire," which is one of the principal reasons the definition of that term assumed importance in the development of the bill.

Who Can Terminate a Grant. Two issues emerged from the disputes over section 203 as to the persons empowered to terminate a grant: (1) the specific classes of beneficiaries in the case of joint works; and (2) whether anything less than unanimous consent of all those entitled to terminate should be required to make a termination effective. The bill to some extent reflects a compromise on these points, including a recognition of the dangers of one or more beneficiaries being induced to "hold out" and of unknown children or grandchildren being discovered later. The provision can be summarized as follows:

1. In the case of a work of joint authorship, where the grant was signed by two or more of the authors, majority action by those who signed the grant, or by their interests, would be required to terminate it.

2. There are three different situations in which the shares of joint authors, or of a dead author's widow or widower, children, and grandchildren, must be divided under the statute: (1) The right to effect a termination; (2) the ownership of the terminated rights; and (3) the right to make further grants of reverted rights. The respective shares of the authors, and of a dead author's widow or widower, children, and grandchildren, would be divided in exactly the same way in each of these situations. The terms "widow," "widower," and "children" are defined in section 101 in an effort to avoid problems and uncertainties that have arisen under the present renewal section.

3. The principle of per stirpes representation would also be applied in exactly the same way in all three situations. Take for example, a case where a dead author left a widow, two living children, and three grandchildren by a third child who is dead. The widow will own half of the reverted interests, the two children will each own $16\frac{2}{3}$ percent, and the three grandchildren will each own a share of roughly $5\frac{1}{2}$ percent. But who can exercise the right of termi-

nation? Obviously, since she owns 50 percent, the widow is an essential party, but suppose neither of the two surviving children is willing to join her in the termination; is it enough that she gets one of the children of the dead child to join, or can the dead child's interest be exercised only by the action of a majority of his children? Consistent with the per stirpes principle, the interest of a dead child can be exercised only as a unit by majority action of his surviving children. Thus, even though the widow and one grandchild would own 55½ percent of the reverted copyright, they would have to be joined by another child or grandchild in order to effect a termination or a further transfer of reverted rights. This principle also applies where, for example, two joint authors executed a grant and one of them is dead; in order to effect a termination, the living author must be joined by a per stirpes majority of the dead author's beneficiaries. The notice of termination may be signed by the specified owners of termination interests or by ''their duly authorized agents,'' which would include the legally appointed guardians or committees of persons incompetent to sign because of age or mental disability.

When a Grant Can be Terminated. Section 203 draws a distinction between the date when a termination becomes effective and the earlier date when the advance notice of termination is served. With respect to the ultimate effective date, section 203(a)(3) provides, as a general rule, that a grant may be terminated during the 5 years following the expiration of a period of 35 years from the execution of the grant. As an exception to this basic 35-year rule, the bill also provides that ''if the grant covers the right of publication of the work, the period begins at the end of 35 years from the date of publication of the work under the grant or at the end of 40 years from the date of execution of the grant, whichever term ends earlier.'' This alternative method of computation is intended to cover cases where years elapse between the signing of a publication contract and the eventual publication of the work.

The effective date of termination, which must be stated in the advance notice, is required to fall within the 5 years following the end of the applicable 35- or 40-year period, but the advance notice itself must be served earlier. Under section 203(a)(4)(A), the notice must be served ''not less than two or more than ten years'' before the effective date stated in it.

As an example of how these time-limit requirements would operate in practice, we suggest two typical contract situations:

Case 1: Contract for theatrical production signed on September 2, 1987. Termination of grant can be made to take effect between September 2, 2022 (35 years from execution) and September 1, 2027 (end of 5 year termination period). Assuming that the author decides to terminate on September 1, 2022 (the earliest possible date) the advance notice must be filed between September 1, 2012, and September 1, 2020.

Case 2: Contract for book publication executed on April 10, 1980; book finally published on August 23, 1987. Since contract covers the right of publication, the 5-year termination period would begin on April 10, 2020 (40 years from execution) rather than April 10, 2015 (35 years from execution) or August 23, 2022 (35 years from publication). Assuming that the author decides to make the termination effective on January 1, 2024, the advance notice would have to be served between January 1, 2014, and January 1, 2022.

Effect of Termination. Section 203(b) makes clear that, unless effectively terminated within the applicable 5-year period, all rights covered by an existing grant will continue unchanged, and that rights under other Federal, State, or foreign laws are unaffected. However, assuming that a copyright transfer or license is terminated under section 203, who are bound by the termination and how are they affected?

Under the bill, termination means that ownership of the rights covered by the terminated grant reverts to everyone who owns termination interests on the date the notice of termination was served, whether they joined in signing the notice or not. In other words, if a person could have signed the notice, that person is bound by the action of the majority who did; the termination of the grant will be effective as to that person, and a proportionate share of the reverted rights automatically vests in that person. Ownership is divided proportionately on the same per stirpes basis as that provided for the right to effect termination under section 203(a) and, since the reverted rights vest on the date notice is served, the heirs of a dead beneficiary would inherit his or her share.

Under clause (3) of subsection (b), majority action is required to make a further grant of reverted rights. A problem here, of course, is that years may have passed between the time the reverted rights vested and the time the new owners want to make a further transfer; people may have died and children may have been born in the interim. To deal with this problem, the bill looks back to the date of vesting; out of the group in whom rights vested on that date, it requires the further transfer or license to be signed by ''the same number and proportion of the owners'' (though not necessarily the same individuals) as were then required to terminate the grant under subsection (a). If some of those in whom the rights originally vested have died, their ''legal representatives, legatees, or heirs at law'' may represent them for this purpose and, as in the case of the termination itself, any one of the minority who does not join in the further grant is nevertheless bound by it.

An important limitation on the rights of a copyright owner under a terminated grant is specified in section 203(b)(1). This clause provides that, notwithstanding a termination, a derivative work prepared earlier may ''continue to be utilized'' under the conditions of the terminated grant; the clause adds, however, that this privilege is not broad enough to permit the preparation of other derivative works. In other words, a film made from a play could continue to be licensed for performance after the motion picture contract had been terminated but any remake rights covered by the contract would be cut off. For this purpose, a motion picture would be considered as a ''derivative work'' with respect to every ''preexisting work'' incorporated in it, whether the preexisting work was created independently or was prepared expressly for the motion picture.

Section 203 would not prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one, thereby causing another 35-year period to start running. However, the bill seeks to avoid the situation that has arisen under the present renewal provision, in which third parties have bought up contingent future interests as a form of speculation. Section 203(b)(4) would make a further grant of rights that revert under a terminated grant valid ''only if it is made after the effective date of the termination.'' An exception, in the nature of a right of ''first refusal,'' would permit the original grantee or a successor of such grantee to negotiate a new agreement with the persons effecting the termination at any time after the notice of termination has been served.

Nothing contained in this section or elsewhere in this legislation is intended to extend the duration of any license, transfer or assignment made for a period of less than thirty-five years. If, for example, an agreement provides an earlier termination date or lesser duration, or if it allows the author the right of cancelling or terminating the agreement under certain circumstances, the duration is governed by the agreement. Likewise, nothing in this section or legislation is intended to change the existing state of the law of contracts concerning the circumstances in which an author may cancel or terminate a license, transfer, or assignment.

Section 203(b)(6) provides that, unless and until termination is effected under this section, the grant, ''if it does not provide otherwise,'' continues for the term of copyright. This section means that, if the agreement does not contain provisions specifying its term or duration, and the author has not terminated the agreement under this section, the agreement continues for the term of the copyright, subject to any right of termination under circumstances which may be specified therein. If, however, an agreement does contain provisions governing its duration—for example, a term of fifty years—and the author has not exercised his or her right of termination under the statute, the agreement will continue according to its terms—in this example, for only fifty years. The quoted language is not to be construed as requiring agreements to reserve the right of termination.

AMENDMENTS

2002—Subsec. (a)(2)(A) to (C). Pub. L. 107–273, in subpars. (A) to (C), substituted ''The'' for ''the'' and, in subpars. (A) and (B), substituted period for semicolon at end.

1998—Subsec. (a)(2). Pub. L. 105–298, §103(1), struck out ''by his widow or her widower and his or her children or grandchildren'' after ''exercised,'' in introductory provisions.

Subsec. (a)(2)(D). Pub. L. 105–298, §103(2), added subpar. (D).

§ 204. Execution of transfers of copyright ownership

(a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

(b) A certificate of acknowledgement is not required for the validity of a transfer, but is prima facie evidence of the execution of the transfer if—

(1) in the case of a transfer executed in the United States, the certificate is issued by a person authorized to administer oaths within the United States; or

(2) in the case of a transfer executed in a foreign country, the certificate is issued by a diplomatic or consular officer of the United States, or by a person authorized to administer oaths whose authority is proved by a certificate of such an officer.

(Pub. L. 94–553, title I, §101, Oct. 19, 1976, 90 Stat. 2570.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94–1476

Section 204 is a somewhat broadened and liberalized counterpart of sections 28 and 29 of the present statute [sections 28 and 29 of former title 17]. Under subsection (a), a transfer of copyright ownership (other than one brought about by operation of law) is valid only if there exists an instrument of conveyance, or alternatively a ''note or memorandum of the transfer,'' which is in writing and signed by the copyright owner ''or such owner's duly authorized agent.'' Subsection (b) makes clear that a notarial or consular acknowledgment is not essential to the validity of any transfer, whether executed in the United States or abroad. However, the subsection would liberalize the conditions under which certificates of acknowledgment of documents executed abroad are to be accorded prima facie weight, and would give the same weight to domestic acknowledgments under appropriate circumstances.

§ 205. Recordation of transfers and other documents

(a) CONDITIONS FOR RECORDATION.—Any transfer of copyright ownership or other document pertaining to a copyright may be recorded in the Copyright Office if the document filed for recordation bears the actual signature of the person who executed it, or if it is accompanied by a sworn or official certification that it is a true copy of the original, signed document. A sworn or official certification may be submitted to the Copyright Office electronically, pursuant to regulations established by the Register of Copyrights.

(b) CERTIFICATE OF RECORDATION.—The Register of Copyrights shall, upon receipt of a document as provided by subsection (a) and of the fee provided by section 708, record the document and return it with a certificate of recordation.

(c) RECORDATION AS CONSTRUCTIVE NOTICE.—Recordation of a document in the Copyright Office gives all persons constructive notice of the facts stated in the recorded document, but only if—

(1) the document, or material attached to it, specifically identifies the work to which it pertains so that, after the document is indexed by the Register of Copyrights, it would be revealed by a reasonable search under the title or registration number of the work; and

(2) registration has been made for the work.

(d) PRIORITY BETWEEN CONFLICTING TRANSFERS.—As between two conflicting transfers, the one executed first prevails if it is recorded, in the manner required to give constructive notice under subsection (c), within one month after its execution in the United States or within two months after its execution outside the United States, or at any time before recordation in such manner of the later transfer. Otherwise the later transfer prevails if recorded first in such manner, and if taken in good faith, for valuable consideration or on the basis of a binding promise to pay royalties, and without notice of the earlier transfer.

(e) PRIORITY BETWEEN CONFLICTING TRANSFER OF OWNERSHIP AND NONEXCLUSIVE LICENSE.—A nonexclusive license, whether recorded or not, prevails over a conflicting transfer of copyright ownership if the license is evidenced by a written instrument signed by the owner of the rights licensed or such owner's duly authorized agent, and if—

(1) the license was taken before execution of the transfer; or

(2) the license was taken in good faith before recordation of the transfer and without notice of it.

(Pub. L. 94–553, title I, §101, Oct. 19, 1976, 90 Stat. 2571; Pub. L. 100–568, §5, Oct. 31, 1988, 102 Stat. 2857; Pub. L. 111–295, §3(b), Dec. 9, 2010, 124 Stat. 3180.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94–1476

The recording and priority provisions of section 205 are intended to clear up a number of uncertainties arising from sections 30 and 31 of the present law [sections 30 and 31 of former title 17] and to make them more effective and practical in operation. Any ''document pertaining to a copyright'' may be recorded under subsection (a) if it ''bears that actual signature of the person who executed it,'' or if it is appropriately certified as a true copy. However, subsection (c) makes clear that the recorded document will give constructive notice of its contents only if two conditions are met: (1) the document or attached material specifically identifies the work to which it pertains so that a reasonable search under the title or registration number would reveal it, and (2) registration has been made for the work. Moreover, even though the Register of Copyrights may be compelled to accept for recordation documents that on their face appear self-serving or colorable, the Register should take care that their nature is not concealed from the public in the Copyright Office's indexing and search reports.

The provisions of subsection (d), requiring recordation of transfers as a prerequisite to the institution of an infringement suit, represent a desirable change in the law. The one- and three-month grace periods provided in subsection (e) are a reasonable compromise between those who want a longer hiatus and those who argue that any grace period makes it impossible for a bona fide transferee to rely on the record at any particular time.

Under subsection (f) of section 205, a nonexclusive license in writing and signed, whether recorded or not, would be valid against a later transfer, and would also prevail as against a prior unrecorded transfer if taken in good faith and without notice. Objections were raised by motion picture producers, particularly to the provision allowing unrecorded nonexclusive licenses to prevail over subsequent transfers, on the ground that a nonexclusive license can have drastic effects on the value of a copyright. On the other hand, the impracticalities and burdens that would accompany any requirement of recordation of nonexclusive licenses outweigh the limited advantages of a statutory recordation system for them.

AMENDMENTS

2010—Subsec. (a). Pub. L. 111–295 inserted at end ''A sworn or official certification may be submitted to the Copyright Office electronically, pursuant to regulations established by the Register of Copyrights.''

1988—Subsecs. (d) to (f). Pub. L. 100–568 redesignated subsecs. (e) and (f) as (d) and (e), respectively, and struck out former subsec. (d), which read as follows: ''No person claiming by virtue of a transfer to be the owner of copyright or of any exclusive right under a copyright is entitled to institute an infringement action under this title until the instrument of transfer under which such person claims has been recorded in the Copyright Office, but suit may be instituted after such recordation on a cause of action that arose before recordation.''

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100–568 effective Mar. 1, 1989, with any cause of action arising under this title before such date being governed by provisions in effect when cause of action arose, see section 13 of Pub. L. 100–568, set out as a note under section 101 of this title.

RECORDATION OF SHAREWARE

Pub. L. 101–650, title VIII, § 805, Dec. 1, 1990, 104 Stat. 5136, provided that:

''(a) IN GENERAL.—The Register of Copyrights is authorized, upon receipt of any document designated as pertaining to computer shareware and the fee prescribed by section 708 of title 17, United States Code, to record the document and return it with a certificate of recordation.

''(b) MAINTENANCE OF RECORDS; PUBLICATION OF INFORMATION.—The Register of Copyrights is authorized to maintain current, separate records relating to the recordation of documents under subsection (a), and to compile and publish at periodic intervals information relating to such recordations. Such publications shall be offered for sale to the public at prices based on the cost of reproduction and distribution.

''(c) DEPOSIT OF COPIES IN LIBRARY OF CONGRESS.—In the case of public domain computer software, at the election of the person recording a document under subsection (a), 2 complete copies of the best edition (as defined in section 101 of title 17, United States Code) of the computer software as embodied in machine-readable form may be deposited for the benefit of the Machine-Readable Collections Reading Room of the Library of Congress.

''(d) REGULATIONS.—The Register of Copyrights is authorized to establish regulations not inconsistent with law for the administration of the functions of the Register under this section. All regulations established by the Register are subject to the approval of the Librarian of Congress.''

REGISTRATION OF CLAIMS TO COPYRIGHTS AND RECORDATION OF ASSIGNMENTS OF COPYRIGHTS AND OTHER INSTRUMENTS UNDER PREDECESSOR PROVISIONS

Recordation of assignments of copyrights or other instruments received in the Copyright Office before Jan. 1, 1978, to be made in accordance with this title as it existed on Dec. 31, 1977, see section 109 of Pub. L. 94–553, set out as a note under section 410 of this title.

CHAPTER 3—DURATION OF COPYRIGHT

§ 301. Preemption with respect to other laws

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or

(2) any cause of action arising from undertakings commenced before January 1, 1978;

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106; or

(4) State and local landmarks, historic preservation, zoning, or building codes, relating to architectural works protected under section 102(a)(8).

(c) With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067. The preemptive provisions of subsection (a) shall apply to any such rights and remedies pertaining to any cause of action arising from undertakings commenced on

E. & J. Gallo Winery v. Gallo Cattle Co.

United States Court of Appeals for the Ninth Circuit

December 14, 1990, Argued and Submitted, Pasadena, California ; June 22, 1992, Filed

No. 89-16271

Reporter
967 F.2d 1280; 92 Cal. Daily Op. Service 5334; 92 Daily Journal DAR 8561

E. & J. GALLO WINERY, a California corporation, Plaintiff-counter-defendant- Appellee, v. GALLO CATTLE COMPANY; MICHAEL D. GALLO; JOSEPH GALLO, Defendants-counter-claimants- Appellants, v. ERNEST GALLO; JULIO GALLO, Counter-defendants-Appellees.

Prior History: [**1] Appeal from the United States District Court for the Eastern District of California. D.C. No. CV-86-0183-REC. Robert E. Coyle, Chief District Judge, Presiding.

Original Opinion Reported at

Counsel: Roy G. Weatherup, Haight, Brown & Bonesteel, Santa Monica, California, for the defendants-counter-claimants- appellants.

Patrick Lynch, O'Melveny & Meyers, Los Angeles, California, for the plaintiffs-counter-defendants-appellees.

Judges: Before: Thomas Tang, Betty B. Fletcher, and Stephen Reinhardt, Circuit Judges.Opinion by Judge Fletcher.

Opinion by: FLETCHER

Opinion

[*1283] ORDER AND AMENDED OPINION

FLETCHER, Circuit Judge:

Defendant/Counterclaimant Joseph E. Gallo ("Joseph") appeals. Plaintiff/Counterdefendant E. & J. Gallo Winery ("the Winery"), owned by Joseph's older brothers Ernest and Julio Gallo, initially brought a trademark infringement action against Joseph for the use of the name GALLO on retail packages of cheese. Joseph counterclaimed against the Winery and Ernest and Julio, asserting that he had inherited a one-third ownership interest in the Winery (and thus its trademarks) from their parents who died in 1933. The district court granted summary judgment in favor [**2] of Ernest and Julio on the counterclaims, granted judgment following a bench trial in favor of the Winery on the trademark claims, and permanently enjoined Joseph from using the GALLO name as a trademark on retail packages of cheese and in advertisements.

On appeal, Joseph seeks reversal of the judgments, but challenges as well the scope of the injunction. He also appeals the denial of his motion for a new trial, arguing that Judge Coyle should have disqualified himself. We AFFIRM, but modify the scope of the injunction.

FACTS

This lawsuit arises out of a tortuous family history apparently involving sibling rivalry on a grand scale. Because Joseph's counterclaims concern his parents' estates, the relevant facts date back nearly a century.

I. The Rise of the Gallo Family, the Establishment of the Winery, and Ernest and Julio's Guardianship of Joseph

The individual parties to the action, Ernest, Julio, and Joseph, are the children of Joseph Gallo ("Joseph Sr.") and Assunto ("Susie") Bianco, immigrants to Northern [*1284] California from Italy in the early 1900s. Joseph Sr. and

Susie married in 1908. Ernest was born in 1909, Julio in 1910, and Joseph in 1919. Following their marriage [**3] until the advent of Prohibition in 1919, Joseph Sr. and Susie operated various boardinghouses and saloons, in connection with which they served and sold wine purchased from other California wine dealers. Evidently they stenciled the family name GALLO on the ends of the wine kegs, although they did not make the wine themselves. Throughout the 1920's, the family purchased a series of vineyards, where they grew their own wine grapes, bought wine grapes from other local growers, and shipped the grapes to the midwest and the east coast, where customers made wine with them for their home use under an exception to Prohibition. Ernest and Julio became involved in this shipping business during the mid- to late-1920s. While Joseph Sr. did have a brush with the law for bootlegging during Prohibition, there is no other evidence that he and Susie sold wine after 1919.

The Great Depression caused the grape business to suffer. Prices dropped; the 1932 season was a financial disaster for Joseph Sr. and Susie. On June 21, 1933, Joseph Sr. took Susie's life and his own.

In a holographic will, Susie left each son a one-third interest in her estate. On April 4, 1935, the probate court approved the first [**4] and final account of Susie's estate, and entered a decree distributing a one-third interest in her stock and real property holdings to each son. The accounting for Susie's estate listed no wine business nor assets of a wine business.

Joseph Sr. died intestate. Ernest obtained a court order authorizing him to continue Joseph Sr.'s business, described as "that of raising grapes and other crops and farming and selling produce." On April 29, 1935, the probate court approved Ernest's second and final account of Joseph Sr.'s estate, and entered a decree distributing a one-third interest in the remaining assets of the estate to each son. The account did not list any wine business or assets of a wine business, but it did list "E. & J. Gallo Winery" as a creditor of the estate.

"E. & J. Gallo Winery" refers to the partnershp Ernest and Julio formed after their parents' deaths. The brothers had obtained a license to establish a bonded winery which could lawfully produce wine for medicinal purposes during Prohibition. Prohibition ended on December 5, 1933, and on that day the E. & J. Gallo Winery began shipping wine out of Modesto in barrels marked GALLO.

During all of this, Joseph was still [**5] a child. He was only 13 years old when his parents died, and Ernest and Julio did not make him a partner in the Winery. He lived with his brothers, who became his legal guardians by order of the probate court on February 19, 1934. Ernest and Julio did not conduct a model guardianship. They filed no inventory of the guardianship estate at its inception, nor did they file any annual accountings during the ensuing years of the guardianship. In 1936 they obtained an order from the probate court authorizing them to sell the shares of stock Joseph had inherited from Susie, but then loaned the proceeds to the Winery without the court's authorization. Joseph attained majority on September 11, 1940, and on June 20, 1941, Ernest and Julio filed a first and final account of the guardianship.

A month after Ernest & Julio filed the account, Joseph and his counsel filed objections, claiming, in addition to the proceeds of Joseph's stock, the sum of $ 25,000 as his portion of the profits generated by the Winery through unauthorized investment of guardianship funds. On July 2, 1941, the probate court entered its decree, adopting Ernest and Julio's account, as supplemented by a payment from the Winery [**6] to Joseph of $ 20,000. This sum was declared to be "in full and complete settlement of" Ernest and Julio's liability arising from their use of Joseph's capital for investment in the Winery.

II. The Gallo Brothers Develop their Businesses

Ernest and Julio continued to develop their wine business through the 1930s, selling [*1285] the wine in barrels and tank cars to regional bottlers, who in turn sold the wine under their own trademarks. It was not until 1940, when the Winery began its own bottling operations, that the GALLO label was seen by the consuming public. In 1942, the Winery obtained its first registered trademark including the word GALLO. The following year Ernest and Julio moved the bottling operations to Modesto, and by the early 1960s, they had established distribution of the Gallo brand in all major U.S. markets. Today, following several decades of extensive advertising and promotion, GALLO wine has become the best-selling brand in the country.

Including its first trademark in 1942, the Winery has acquired eleven different registered trademarks containing GALLO. Ernest and Julio themselves registered all but one of the eleven. The exception is a trademark initially obtained [**7] by a company called Gallo Salame that developed in the late 1940s independently from the Gallo family - nobody in the company bore the name of Gallo. Gallo Salame initially sold salami and other prepared meat products to the service delicatessen trade, but in 1959 it began selling its products directly to consumers. By 1970 Gallo Salame was selling combination packs of sliced cheese and salami or pepperoni, and that year it obtained a registered trademark consisting of a shield with the word ″Gallo″ in script, together with a depiction of the Golden Gate Bridge and a cable car. In 1979, the Winery sued Gallo Salame for trademark infringement and dilution, and in 1983 the parties settled, with Gallo Salame assigning its registered trademark to the Winery as part of the settlement. The settlement also licensed the GALLO SALAME mark back to Gallo Salame, which continues to manufacture and sell its products under the mark.

Joseph's involvement with the Winery was limited. He lived and worked with his brothers on the ranches and in the Winery until he entered military service in 1942. Four years later, Joseph returned to manage several of the Winery's ranches. At some point during the [**8] early development of the Winery, Ernest and Julio invited Joseph to become a partner, but he declined.

Joseph managed the Winery's ranches until 1967, during which time he purchased and farmed several pieces of land, including vineyards and a dairy. In many of these ventures he used his name, ″Joseph Gallo″, as a trade name. He sold grapes from his vineyards - many to the Winery - under the trade name ″Joseph Gallo Vineyards″, and he operated his ranches under similar trade names incorporating his own name. In 1955, he established the ″Gallo Cattle Company″, a partnership, and he proceeded to raise and sell dairy cattle on the land not dedicated to the vineyards. In the late 1970s, the Gallo Cattle Company established a large dairy, and in 1983, it entered the cheese business.

Joseph's original intention in entering the cheese business was to sell cheese in large blocks to commercial purchasers, who would then repackage the cheese for consumer distribution. However, in 1984, Joseph began distributing consumer size packages of cheese for the retail market, labeled with a trademark consisting of his name, ″Joseph Gallo″, and a pastoral scene of cows and a dairy barn.

Later that year, [**9] Ernest and Julio learned that Joseph was selling retail cheese labeled JOSEPH GALLO, and Ernest told him that this infringed the Winery's trademarks and violated a prior oral commitment Joseph had given not to use the GALLO name on his products. The Winery also notified Gallo Salame, which insisted that the Winery either stop Joseph from using the mark or get him to enter into a licensing agreement with the Winery. For two years, the Gallo brothers negotiated unsuccessfully. Finally, on April 17, 1986, the Winery filed its complaint against Joseph, the Gallo Cattle Company, and Michael D. Gallo, Joseph's son and general partner of Gallo Cattle (collectively, ″Joseph″ or ″defendants″).

III. The Litigation

The Winery's complaint included claims for trademark infringement, trademark dilution, [*1286] and unfair competition, and sought an injunction preventing Joseph from marketing, advertising, selling, or distributing cheese bearing any trademark containing the word GALLO. In his answer, Joseph raised twelve affirmative defenses and brought several counterclaims against the Winery and Ernest and Julio. He asserted a constructive trust, arguing that Joseph Sr. and Susie had founded the [**10] Winery, and that he therefore had inherited a one-third interest in it. He also sought damages from Ernest and Julio for breach of fiduciary duty, deceit, and constructive fraud in the conduct of the guardianship.

On June 6, 1988, after extensive and apparently contentious discovery, the district court heard argument on the parties' cross-motions for summary judgment. On August 29, 1988, Judge Price issued his memorandum decision granting the Winery's motion for summary judgment on Joseph's counterclaims. He found Joseph's claims barred by *res judicata,* based on the decrees issued by the various probate courts after Joseph Sr. and Susie died and upon the termination of Joseph's guardianship. He also held that Joseph had presented no evidence that Ernest and Julio had practiced fraud on the probate court. Judge Price denied Joseph's motion for summary judgment on the Winery's trademark claims, and set the matter for trial beginning November 15, 1988.

On November 1, the court denied Joseph's motions for certification and stay pending appeal, and on November 10, Joseph moved to have Judge Price recuse himself pursuant to 28 U.S.C. § 455 because of his alleged personal friendship [**11] with one of the Winery's directors. On November 14, without conceding the necessity for his disqualification, Judge Price transferred the case to Judge Coyle.

Following a seventeen-day bench trial on the Winery's claims from November 22 through December 28, 1988, Judge Coyle ruled for the Winery and issued an order on June 19, 1989 permanently enjoining Joseph from using the GALLO mark on retail cheese packages and from using the GALLO name in advertising. Among Joseph's post-trial motions was a motion for new trial, based primarily on the assertion that Judge Coyle should have recused himself under 28 U.S.C. § 455 because he had been a partner in the law firm that represented the Winery as local counsel in its trademark suit against Gallo Salame. On August 4, Judge Coyle denied the motion, concluding that the motion for recusal was untimely and also lacked merit.

Joseph appeals Judge Price's grant of summary judgment to the Winery on his counterclaims, Judge Coyle's judgment for the Winery on the trademark claims, and Judge Coyle's denial of his motion for a new trial. Joseph also challenges the permanent injunction issued by Judge Coyle as fatally ambiguous, overbroad and in violation [**12] of the first amendment.

JURISDICTION

The district court had jurisdiction over the Winery's trademark infringement claim under 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331, 1337, & 1338, pendent jurisdiction over the Winery's state claims of trademark dilution and unfair competition, and ancillary jurisdiction over Joseph's counterclaims. This court's jurisdiction derives from 15 U.S.C. § 1121 and 28 U.S.C. § 1291.

DISCUSSION

I. Summary Judgment for the Winery on Joseph's Counterclaims

Joseph contends that Judge Price erred in granting summary judgment for the Winery on his counterclaims. He argues that the evidence he presented to the district court, considered in the light most favorable to him, raised genuine issues of material fact as to his asserted one-third interest in the Winery. He cites evidence that the Winery was an outgrowth of his father's business and thus part of his father's estate, in which he inherited a one-third interest. [1] However, the district court [*1287] granted the Winery's summary judgment motion not on the ground that Joseph had presented no genuine issue of material fact, but on the ground that *res judicata* barred his claims. We review both summary [**13] judgment and *res judicata* determinations *de novo*. *Darring v. Kincheloe,* 783 F.2d 874, 876 (9th Cir. 1986)(summary judgment); *Guild Wineries and Distilleries v. Whitehall Co.,* 853 F.2d 755, 758 (9th Cir. 1988)(*res judicata*); *Blasi v. Williams,* 775 F.2d 1017, 1018 (9th Cir. 1985)(*res judicata*).

In finding the counterclaims to be [**14] barred by *res judicata,* the district court focused primarily on the probate court's guardianship decree. However, the decrees of distribution in the estates of Joseph Sr. and Susie are also relevant. Under California law, an order settling an executor's account generally binds "all the parties interested in the

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[1] For example, Joseph argues that an underground concrete tank constructed by Joseph Sr. shortly before his death indicates an intent to start up a winery following Prohibition; that Ernest and Julio used their father's grapes to make their wine; that they sold the wine they made under the same GALLO trademark that their parents had put on barrels of wine prior to Prohibition; and that Ernest and Julio have represented in several of their trademark registration applications that the Winery is a continuation of their father's business and that the GALLO mark has been used, initially by Joseph Sr., since the early 1900s.

estate, including minors who were not represented at [the probate hearing] by a guardian." *Carr v. Bank of America Nat'l Trust & Sav. Ass'n,* 11 Cal. 2d 366, 79 P.2d 1096, 1099 (Cal. 1938); *see also* Cal. Prob. Code 11605 (West Supp. 1990) (order of probate court, including decree of distribution, "binds and is conclusive as to the rights of all interested persons"). Both the initial and final accountings filed by Ernest in his capacity as executor of Joseph Sr.'s estate identified the Winery as a creditor of the estate, not as an asset. The probate court's approval of the accountings therefore necessarily determined that the Winery was not part of the estate inherited by the Gallo brothers. *See In re Estate of Simonton,* 183 Cal. 53, 190 P. 442, 444 (Cal. 1920) (final order of settlement held conclusive upon heirs as to property not inventoried as asset of [**15] estate yet known by heirs to exist).

An order of settlement also "conclusively negatives the charge of mismanagement, negligence or fraud on the part of the . . . executor." *Carr,* 79 P.2d at 1101. However, where the order has been obtained by extrinsic fraud perpetrated by the executor, the order can be set aside. *Estate of Sanders,* 40 Cal. 3d 607, 710 P.2d 232, 235, 221 Cal. Rptr. 432, (Cal. 1985); *see also Lazzarone v. Bank of America,* 181 Cal. App. 3d 581, 226 Cal. Rptr. 855, 863 (Cal. Ct. App. 1986) (same rule applied to administration of testamentary trust). Extrinsic fraud essentially entails preventing a party "from presenting all of his case to the court," as opposed to defrauding the party with respect to the substantive rights being adjudicated at a proceeding. *Sanders,* 710 P.2d at 236 (quoting *United States v. Throckmorton,* 98 U.S. 61, 65-66, 25 L. Ed. 93 (1878)). The classic example of extrinsic fraud is where "the aggrieved party is kept in ignorance of the proceeding or is in some other way induced not to appear." *Sanders,* 710 P.2d at 236. Fraudulent concealment of assets by an administrator or guardian also constitutes [**16] extrinsic fraud. *Lataillade v. Orena,* 91 Cal. 565, 27 P. 924 (Cal. 1891), *Simonton v. Los Angeles Trust & Sav. Bank,* 192 Cal. 651, 221 P. 368 (Cal. 1923).

The same general principles apply to a probate court's order approving a final accounting of a guardianship:

The established rule is that the final account of a guardian, when settled and approved, and not attacked by appeal or other proper proceeding, is res judicata and conclusive even against the ward.

Adams v. Martin, 3 Cal. 2d 246, 44 P.2d 572, 573 (Cal. 1935); *see also Guardianship of Naccarato,* 195 Cal. App. 2d 118, 15 Cal. Rptr. 261, 262 (Cal. Ct. App. 1961). Extrinsic fraud is, again, an exception to the rule of conclusiveness. *Barker v. Carver,* 144 Cal. App. 2d 487, 301 P.2d 307, 310 (Cal. Ct. App. 1956); *cf. Adams,* 44 P.2d at 573 (distinguishing cases involving extrinsic fraud).

It is therefore clear that in order to avoid a *res judicata* determination based on the three probate decrees, Joseph must demonstrate that Ernest and Julio engaged in extrinsic fraud. The district court ruled [*1288] that Joseph failed to establish any facts that evidenced extrinsic fraud. Joseph attended the [**17] guardianship hearing and was represented by counsel, who filed on his behalf objections to the account filed by Ernest and Julio. There is no suggestion that any assets were concealed from Joseph. The Winery was identified as a creditor in Ernest's final accounting of Joseph Sr.'s estate. More importantly, the Winery was the very focus of the hearing on the termination of Joseph's guardianship. The probate decree required a $ 20,000 payment to Joseph, "representing earnings realized by said guardians in the conduct of their business under the name of E. & J. Gallo Winery. . . ." Implicit in this decree is a determination that the Winery was the business of Ernest and Julio, not part of Joseph Sr.'s estate. Joseph had the opportunity at this hearing to claim a one-third interest in the Winery but evidently did not do so. *See Getty v. Getty,* 187 Cal. App. 3d 1159, 232 Cal. Rptr. 603, 610 (Cal. Ct. App. 1986) (*res judicata* applies to matters that were actually raised or could have been raised).

In the absence of any showing of extrinsic fraud, we affirm the district court's conclusion that Joseph's counterclaims, which seek to upset probate decrees of more than fifty years' standing, [**18] are barred by *res judicata*. We need not reach the Winery's alternative ground of laches.

II. Judgment for the Winery on Its Trademark Claims

The district court held that Joseph's use of his name on retail packages of cheese infringed the Winery's trademarks and constituted unfair competition under the Lanham Act, 15 U.S.C. §§ 1114, 1125(a). [2] The court also held for the Winery on its state claim of trademark dilution, Cal. Bus. & Prof. Code § 14330. Joseph challenges the district court's judgment on several grounds, which are considered in turn.

A. Judicial reluctance to enjoin use of a personal name

Joseph first contends that the district court erred in failing to consider an established ″judicial reluctance″ to enjoin the use of a personal name as a trademark. While recognizing that one has no absolute right to use one's personal [**19] name as a trademark, he nevertheless contends that the district court should have shown a greater reluctance to find that his use of his own name constituted trademark infringement.

It is true that the Ninth Circuit has expressed a ″reluctance to preclude an individual's business use of his own name when no attempt to confuse the public has been made.″ *Friend v. H.A. Friend and Co.,* 416 F.2d 526, 531 (9th Cir. 1969), *cert. denied,* 397 U.S. 914, 25 L. Ed. 2d 94, 90 S. Ct. 916 (1970). However, as this language from *Friend* indicates, the reluctance does not extend to cases where there has been an attempt to confuse the public. *Robi v. Five Platters, Inc.,* 918 F.2d 1439, 1445 (9th Cir. 1990). In fact, *Friend* itself upheld a ruling of trademark infringement and an injunction against use of a personal name by a junior user of the FRIEND mark who had ″deliberately, vigorously, and successfully confused purchasers.″ *Id.* As for Joseph's intent in putting his name on the retail cheese packages, the district court found that he knew that the Winery would object to his use of the GALLO name and that he intended to capitalize on its reputation and selling [**20] power. Given these findings, the district court's determination of trademark infringement was fully consistent with *Friend*.

Even where a junior user lacks an intent to capitalize on another's trademark, use of an infringing personal name may still be limited by an injunction carefully tailored to balance the interest in using one's name against the interest in avoiding public confusion. *Sardi's Restaurant Corp. v. Sardie,* 755 F.2d 719, 725 (9th Cir. 1985) (citing 1 J. McCarthy, Trademarks and Unfair Competition § 13:3(D) (2d ed. 1984)); *see also Basile, S.p.A. v. Basile,* 899 F.2d 35, 39 (D.C.Cir. 1990); *Taylor Wine Co. V. Bully Hill Vineyards, Inc.,* [*1289] 569 F.2d 731, 735-36 (2d Cir. 1978). In other words, as long as the scope of the district court's injunction reflects a consideration of the judicial reluctance to enjoin use of a personal name, the court has acted properly. The district court's injunction, as modified in Section IV, *infra,* prohibits Joseph from using the words GALLO or JOSEPH GALLO as a trademark for retail sale of cheese or in audible advertisements. However, the injunction explicitly permits the use [**21] of JOSEPH GALLO as a trademark on wholesale packages of cheese, and permits the use of ″Gallo Cattle Co.″ and ″Joseph Gallo Farms″ as trade names. It further permits the trade names or Joseph's signature to appear in advertisements. It is silent as to products other than cheese. By limiting the use of Joseph's name only to the extent necessary to avoid public confusion, the district court demonstrated the appropriate reluctance to enjoin all use of a person's name. [3]

B. The GALLO SALAME trademark

Joseph claims that the Winery lacks a valid ownership interest in the GALLO SALAME trademark because the agreement settling the Winery's infringement suit against Gallo Salame represented an invalid assignment of the mark. Without valid ownership of the GALLO SALAME mark, Joseph further contends, the Winery's wine marks alone cannot support the district court's judgment, because wine and cheese are different products.

Under its settlement [**22] with Gallo Salame in 1983, the Winery received an assignment of the GALLO SALAME mark, which it then licensed back to Gallo Salame for its continued use on combination meat and cheese packages. Joseph argues that this constituted an invalid assignment in gross, because the assignment did not transfer the goodwill or tangible assets of Gallo Salame. Assignments of trademarks in gross are traditionally invalid. ″The law is well

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[2] As the district court noted, and as Joseph concedes, the elements of infringement and unfair competition claims are essentially the same; the rulings stand or fall together.

[3] Joseph's other challenges to the injunction are discussed in section IV, *infra*.

settled that there are no rights in a trademark alone and that no rights can be transferred apart from the business with which the mark has been associated." *Mister Donut of America, Inc. v. Mr. Donut, Inc.,* 418 F.2d 838, 842 (9th Cir. 1969), *criticized on other grounds, Golden Door, Inc. v. Odisho,* 646 F.2d 347 (9th Cir. 1980). It is not necessary that the entire business or its tangible assets be transferred; it is the goodwill of the business that must accompany the mark. *Money Store v. Harriscorp Fin., Inc.,* 689 F.2d 666, 676 (7th Cir. 1982). As the Lanham Act states the principle, a mark is "assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill [**23] of the business connected with the use of and symbolized by the mark." 15 U.S.C. § 1060. The purpose behind requiring that goodwill accompany the assigned mark is to maintain the continuity of the product or service symbolized by the mark and thereby avoid deceiving or confusing consumers. 1 J. McCarthy, Trademarks and Unfair Competition § 18:1(C) (2d ed. 1984).

The district court made a factual finding that goodwill had been assigned along with the mark GALLO SALAME. This finding rested on two facts. First, Gallo Salame gave to the Winery information "sufficient to enable [it] to continue the lure of business Gallo Salame had been conducting under the Gallo mark." This established the continuity that trademark law seeks to extend to the public. Second, the mark was transferred as part of the settlement of a *bona fide* infringement suit. It may not be immediately apparent why the settlement context implies transfer of goodwill. It does so because a *bona fide* infringement suit is predicated on the plaintiff's belief that the defendant has unfairly capitalized on plaintiff's goodwill; in other words, defendant wrongfully took goodwill from plaintiff. The district court found [**24] that prior to the assignment many consumers believed that Gallo Salame's products "were put out by the same company that put out Gallo wine. Since the Gallo brand had become equated with wine in the public mind, Plaintiff's goodwill rubbed off on Gallo Salame." It is this goodwill, the subject of the lawsuit, that was returned to the Winery.

[*1290] That the transfer of the GALLO SALAME mark served the goal of minimizing consumer confusion becomes most clear when we view the assignment/lease-back transaction as a whole. In approving it, the district court adopted the reasoning of the federal circuit in *VISA, U.S.A., Inc. v. Birmingham Trust Nat'l Bank,* 696 F.2d 1371 (Fed. Cir. 1982), *cert. denied sub nom. South Trust Bank of Alabama v. VISA, U.S.A., Inc.,* 464 U.S. 826, 104 S. Ct. 98, 78 L. Ed. 2d 104 (1983). In *Visa,* the court upheld an assignment/license-back of the mark CHECK-O.K., used in connection with check cashing services. The court found the arrangement to be valid as long as it satisfied the principal requirement applicable to all trademark licenses: that the licensor "provide[] for adequate control . . . over the quality of goods or services produced under the mark." [**25] 696 F.2d at 1377; *see also Star-Kist Foods, Inc. v. P.J. Rhodes & Co.,* 769 F.2d 1393, 1396 (9th Cir. 1985) (noting same requirement for valid license). The district court specifically found that the settlement agreement sets out, and that the Winery is maintaining, a quality control program under which the Winery actively monitors Gallo Salame's practices.

We agree with the federal circuit that a simultaneous assignment and license-back of a mark is valid, where, as in this case, it does not disrupt continuity of the products or services associated with a given mark. Here, consumers of Gallo Salame's products who mistakenly believed they were purchasing a product of the Winery were identifying the product with the Winery's goodwill. The assignment/lease-back had the beneficial effect of bringing "commercial reality into congruence with customer perception that [the Winery] was controlling [Gallo Salame's] use." 1 J. McCarthy, *supra* § 18:1(I). The assignment/license-back is a "well-settled commercial practice." *VISA,* 696 F.2d at 1377; *see also Syntex Laboratories, Inc. v. Norwich Pharmacal Co.,* 315 F. Supp. 45, 55-56 (S.D.N.Y. 1970), [**26] *aff'd on other grounds* 437 F.2d 566 (2d Cir. 1971); *Raufast S.A. v. Kicker's Pizzazz, Ltd.,* 208 U.S.P.Q. (BNA) 699 (E.D.N.Y 1980). We see no reason to invalidate it where it maintains the public's expectations of continuity.

C. Likelihood of consumer confusion

The core element of trademark infringement is the likelihood of confusion, *i.e.,* whether the similarity of the marks is likely to confuse customers about the source of the products. *Academy of Motion Picture Arts and Sciences v. Creative House Promotions,* 944 F.2d 1446, 1454 (9th Cir. 1991); *Eclipse Assoc. Ltd. v. Data General Corp.,* 894 F.2d 1114, 1118 (9th Cir. 1990). Because likelihood of confusion is a mixed question of law and fact that is predominantly factual in nature, the panel reviews the district court's determination for clear error. *Levi Strauss & Co. v. Blue Bell, Inc.,* 778 F.2d 1352, 1355-56 (9th Cir. 1985) (en banc).

The district court made numerous findings concerning likelihood of confusion, applying eight factors set out by the Ninth Circuit in *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 348-49 (9th Cir. 1979). [**27] Those factors include: (1) strength of the allegedly infringed mark; (2) proximity or relatedness of the goods; (3) similarity of the sight, sound, and meaning of the marks; (4) evidence of actual confusion; (5) degree to which the marketing channels converge; (6) type of the goods and degree of care consumers are likely to exercise in purchasing them; (7) intent of the defendant in selecting the allegedly infringing mark; and (8) likelihood that the parties will expand their product lines. *Id.* at 348-54. This list of factors, while perhaps exhausting, is neither exhaustive nor exclusive. [4] *Id.* at 348 n.11. Rather, the factors are intended to guide the court in assessing the basic question of likelihood of confusion. *Eclipse,* 894 F.2d at 1118. The presence or [*1291] absence of a particular factor does not necessarily drive the determination of a likelihood of confusion. We consider the factors examined by the district court in turn.

[**28] 1. Strength

Trademark law offers greater protection to marks that are ″strong,″ i.e., distinctive. The strength of a mark is determined by its placement on a ″continuum of marks from 'generic,' afforded no protection; through 'descriptive' or 'suggestive,' given moderate protection; to 'arbitrary' or 'fanciful' awarded maximum protection.″ *Nutri/System, Inc. v. Con-Stan Industries, Inc.,* 809 F.2d 601, 605 (9th Cir. 1987). While personal names used as trademarks are not inherently distinctive, they are treated as strong marks upon a showing of secondary meaning. 1 J. McCarthy, *supra* § 13:2; *Scarves by Vera, Inc. v. Todo Imports Ltd.,* 544 F.2d 1167, 1173 (2d Cir. 1976). Secondary meaning is the consumer's association of the mark with a particular source or sponsor. *Levi Strauss,* 778 F.2d at 1354.

The district court found that the GALLO mark has acquired secondary meaning through the Winery's long, continued use of the mark, the mark's widespread, national public recognition, and the Winery's extensive and expensive advertising and promotion of products bearing the mark. These findings are not clearly erroneous; in fact, [**29] Joseph concedes that the mark has acquired secondary meaning as applied to wine. He nevertheless argues that the mark's strength does not entitle it to protection in other product fields. This argument goes more to the question of related products, discussed below, than it does to strength. The finding that GALLO is a strong mark simply means that it is more distinctive than a descriptive or suggestive mark, and therefore more susceptible to protection as an initial matter.

2. Proximity or relatedness

Where goods are related or complementary, the danger of consumer confusion is heightened. *AMF,* 599 F.2d at 350. The district court found that wine and cheese are complementary products, frequently served and promoted together in wine and cheese tastings and parties. The court also found that salami and cheese are complementary products, that Gallo Salame sells these products in a combined package, that Joseph has sold a cheese product containing bits of salami, and that Joseph's cheese and Gallo Salame's products are sold in the same deli cases in grocery stores. The district court's finding that wine, cheese and salami are complementary products is not clearly [**30] erroneous. The finding is supported further by the independent finding that the products are marketed in the same channels, the fifth *AMF* factor.

3. Sight, sound, and meaning

In analyzing the similarity of the marks, the court is to view the marks as a whole, as they appear in the marketplace. *California Cooler v. Loretto Winery, Ltd,* 774 F.2d 1451, 1455 (9th Cir. 1985); *Alpha Industries v. Alpha Steel, Inc.,* 616 F.2d 440, 444 (9th Cir. 1980). The key elements of the marks are their sight, sound, and meaning, and similarities in these characteristics ″weigh more heavily than differences.″ *AMF,* 599 F.2d at 351.

In finding the marks to be similar, the district court focused on the shared use of GALLO as the dominant element in both the Winery's marks and Joseph's mark, as Joseph's cheese is generally referred to in the industry as Gallo cheese.

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[4] In fact, as discussed in *Eclipse,* 894 F.2d at 1117-18, the Ninth Circuit also has approved other formulations of the test for likelihood of confusion. *See, e.g., Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.,* 616 F.2d 440, 444-46 (9th Cir. 1980) (applying five factors); *J.B. Williams Co. v. Le Conte Cosmetics, Inc.,* 523 F.2d 187, 191-93 (9th Cir. 1975) (applying six factors), *cert. denied,* 424 U.S. 913, 47 L. Ed. 2d 317, 96 S. Ct. 1110 (1976).

The court conceded that the marks were not similar in appearance. Despite this concession, however, the district court found the shared dominant element of GALLO to be sufficient evidence to support a finding of similarity.

Joseph argues that the existence of the dominant element [**31] of GALLO in both the Winery's marks and in his mark cannot by itself constitute similarity, particularly since his first name is attached to GALLO on his cheese. Joseph relies on *Alpha Industries,* 616 F.2d at 444, and *Nutri/System,* 809 F.2d at 605-06, for the proposition that a dominant term shared by two marks [*1292] is not enough to support a finding of similarity. However, both of those cases affirmed district court findings of no similarity. Given the deferential review standard of clear error, cases *upholding* a district court finding do not mandate reversal of the district court's finding that the presence of GALLO in the marks employed by Joseph and the Winery does justify a finding of similarity. Moreover, neither *Alpha Industries* nor *Nutri/System* involved a personal name, and many courts have found the mere addition of a first name insufficient to prevent confusion. *See, e.g., Nina Ricci, S.A.R.L. v. E.T.F. Enterprises, Inc.,* 889 F.2d 1070, 1073 (Fed. Cir. 1989)(VITTORIO RICCI infringes NINA RICCI); *John B. Stetson v. Stephen L. Stetson Co.,* 85 F.2d 586 (2d Cir.) (STEPHEN L. STETSON infringes [**32] STETSON), *cert. denied,* 299 U.S. 605, 57 S. Ct. 232, 81 L. Ed. 446 (1936). The district court's additional finding that Joseph's cheese is commonly referred to as ″Gallo cheese″ also supports the conclusion that the marks are similar. In sum, it does not appear that the district court committed clear error in relying on the dominant element GALLO for its finding of similarity in sight, sound and meaning.

4. Actual confusion

Evidence of actual confusion is relevant to the issue of likelihood of confusion, but the absence of such evidence need not create an inference that there is no likelihood of confusion. *Levi Strauss,* 778 F.2d at 1360 n.10. Here, the district court made numerous findings of actual confusion, centering on the Field Survey, a customer survey commissioned by the Winery and entered into evidence at trial. The core of Joseph's challenge to the district court's finding of actual confusion goes to the Field Survey, a national survey conducted under the supervision of Mervin Field. [5]

[**33] The Ninth Circuit has stated that surveys in trademark cases are to be admitted as long as they are conducted according to accepted principles. *See Prudential Ins. Co. v. Gibraltar Fin. Corp.,* 694 F.2d 1150, 1156 (9th Cir. 1982), *cert. denied,* 463 U.S. 1208, 77 L. Ed. 2d 1389, 103 S. Ct. 3538 (1983). ″Technical unreliability goes to the weight accorded a survey, not its admissability.″ *Id.*

The Field Survey consisted of interviews with nearly 3500 adult shoppers in 35 different shopping malls throughout the United States. The interviewees were shown photographs of Joseph's cheese label, [6] and asked a series of questions, three of which related to confusion. The first question was, ″Please tell me what individual, organization or company you believe puts out this cheese.″ Interviewees who named an individual, organization, or company were then asked two further questions: ″What other products, if any, do you think [Response to Question 1] makes?″ and ″Any others?″. Based on the data coded and collated by Field, and allowing for anomalies in the coding system, the district court found that actual confusion was at least 40% nationally and at least 47% in California.

[**34] Joseph claims that the survey's questions relating to confusion were slanted and that the interviewees' responses were coded improperly. Because of these flaws in the survey, Joseph argues, the district court abused its discretion in admitting the survey into evidence and then committed clear error in giving it the weight it did. The first argument fails. As noted above, it is routine to admit a relevant survey; any technical unreliability goes to weight, not admissability. *Prudential Ins.,* 694 F.2d at 1156. [*1293] The district court did not abuse its discretion in admitting the Field survey.

The district court also properly considered what weight to give the survey. Joseph had his own expert witness testify about the reliability of the survey, and the district court did weigh that expert's testimony against Mervin Field's

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[5] In addition to his attack on the Field Survey, Joseph contends that various of the other findings of actual confusion are erroneous. Specifically, he argues that they are findings relating to likelihood of confusion, not actual confusion. Given that likelihood of confusion is the ultimate question, this argument cannot help Joseph.

[6] The interviewees were shown one of eight labels, four of which contained a disclaimer stating ″Not affiliated with E. &. J. Gallo Winery″ and four of which did not. The degree of consumer confusion identified by the survey results did not differ significantly as between the interviewees who saw labels with the disclaimer and those who saw the labels without it.

testimony. Ultimately the court concluded that ″in light of Mervin Field's 41 years' experience and preeminent reputation, Field's survey design is eminently trustworthy.″ This conclusion was not clear error.

5. Marketing channels

The district court found that wine, cheese and salami are sold and advertised in the same channels. While it may not be [**35] a finding of major significance, it is neither clearly erroneous nor irrelevant. *See AMF,* 599 F.2d at 353.

6. Type of goods and consumer care in purchasing them

When goods are expensive, it is assumed that buyers will exercise greater care in their purchases. *Id.* The district court found that consumers tend to exercise less care when purchasing lower cost items like wine and cheese, and thus rely more on brand names. Joseph disputes this contention, but presents no comprehensible argument about why the finding is clearly erroneous. While the finding may not prove much, the district court did not commit clear error.

7. Joseph's intent

A party claiming trademark infringement need not demonstrate that the alleged infringer intended to deceive consumers. *Fleischmann Distilling Corp. v. Maier Brewing Co.,* 314 F.2d 149, 157-58 (9th Cir.), *cert. denied,* 374 U.S. 830, 10 L. Ed. 2d 1053, 83 S. Ct. 1870 (1963). However,

when the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived.

AMF, 599 F.2d at 354; *see* [**36] *also Fleischmann,* 314 F.2d at 158. The district court made numerous findings concerning Joseph's intent in employing his name as a trademark on cheese, ultimately concluding that Joseph did intend to benefit from the familiarity of the Gallo name. Joseph claims that he acted in good faith, simply using his name as he always had in his prior business enterprises. His denials are not borne out by the record.

Joseph had told Ernest Gallo that he would not use his name as a trademark, and Ernest had informed him that the Winery would object if he did. Later, a potential sales manager recommended that Joseph use his name in order to benefit from the familiarity of the GALLO mark. A label designer made the same recommendation. While Joseph seemed reluctant to follow their recommendations at first, ultimately he overcame his reluctance. Shortly after he began selling the cheese under the JOSEPH GALLO mark, Ernest called him and told him that the mark violated their prior understanding. Joseph responded that he could make more money by using the mark. Taken together, these findings provide adequate support for the district court's determination that Joseph intended to take [**37] advantage of the goodwill of the GALLO mark.

8. Expansion of product lines

Finally, a strong possibility of expansion into competing markets weighs in favor of a finding of infringement. *AMF,* 599 F.2d at 354. Noting the Winery's ownership of the GALLO SALAME mark, the district court made a finding that the Winery had already entered the cheese market. Joseph argues that the Winery presented no evidence that it ever intended to expand into the wholesale cheese market. However, it is not clear why this is relevant, given that it is Joseph's *retail* cheese packages that are infringing the Winery's mark.

In light of all of the district court's findings considered above, we conclude that the district court did not commit clear error in making the ultimate finding that [*1294] Joseph's mark created a likelihood of confusion. As likelihood of confusion is sufficient grounds for an injunction under the Lanham Act, we have no occasion to determine whether the California anti-dilution statute would provide the Winery independent grounds for relief.

D. Joseph's equitable defenses

Joseph asserts that the district court erred in not considering his equitable defenses of laches, [**38] acquiescence, and estoppel to the Winery's claims. Equitable defenses can be considered in trademark infringement actions, even against an incontestable mark. *Pyrodyne Corp. v. Pyrotronics Corp.,* 847 F.2d 1398, 1401-02 (9th Cir.), *cert. denied,* 488 U.S. 968, 102 L. Ed. 2d 533, 109 S. Ct. 497 (1988). Joseph's contention that the district court failed to consider his equitable defenses rests on the court's ninth conclusion of law, which states in part that the Winery's ″rights in the registered GALLO marks may only be challenged on those grounds enumerated in 15 U.S.C. §§ 1064 and 1065.″ This conclusion is consistent with *Pyrodyne*. Laches and estoppel are defenses to the Winery's claim of trademark infringement, not challenges to the Winery's ownership rights in the GALLO mark.

Beyond that, the district court plainly did consider Joseph's laches defense in its findings of fact. Under the heading ″Laches″ the court found that Joseph was not prejudiced by the Winery's failure to object to his use of his name in relation to Gallo Cattle Company and his other business properties. Joseph contends that the Winery's failure to object to his use of GALLO as a trade name constitutes [**39] acquiescence that he can employ as a defense in the present action. In making this argument, he relies on a statement in *Accuride International, Inc. v. Accuride Corp.,* 871 F.2d 1531, 1534 (9th Cir. 1989), that modern trademark law protects trade names to the same extent as it protects trademarks. However, *Accuride* does *not* hold that a trademark owner's acquiescence in another's use of a similar trade name provides a defense to a subsequent trademark infringement action. The cheese package label was the first time Joseph had ever used the Gallo name on a retail product with which consumers have direct contact.

The district court further found that the Winery's response to Joseph's use of his name on the cheese was swift and firm. Even before Joseph began using the label, Ernest warned him not to. As soon as the Winery became aware that Joseph was using it, Ernest telephoned him again and asked him to stop. These findings, coupled with the finding of a lack of prejudice, amply support the conclusion that the district court considered Joseph's equitable defenses and rejected them on their merits.

III. Denial of Joseph's Motion for New Trial

Following [**40] the district court's ruling in favor of the Winery on its trademark claims, Joseph moved for a new trial pursuant to Fed. R. Civ. P. 59, claiming that Judge Coyle should have disqualified himself under 28 U.S.C. § 455. Judge Coyle denied the motion, finding that the disqualification request was untimely, and that it lacked merit in any event. Joseph appeals the denial of the new trial motion, a decision that is reviewed for abuse of discretion. *Hard v. Burlington Northern R.R.,* 812 F.2d 482, 483 (9th Cir. 1987). The same standard of review applies to the district court's determination of whether recusal or disqualification is necessary under section 455. *Milgard Tempering, Inc. v. Selas Corp. of America,* 902 F.2d 703, 714 (9th Cir. 1990).

The disqualification statute reads in relevant part:

(a) Any justice, judge, or magistrate of the United States shall disqualify himself in any proceeding in which his impartiality might reasonably be questioned.

(b) He shall also disqualify himself in the following circumstances:

. . .

(2) Where in private practice he served as lawyer in the matter in controversy, or a lawyer with whom he previously [**41] practiced law served during such association as a lawyer concerning the matter. . . .

[*1295] 28 U.S.C. § 455. Prior to assuming the bench, Judge Coyle was a partner in the law firm of McCormick, Barstow, Sheppard, Wayte & Carruth (″McCormick, Barstow″), one of the law firms that is representing the Winery in the present case and had acted as local counsel for the Winery in the litigation over the GALLO SALAME mark. [7]

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[7] Judge Coyle stated that he was not aware of his former firm's involvement in the GALLO SALAME litigation until it was presented to him in Joseph's new trial motion. However, his lack of actual knowledge is irrelevant if the firm's involvement was such that a person knowing all the facts could reasonably question his impartiality. *Liljeberg v. Health Services Acquisition Corp.,* 486 U.S. 847, 859, 100 L. Ed. 2d 855, 108 S. Ct. 2194 (1988) (scienter not an element of § 455(a)).

Joseph does not contend that McCormick, Barstow's current representation of the Winery is grounds for Judge Coyle's disqualification, but he does contend that the firm's involvement in the GALLO SALAME litigation requires recusal under section 455(a) and (b)(2). He also alleges that Judge Coyle had joint real estate investments with some of his former law partners, creating a reasonable question as to his impartiality.

[**42] The threshhold issue is the timeliness of Joseph's argument that Judge Coyle should have disqualified himself and ordered a new trial. Joseph concedes that his counsel was aware of Judge Coyle's former law partnership at the time Judge Price transferred the case to Judge Coyle pursuant to Joseph's earlier section 455 motion. Despite having this knowledge, Joseph did not seek Judge Coyle's disqualification until after Judge Coyle had entered judgment against him on the merits. In denying the new trial motion, Judge Coyle found that the objection was not made in a timely fashion. On appeal, Joseph argues that he could not forfeit his right to make the challenge, because Judge Coyle had a mandatory duty under section 455 to disqualify himself *sua sponte*. [8]

[**43] It is true that under section 455 a judge may have an obligation to recuse himself or herself without a motion from one of the parties; it "is self-enforcing on the part of the judge." *United States v. Sibla,* 624 F.2d 864, 867-68 (9th Cir. 1980). However, it does not necessarily follow that a party having information that raises a possible ground for disqualification can wait until after an unfavorable judgment before bringing the information to the court's attention. It is well established in this circuit that a recusal motion must be made in a timely fashion. *Molina v. Rison,* 886 F.2d 1124, 1131 (9th Cir. 1989), *United States v. Conforte,* 624 F.2d 869, 880 (9th Cir.), *cert. denied* 449 U.S. 1012, 66 L. Ed. 2d 470, 101 S. Ct. 568 (1980). "The absence of such a requirement would result in . . . a heightened risk that litigants would use recusal motions for strategic purposes." *Preston v. United States,* 923 F.2d 731, 733 (9th Cir. 1991). While there is no *per se* rule that recusal motions must be made at a fixed point in order to be timely, *see Preston* (section 455 motion timely even though made 18 months after [**44] assignment to district court judge and shortly after an adverse discovery ruling), such motions "should be filed with reasonable promptness after the ground for such a motion is ascertained." *Id.* at 733.

In this case, Joseph Gallo argues two grounds for disqualification. Joseph admits that he knew about the first - the judge's relationship with McCormick, Barstow - "at the time Judge Coyle received this case." Judge Coyle received the case in November of 1988 and ruled for the Winery in June of 1989. Joseph raised the disqualification issue for the first time in his motion for a new trial. This was not timely. To hold otherwise would encourage parties to withhold recusal motions, pending a resolution of their dispute on the merits, and then if necessary invoke section 455 in order to get a second bite at the apple.

Joseph also argues that Judge Coyle should have disqualified himself because of [*1296] the real estate investments. According to an uncontroverted assertion of Joseph's counsel, he did not learn of these investments until after the trial, when he saw a copy of a newspaper article from the Fresno Bee discussing Judge Coyle's farm and vineyard holdings. His objection [**45] potentially falls within the *Preston*'s language requiring that the motion be filed with "reasonable promptness after the ground for such a motion is ascertained." Joseph's counsel did not refer to the investments in his memorandum in support of the new trial motion, but did raise them during the hearing on the motion on July 31, 1989. Significantly, he never filed a motion for recusal or disqualification, despite his representation that he would file such a motion before the hearing. Instead, he stated at the hearing:

I would ask if your Honor is to rule against us that you notify us, do not make the rulings final. I would be filing before the day is over a motion for recusal, request to stay final ruling on the current matters and requesting discovery.

Counsel and Judge Coyle then engaged in the following colloquy regarding the recusal motion:

MR. WANGER [for the Winery]: We have not been favored with this recusal motion or whatever the Court referred to as having been filed on the 27th. We received nothing.

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[8] Joseph also contends that section 455(e), which precludes the parties from waiving recusal under subsection (b), makes timeliness irrelevant. However, the parties in this case did not offer to waive any potential grounds for disqualification. The timeliness of a party's presentation to the court of information it has that comprises a potential ground for disqualification is a different issue than that addressed by subsection (e).

THE COURT: We haven't either. We have been told two times, three times, it was going to be filed, but we have never seen it. I assume it has not been filed.

MR. WANGER: [**46] So there are no papers.

THE COURT: Is that correct, Mr. Yanny?

MR. YANNY [for Joseph]: To my knowledge, the motion has not been filed. I wanted to see what your Honor would do today with respect to making this 455 disclosure and the like, and we would then decide whether we wanted to seek discovery before final rulings.

Joseph's counsel never did file the promised recusal motion regarding the real estate, despite his statement at the hearing that he was ″prepared to file a motion for recusal right now.″ As Judge Coyle noted in his August 4 order denying a new trial, ″Mr. Yanny's comments at oral argument make clear that the failure to file the motion to recuse is deliberate and yet another example of Defendants' penchant for treating recusal motions as a game of hide the ball.″

Joseph and his counsel already had succeeded in getting Judge Price to transfer the case after he ruled against them on the counterclaims. They knew at the time of the transfer to Judge Coyle that McCormick, Barstow had represented the Winery in the Gallo Salame matter while Judge Coyle was a partner, but once again did not act on the information until they lost on the merits. This unexplained delay suggests [**47] that the recusal statute is being misused for strategic purposes. We therefore affirm Judge Coyle's denial of Joseph's post-trial motion for disqualification and a new trial.

IV. Propriety of the Permanent Injunction

The district court granted the Winery's requested form of relief for Joseph's infringement of the GALLO mark: a permanent injunction against Joseph's use of his name as a trademark on retail packages of cheese. Joseph challenges the permanent injunction on several grounds. ″The grant or denial of injunctive relief rests with the sound discretion of the trial court and requires a clear abuse of discretion for a modification or reversal.″ *Transgo, Inc. v. AJAC Transmission Parts Corp.,* 768 F.2d 1001, 1021, 227 U.S.P.Q. (BNA) 598 (9th Cir. 1985), *cert. denied,* 474 U.S. 1059, 88 L. Ed. 2d 778, 106 S. Ct. 802 (1986). [9]

[**48] *A. Ambiguity or uncertainty of the injunction*

Paragraphs 7-l0 of the injunction, titled ″Actions and Practices Enjoined,″ prevent [*1297] Joseph from using the words GALLO or JOSEPH GALLO as a trademark for retail cheese. They further prohibit advertisement or registration of such a trademark. Paragraph 9 specifically prohibits the use of the word GALLO for any purpose in audible advertising. Paragraphs 11-15, titled ″Actions and Practices Not Enjoined,″ expressly allow the use of GALLO and JOSEPH GALLO on non-retail cheese. They also allow the use of ″Joseph Gallo Farms″ and ″Gallo Cattle Company″ as trade names, and the use of Joseph Gallo's name or signature on retail cheese labels and in written advertisements if limited in size and accompanied by a trademark not containing the word GALLO.

Joseph argues that the injunction is not sufficiently ″specific in its terms.″ *See* Fed. R. Civ. P. 65(d). Injunctions are not set aside under Rule 65(d) unless they are so vague that they have no reasonably specific meaning. *Portland Feminist Women's Health Center v. Advocates for Life,* 859 F.2d 681, 685 (9th Cir. 1988). Joseph notes that paragraph 9 of the injunction precludes [**49] use of the words GALLO or JOSEPH GALLO in audible advertisements, while paragraph 12 permits use of JOSEPH GALLO FARMS and GALLO CATTLE COMPANY as trade names on retail packages of

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[9] As an initial matter, the Winery contends that the panel should not review Joseph's challenges to the injunction because they were not raised below first. *See Gary H. v. Hegstrom,* 831 F.2d 1430, 1439 (9th Cir. 1987) (Ferguson, J., concurring in the result) (″Objections to injunctions generally must be first made to the district court prior to appellate review.″). However, the majority in *Gary H.* did in fact consider the appellant's challenges to the injunction. 831 F.2d at 1432-33. In this light, Judge Ferguson's concurrence amounts to a dissent on the issue, and the majority opinion in *Gary H.* indicates that we may consider Joseph's challenges.

cheese and paragraphs 13 and 14 permit use of JOSEPH GALLO as a signature. Any purported conflict or ambiguity here is illusory. The district court included this provision in response to its finding that ″Defendants conspicuously elected to use radio, a purely aural medium, as their primary advertising medium.″ Audible advertisements do not distinguish between trademarks and trade names. Print advertisements do.

Joseph also contends that there is confusion between paragraph 12, authorizing the trade names GALLO CATTLE COMPANY and JOSEPH GALLO FARMS, and Paragraphs 13-14, limiting the size and presentation of the words JOSEPH GALLO on labels and advertisements. These provisions, taken together, do have reasonably specific meaning: Joseph may continue to explain to customers his participation in his business, but not as a trademark or trade name that causes confusion. The injunction conforms with Rule 65(d).

B. First Amendment Claim

Joseph argues that the injunction constitutes an impermissible restriction [**50] of commercial speech. This court previously has addressed and rejected essentially the same argument that Joseph raises. In *Transgo, Inc. v. AJAC Transmission Parts Corp.,* 768 F.2d 1001, 1021-22, 227 U.S.P.Q. (BNA) 598 (9th Cir. 1985), *cert. denied,* 474 U.S. 1059, 88 L. Ed. 2d 778, 106 S. Ct. 802 (1986), the court upheld against first amendment challenge an injunction prohibiting a trademark infringer's use of particular words because they tended to mislead and confuse consumers about the source of the product. The court found no first amendment violation, because misleading commercial speech can be restricted. *Id.* at 1022 (citing *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council, Inc.,* 425 U.S. 748, 771-73, 48 L. Ed. 2d 346, 96 S. Ct. 1817 (1976)); *see also Board of Trustees of University of New York v. Fox,* 492 U.S. 469, 109 S. Ct. 3028, 3032, 106 L. Ed. 2d 388 (1989)(misleading commercial speech not protected by first amendment).

C. Overbreadth

While recognizing the district court's considerable discretion in fashioning the terms of an injunction, we must insure that it is tailored to eliminate only the specific harm alleged. An overbroad injunction is an abuse of discretion. *Lamb-Weston, Inc. v. McCain Foods, Ltd.,* 941 F.2d 970, 973 (9th Cir. 1991). [**51] We conclude that the injunction appealed in this case was overbroad in two respects.

First, the prohibition against audible broadcast advertisements in Paragraph 9 [*1298] extends to ″retail packages of cheese *or other product*″ (original emphasis). At all other times in its consideration of this case, and in all other paragraphs of the injunction, the district court properly operated in the context of the actual marketing environment, where Joseph sold cheese, the Winery sold wine, and Gallo Salame, under license from the Winery, sold meat and cheese. For the district court to enjoin the use of Joseph's name in broadcast advertisment for as-yet hypothetical other products is an abuse of discretion in the highly fact-specific area of trademark law. We therefore delete the words ″or other product″ from Paragaraph 9.

Second, the injunction by Paragraph 5 applies to the Defendants ″as well as to their descendants, successors or assigns.″ The Supreme Court has upheld injunctions that apply to ″successors and assigns.″ *See Regal Knitwear v. NLRB,* 324 U.S. 9, 14-15, 89 L. Ed. 661, 65 S. Ct. 478 (1945); *Golden State Bottling Co. v. NLRB,* 414 U.S. 168, 179, 38 L. Ed. 2d 388, 94 S. Ct. 414 (1973). Without this language, [**52] the injunction theoretically might be defeated by assignment; at the very least an avenue for further litigation would be left open. However, the reference to ″descendants″ is potentially troubling. Any descendant who enters Joseph's business will be covered by the term ″successors.″ The term ″descendants″ might reach others in unforeseen ways. We therefore delete the reference to ″descendants″ in Paragraph 5.

A similar problem also arises in Paragraph 15, which provides that the paragraphs permitting certain uses of the names GALLO and JOSEPH GALLO

shall remain in effect only so long as a person whose surname at birth is Gallo is an owner, principal or active participant in the business of defendant Gallo Cattle Co. or any successor or assignee of Gallo Cattle Co.

It is apparent from the structure of the injunction that Paragraphs 11-14 are intended to allow Joseph to continue to use his own name in some meaningful but not misleading fashion. Paragraph 15 intends to remove this special protection when no one named Gallo can claim a legitimate desire to use his or her own name in the business. As written, however, Paragraph 15 places a needless burden on defendants. If Joseph's [**53] family chooses to sell the business, they may be unable to capitalize on the goodwill accrued in non-misleading pursuits, because a non-Gallo buyer would be forced to operate under a more restrictive injunction than Joseph did. This inappropriate result will be removed by striking Paragraph 15 in its entirety. Since the injunction as it applies to Joseph eliminates consumer confusion and protects the Winery's mark, it will continue to do so should the business be transferred to a non-Gallo successor.

CONCLUSION

For the foregoing reasons, we AFFIRM the district court's grant of summary judgment in favor of the Winery on Joseph's counterclaims, its judgment of trademark infringement and its denial of a new trial. The terms of the district court's injunction are also AFFIRMED, but with the modifications described in Part IV.C. of this opinion.

ORDER

The opinion filed February 7, 1992 is amended as follows:

At the end of the first full paragraph at page 1372, the phrase "the only other district court judge in Fresno" is deleted.

With this amendment, the panel as constituted in the above case has voted to deny the petition for rehearing.

The full court has been advised of the suggestion [**54] for rehearing en banc and no judge of the court has requested a vote. Fed. R. App. P. 35(b).

The petition for rehearing is denied and the suggestion for rehearing en banc is rejected.

''Limitations on exclusive rights: Secondary transmissions'', 119 ''Limitations on exclusive rights: Secondary transmissions of superstations and network stations for private home viewing'', and 122 ''Limitations on exclusive rights: Secondary transmissions by satellite carriers within local markets''.

2002—Pub. L. 107–273, div. C, title III, § 13210(2)(B), (3)(B), Nov. 2, 2002, 116 Stat. 1909, substituted ''Reproduction'' for ''reproduction'' in item 121 and ''Limitations on exclusive rights: Secondary transmissions by satellite carriers within local markets'' for ''Limitations on exclusive rights; secondary transmissions by satellite carriers within local market'' in item 122.

1999—Pub. L. 106–113, div. B, § 1000(a)(9) [title I, § 1002(c)], Nov. 29, 1999, 113 Stat. 1536, 1501A–527, added item 122.

1997—Pub. L. 105–80, § 12(a)(2), Nov. 13, 1997, 111 Stat. 1534, substituted ''Limitations on exclusive rights: Computer programs'' for ''Scope of exclusive rights: Use in conjunction with computers and similar information systems'' in item 117.

1996—Pub. L. 104–197, title III, § 316(b), Sept. 16, 1996, 110 Stat. 2417, added item 121.

1994—Pub. L. 103–465, title V, § 514(c), Dec. 8, 1994, 108 Stat. 4981, substituted ''Copyright in restored works'' for ''Copyright in certain motion pictures'' in item 104A.

1993—Pub. L. 103–198, § 3(a), (b)(2), Dec. 17, 1993, 107 Stat. 2309, renumbered item 116A as 116 and struck out former item 116 ''Scope of exclusive rights in nondramatic musical works: Compulsory licenses for public performances by means of coin-operated phonorecord players.''

Pub. L. 103–182, title III, § 334(b), Dec. 8, 1993, 107 Stat. 2115, added item 104A.

1990—Pub. L. 101–650, title VI, § 603(b), title VII, § 704(b)(1), Dec. 1, 1990, 104 Stat. 5130, 5134, added items 106A and 120.

1988—Pub. L. 100–667, title II, § 202(6), Nov. 16, 1988, 102 Stat. 3958, added item 119.

Pub. L. 100–568, § 4(b)(2), Oct. 31, 1988, 102 Stat. 2857, substituted ''Compulsory licenses for public performances'' for ''Public performances'' in item 116 and added item 116A.

§ 101. Definitions

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

An ''anonymous work'' is a work on the copies or phonorecords of which no natural person is identified as author.

An ''architectural work'' is the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features.

''Audiovisual works'' are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.

The ''Berne Convention'' is the Convention for the Protection of Literary and Artistic Works, signed at Berne, Switzerland, on September 9, 1886, and all acts, protocols, and revisions thereto.

The ''best edition'' of a work is the edition, published in the United States at any time before the date of deposit, that the Library of Congress determines to be most suitable for its purposes.

A person's ''children'' are that person's immediate offspring, whether legitimate or not, and any children legally adopted by that person.

A ''collective work'' is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.

A ''compilation'' is a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term ''compilation'' includes collective works.

A ''computer program'' is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.

''Copies'' are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term ''copies'' includes the material object, other than a phonorecord, in which the work is first fixed.

''Copyright owner'', with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right.

A ''Copyright Royalty Judge'' is a Copyright Royalty Judge appointed under section 802 of this title, and includes any individual serving as an interim Copyright Royalty Judge under such section.

A work is ''created'' when it is fixed in a copy or phonorecord for the first time; where a work is prepared over a period of time, the portion of it that has been fixed at any particular time constitutes the work as of that time, and where the work has been prepared in different versions, each version constitutes a separate work.

A ''derivative work'' is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a ''derivative work''.

A ''device'', ''machine'', or ''process'' is one now known or later developed.

A ''digital transmission'' is a transmission in whole or in part in a digital or other non-analog format.

To ''display'' a work means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.

An ''establishment'' is a store, shop, or any similar place of business open to the general public for the primary purpose of selling goods or services in which the majority of the gross square feet of space that is nonresidential is used for that purpose, and in which nondramatic musical works are performed publicly.

The term ''financial gain'' includes receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works.

A work is ''fixed'' in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is ''fixed'' for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

A ''food service or drinking establishment'' is a restaurant, inn, bar, tavern, or any other similar place of business in which the public or patrons assemble for the primary purpose of being served food or drink, in which the majority of the gross square feet of space that is nonresidential is used for that purpose, and in which nondramatic musical works are performed publicly.

The ''Geneva Phonograms Convention'' is the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, concluded at Geneva, Switzerland, on October 29, 1971.

The ''gross square feet of space'' of an establishment means the entire interior space of that establishment, and any adjoining outdoor space used to serve patrons, whether on a seasonal basis or otherwise.

The terms ''including'' and ''such as'' are illustrative and not limitative.

An ''international agreement'' is—

(1) the Universal Copyright Convention;

(2) the Geneva Phonograms Convention;

(3) the Berne Convention;

(4) the WTO Agreement;

(5) the WIPO Copyright Treaty;

(6) the WIPO Performances and Phonograms Treaty; and

(7) any other copyright treaty to which the United States is a party.

A ''joint work'' is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.

''Literary works'' are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied.

The term ''motion picture exhibition facility'' means a movie theater, screening room, or other venue that is being used primarily for the exhibition of a copyrighted motion picture, if such exhibition is open to the public or is made to an assembled group of viewers outside of a normal circle of a family and its social acquaintances.

''Motion pictures'' are audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.

To ''perform'' a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

A ''performing rights society'' is an association, corporation, or other entity that licenses the public performance of nondramatic musical works on behalf of copyright owners of such works, such as the American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI), and SESAC, Inc.

''Phonorecords'' are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term ''phonorecords'' includes the material object in which the sounds are first fixed.

''Pictorial, graphic, and sculptural works'' include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

For purposes of section 513, a ''proprietor'' is an individual, corporation, partnership, or other entity, as the case may be, that owns an establishment or a food service or drinking establishment, except that no owner or operator of a radio or television station licensed by the Federal Communications Commission, cable system or satellite carrier, cable or satellite carrier service or programmer, provider of online services or network access or the operator of facilities therefor, telecommunications company, or any other such audio or audiovisual service or programmer now known or as may be developed in the future, commercial subscription music service, or owner or operator of any other transmission service, shall under any circumstances be deemed to be a proprietor.

A ''pseudonymous work'' is a work on the copies or phonorecords of which the author is identified under a fictitious name.

''Publication'' is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

To perform or display a work ''publicly'' means—

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

''Registration'', for purposes of sections 205(c)(2), 405, 406, 410(d), 411, 412, and 506(e), means a registration of a claim in the original or the renewed and extended term of copyright.

''Sound recordings'' are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.

''State'' includes the District of Columbia and the Commonwealth of Puerto Rico, and any territories to which this title is made applicable by an Act of Congress.

A ''transfer of copyright ownership'' is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

A ''transmission program'' is a body of material that, as an aggregate, has been produced for the sole purpose of transmission to the public in sequence and as a unit.

To ''transmit'' a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.

A ''treaty party'' is a country or intergovernmental organization other than the United States that is a party to an international agreement.

The ''United States'', when used in a geographical sense, comprises the several States, the District of Columbia and the Commonwealth of Puerto Rico, and the organized territories under the jurisdiction of the United States Government.

For purposes of section 411, a work is a ''United States work'' only if—

(1) in the case of a published work, the work is first published—

(A) in the United States;

(B) simultaneously in the United States and another treaty party or parties, whose law grants a term of copyright protection that is the same as or longer than the term provided in the United States;

(C) simultaneously in the United States and a foreign nation that is not a treaty party; or

(D) in a foreign nation that is not a treaty party, and all of the authors of the work are nationals, domiciliaries, or habitual residents of, or in the case of an audiovisual work legal entities with headquarters in, the United States;

(2) in the case of an unpublished work, all the authors of the work are nationals, domiciliaries, or habitual residents of the United States, or, in the case of an unpublished audiovisual work, all the authors are legal entities with headquarters in the United States; or

(3) in the case of a pictorial, graphic, or sculptural work incorporated in a building or structure, the building or structure is located in the United States.

A ''useful article'' is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a ''useful article''.

The author's ''widow'' or ''widower'' is the author's surviving spouse under the law of the author's domicile at the time of his or her death, whether or not the spouse has later remarried.

The ''WIPO Copyright Treaty'' is the WIPO Copyright Treaty concluded at Geneva, Switzerland, on December 20, 1996.

The ''WIPO Performances and Phonograms Treaty'' is the WIPO Performances and Phonograms Treaty concluded at Geneva, Switzerland, on December 20, 1996.

A ''work of visual art'' is—

(1) a painting, drawing, print, or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or

(2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.

A work of visual art does not include—

(A)(i) any poster, map, globe, chart, technical drawing, diagram, model, applied art, motion picture or other audiovisual work, book, magazine, newspaper, periodical, data base, electronic information service, electronic publication, or similar publication;

(ii) any merchandising item or advertising, promotional, descriptive, covering, or packaging material or container;

(iii) any portion or part of any item described in clause (i) or (ii);

(B) any work made for hire; or

(C) any work not subject to copyright protection under this title.

A ''work of the United States Government'' is a work prepared by an officer or employee of the United States Government as part of that person's official duties.

A "work made for hire" is—

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

In determining whether any work is eligible to be considered a work made for hire under paragraph (2), neither the amendment contained in section 1011(d) of the Intellectual Property and Communications Omnibus Reform Act of 1999, as enacted by section 1000(a)(9) of Public Law 106–113, nor the deletion of the words added by that amendment—

(A) shall be considered or otherwise given any legal significance, or

(B) shall be interpreted to indicate congressional approval or disapproval of, or acquiescence in, any judicial determination,

by the courts or the Copyright Office. Paragraph (2) shall be interpreted as if both section 2(a)(1) of the Work Made For Hire and Copyright Corrections Act of 2000 and section 1011(d) of the Intellectual Property and Communications Omnibus Reform Act of 1999, as enacted by section 1000(a)(9) of Public Law 106–113, were never enacted, and without regard to any inaction or awareness by the Congress at any time of any judicial determinations.

The terms "WTO Agreement" and "WTO member country" have the meanings given those terms in paragraphs (9) and (10), respectively, of section 2 of the Uruguay Round Agreements Act.

(Pub. L. 94–553, title I, § 101, Oct. 19, 1976, 90 Stat. 2541; Pub. L. 96–517, § 10(a), Dec. 12, 1980, 94 Stat. 3028; Pub. L. 100–568, § 4(a)(1), Oct. 31, 1988, 102 Stat. 2854; Pub. L. 101–650, title VI, § 602, title VII, § 702, Dec. 1, 1990, 104 Stat. 5128, 5133; Pub. L. 102–307, title I, § 102(b)(2), June 26, 1992, 106 Stat. 266; Pub. L. 102–563, § 3(b), Oct. 28, 1992, 106 Stat. 4248; Pub. L. 104–39, § 5(a), Nov. 1, 1995, 109 Stat. 348; Pub. L. 105–80, § 12(a)(3), Nov. 13, 1997, 111 Stat. 1534; Pub. L. 105–147, § 2(a), Dec. 16, 1997, 111 Stat. 2678; Pub. L. 105–298, title II, § 205, Oct. 27, 1998, 112 Stat. 2833; Pub. L. 105–304, title I, § 102(a), Oct. 28, 1998, 112 Stat. 2861; Pub. L. 106–44, § 1(g)(1), Aug. 5, 1999, 113 Stat. 222; Pub. L. 106–113, div. B, § 1000(a)(9) [title I, § 1011(d)], Nov. 29, 1999, 113 Stat. 1536, 1501A–544; Pub. L. 106–379, § 2(a), Oct. 27, 2000, 114 Stat. 1444; Pub. L. 107–273, div. C, title III, § 13210(5), Nov. 2, 2002, 116 Stat. 1909; Pub. L. 108–419, § 4, Nov. 30, 2004, 118 Stat. 2361; Pub. L. 109–9, title I, § 102(c), Apr. 27, 2005, 119 Stat. 220; Pub. L. 111–295, § 6(a), Dec. 9, 2010, 124 Stat. 3181.)

Historical and Revision Notes

HOUSE REPORT NO. 94–1476

The significant definitions in this section will be mentioned or summarized in connection with the provisions to which they are most relevant.

References in Text

Section 1011(d) of the Intellectual Property and Communications Omnibus Reform Act of 1999, referred to in definition of "work made for hire", is section 1000(a)(9) [title I, § 1011(d)] of Pub. L. 106–113, which amended par. (2) of that definition. See 1999 Amendment note below.

Section 2(a)(1) of the Work Made For Hire and Copyright Corrections Act of 2000, referred to in definition of "work made for hire", is section 2(a)(1) of Pub. L. 106—379, which amended par. (2) of that definition. See 2000 Amendment note below.

Section 2 of the Uruguay Round Agreements Act, referred to in definitions of "WTO Agreement" and "WTO member country", is classified to section 3501 of Title 19, Customs Duties.

Amendments

2010—Pub. L. 111–295, § 6(a)(3), transferred the definition of "food service or drinking establishment" to appear after the definition of "fixed".

Pub. L. 111–295, § 6(a)(2), transferred the definition of "motion picture exhibition facility" to appear after the definition of "Literary works".

Pub. L. 111–295, § 6(a)(1), which directed transfer of the definition of "Copyright Royalty Judges" to appear after the definition of "Copyright owner", was executed by so transferring the definition of "Copyright Royalty Judge", to reflect the probable intent of Congress.

2005—Pub. L. 109–9 inserted definition of "motion picture exhibition facility" after definition of "Motion pictures".

2004—Pub. L. 108–419 inserted definition of "Copyright Royalty Judge" after definition of "Copies".

2002—Pub. L. 107–273, § 13210(5)(B), transferred definition of "Registration" to appear after definition of "publicly".

Pub. L. 107–273, § 13210(5)(A), transferred definition of "computer program" to appear after definition of "compilation".

2000—Pub. L. 106–379, § 2(a)(2), in definition of "work made for hire", inserted after par. (2) provisions relating to considerations and interpretations to be used in determining whether any work is eligible to be considered a work made for hire under par. (2).

Pub. L. 106–379, § 2(a)(1), in definition of "work made for hire", struck out "as a sound recording," after "motion picture or other audiovisual work," in par. (2).

1999—Pub. L. 106–113, which directed the insertion of "as a sound recording," after "audiovisual work" in par. (2) of definition relating to work made for hire, was executed by making the insertion after "audiovisual work," to reflect the probable intent of Congress.

Pub. L. 106–44, § 1(g)(1)(B), in definition of "proprietor", substituted "For purposes of section 513, a 'proprietor'" for "A 'proprietor'".

Pub. L. 106–44, § 1(g)(1)(A), transferred definition of "United States work" to appear after definition of "United States".

1998—Pub. L. 105–304, § 102(a)(1), struck out definition of ''Berne Convention work''.

Pub. L. 105–304, § 102(a)(2), in definition of ''country of origin'', substituted ''For purposes of section 411, a work is a 'United States work' only if'' for ''The 'country of origin' of a Berne Convention work, for purposes of section 411, is the United States if'' in introductory provisions, substituted ''treaty party or parties'' for ''nation or nations adhering to the Berne Convention'' in par. (1)(B) and ''is not a treaty party'' for ''does not adhere to the Berne Convention'' in par. (1)(C), (D), and struck out at end ''For the purposes of section 411, the 'country of origin' of any other Berne Convention work is not the United States.''

Pub. L. 105–298, § 205(1), inserted definitions of ''establishment'' and ''food service or drinking establishment''.

Pub. L. 105–304, § 102(a)(3), inserted definition of ''Geneva Phonograms Convention''.

Pub. L. 105–298, § 205(2), inserted definition of ''gross square feet of space''.

Pub. L. 105–304, § 102(a)(4), inserted definition of ''international agreement''.

Pub. L. 105–298, § 205(3), (4), inserted definitions of ''performing rights society'' and ''proprietor''.

Pub. L. 105–304, § 102(a)(5), inserted definition of term ''treaty party''.

Pub. L. 105–304, § 102(a)(6), inserted definition of term ''WIPO Copyright Treaty''.

Pub. L. 105–304, § 102(a)(7), inserted definition of term ''WIPO Performances and Phonograms Treaty''.

Pub. L. 105–304, § 102(a)(8), inserted definitions of terms ''WTO Agreement'' and ''WTO member country''.

1997—Pub. L. 105–147 inserted definition of ''financial gain''.

Pub. L. 105–80, in definition of to perform or to display a work ''publicly'', substituted ''process'' for ''processs'' in par. (2).

1995—Pub. L. 104–39 inserted definition of ''digital transmission''.

1992—Pub. L. 102–563 substituted ''Except as otherwise provided in this title, as used'' for ''As used'' in introductory provisions.

Pub. L. 102–307 inserted definition of ''registration''.

1990—Pub. L. 101–650, § 702(a), inserted definition of ''architectural work''.

Pub. L. 101–650, § 702(b), in definition of ''Berne Convention work'' added par. (5).

Pub. L. 101–650, § 602, inserted definition of ''work of visual art''.

1988—Pub. L. 100–568, § 4(a)(1)(B), inserted definitions of ''The Berne Convention'' and ''Berne Convention work''.

Pub. L. 100–568, § 4(a)(1)(C), inserted definition of ''country of origin''.

Pub. L. 100–568, § 4(a)(1)(A), in definition of ''Pictorial, graphic, and sculptural works'' substituted ''diagrams, models, and technical drawings, including architectural plans'' for ''technical drawings, diagrams, and models''.

1980—Pub. L. 96–517 inserted definition of ''computer program''.

Effective Date of 2004 Amendment

Amendment by Pub. L. 108–419 effective 6 months after Nov. 30, 2004, subject to transition provisions, see section 6 of Pub. L. 108–419, set out as an Effective Date; Transition Provisions note under section 801 of this title.

Effective Date of 2000 Amendment

Pub. L. 106–379, § 2(b)(1), Oct. 27, 2000, 114 Stat. 1444, provided that: ''The amendments made by this section [amending this section] shall be effective as of November 29, 1999.''

Effective Date of 1999 Amendment

Pub. L. 106–113, div. B, § 1000(a)(9) [title I, § 1012], Nov. 29, 1999, 113 Stat. 1536, 1501A–544, provided that: ''Sections 1001, 1003, 1005, 1007, 1008, 1009, 1010, and 1011 [enacting sections 338 and 339 of Title 47, Telecommunications, amending this section, sections 111, 119, 501, and 510 of this title, and section 325 of Title 47, enacting provisions set out as a note under this section and section 325 of Title 47, and amending provisions set out as a note under section 119 of this title] (and the amendments made by such sections) shall take effect on the date of the enactment of this Act [Nov. 29, 1999]. The amendments made by sections 1002, 1004, and 1006 [enacting section 122 of this title and amending sections 119 and 501 of this title] shall be effective as of July 1, 1999.''

Effective Date of 1998 Amendment

Pub. L. 105–304, title I, § 105, Oct. 28, 1998, 112 Stat. 2877, provided that:

''(a) In General.—Except as otherwise provided in this title [see section 101 of Pub. L. 105–304, set out as a Short Title of 1998 Amendment note below], this title and the amendments made by this title shall take effect on the date of the enactment of this Act [Oct. 28, 1998].

''(b) Amendments Relating to Certain International Agreements.—(1) The following shall take effect upon the entry into force of the WIPO Copyright Treaty with respect to the United States [Mar. 6, 2002]:

''(A) Paragraph (5) of the definition of 'international agreement' contained in section 101 of title 17, United States Code, as amended by section 102(a)(4) of this Act.

''(B) The amendment made by section 102(a)(6) of this Act [amending this section].

''(C) Subparagraph (C) of section 104A(h)(1) of title 17, United States Code, as amended by section 102(c)(1) of this Act.

''(D) Subparagraph (C) of section 104A(h)(3) of title 17, United States Code, as amended by section 102(c)(2) of this Act.

''(2) The following shall take effect upon the entry into force of the WIPO Performances and Phonograms Treaty with respect to the United States [May 20, 2002]:

''(A) Paragraph (6) of the definition of 'international agreement' contained in section 101 of title 17, United States Code, as amended by section 102(a)(4) of this Act.

''(B) The amendment made by section 102(a)(7) of this Act [amending this section].

''(C) The amendment made by section 102(b)(2) of this Act [amending section 104 of this title].

''(D) Subparagraph (D) of section 104A(h)(1) of title 17, United States Code, as amended by section 102(c)(1) of this Act.

''(E) Subparagraph (D) of section 104A(h)(3) of title 17, United States Code, as amended by section 102(c)(2) of this Act.

''(F) The amendments made by section 102(c)(3) of this Act [amending section 104A of this title].''

Pub. L. 105–298, title II, § 207, Oct. 27, 1998, 112 Stat. 2834, provided that: ''This title [enacting section 512 of this title, amending this section and sections 110 and 504 of this title, and enacting provisions set out as notes under this section] and the amendments made by this title shall take effect 90 days after the date of the enactment of this Act [Oct. 27, 1998].''

Effective Date of 1995 Amendment

Pub. L. 104–39, § 6, Nov. 1, 1995, 109 Stat. 349, provided that: ''This Act [see Short Title of 1995 Amendment note below] and the amendments made by this Act shall take effect 3 months after the date of enactment of this Act [Nov. 1, 1995], except that the provisions of sections 114(e) and 114(f) of title 17, United States Code (as added by section 3 of this Act) shall take effect immediately upon the date of enactment of this Act.''

Effective Date of 1992 Amendment

Pub. L. 102–307, title I, § 102(g), June 26, 1992, 106 Stat. 266, as amended by Pub. L. 105–298, title I, § 102(d)(2)(B), Oct. 27, 1998, 112 Stat. 2828, provided that:

"(1) Subject to paragraphs (2) and (3), this section [amending this section and sections 304, 408, 409, and 708 of this title and enacting provisions set out as a note under section 304 of this title] and the amendments made by this section shall take effect on the date of the enactment of this Act [June 26, 1992].

"(2) The amendments made by this section shall apply only to those copyrights secured between January 1, 1964, and December 31, 1977. Copyrights secured before January 1, 1964, shall be governed by the provisions of section 304(a) of title 17, United States Code, as in effect on the day before the effective date of this section [June 26, 1992], except each reference to forty-seven years in such provisions shall be deemed to be 67 years.

"(3) This section and the amendments made by this section shall not affect any court proceedings pending on the effective date of this section."

Effective Date of 1990 Amendment

Amendment by section 602 of Pub. L. 101–650 effective 6 months after Dec. 1, 1990, see section 610 of Pub. L. 101–650, set out as an Effective Date note under section 106A of this title.

Pub. L. 101–650, title VII, §706, Dec. 1, 1990, 104 Stat. 5134, provided that: "The amendments made by this title [enacting section 120 of this title and amending this section and sections 102, 106, and 301 of this title], apply to—

"(1) any architectural work created on or after the date of the enactment of this Act [Dec. 1, 1990]; and

"(2) any architectural work that, on the date of the enactment of this Act, is unconstructed and embodied in unpublished plans or drawings, except that protection for such architectural work under title 17, United States Code, by virtue of the amendments made by this title, shall terminate on December 31, 2002, unless the work is constructed by that date."

Effective Date of 1988 Amendment

Pub. L. 100–568, §13, Oct. 31, 1988, 102 Stat. 2861, provided that:

"(a) Effective Date.—This Act and the amendments made by this Act [enacting section 116A of this title, amending this section and sections 104, 116, 205, 301, 401 to 408, 411, 501, 504, 801, and 804 of this title, and enacting provisions set out as notes under this section] take effect on the date on which the Berne Convention (as defined in section 101 of title 17, United States Code) enters into force with respect to the United States [Mar. 1, 1989]. [The Berne Convention entered into force with respect to the United States on Mar. 1, 1989.]

"(b) Effect on Pending Cases.—Any cause of action arising under title 17, United States Code, before the effective date of this Act shall be governed by the provisions of such title as in effect when the cause of action arose."

Short Title of 2010 Amendment

Pub. L. 111–295, §1, Dec. 9, 2010, 124 Stat. 3180, provided that: "This Act [amending this section and sections 114, 115, 119, 205, 303, 409, 503, 504, 512, 602, 704, 803, 1203, and 1204 of this title and section 2318 of Title 18, Crimes and Criminal Procedure, and repealing section 601 of this title] may be cited as the 'Copyright Cleanup, Clarification, and Corrections Act of 2010'."

Pub. L. 111–175, §1(a), May 27, 2010, 124 Stat. 1218, provided that: "This Act [enacting section 342 of Title 47, Telecommunications, amending sections 111, 119, 122, 708, and 804 of this title and sections 325, 335, and 338 to 340 of Title 47, enacting provisions set out as notes under sections 111 and 119 of this title and sections 325, 338, and 340 of Title 47, and repealing provisions set out as a note under section 119 of this title] may be cited as the 'Satellite Television Extension and Localism Act of 2010'."

Pub. L. 111–151, §1, Mar. 26, 2010, 124 Stat. 1027, provided that: "This Act [amending section 119 of this title and section 325 of Title 47, Telecommunications, and amending provisions set out as a note under section 119 of this title] may be cited as the 'Satellite Televison [sic] Extension Act of 2010'."

Short Title of 2009 Amendment

Pub. L. 111–36, §1, June 30, 2009, 123 Stat. 1926, provided that: "This Act [amending section 114 of this title] may be cited as the 'Webcaster Settlement Act of 2009'."

Short Title of 2008 Amendment

Pub. L. 110–435, §1, Oct. 16, 2008, 122 Stat. 4974, provided that: "This Act [amending section 114 of this title] may be cited as the 'Webcaster Settlement Act of 2008'."

Pub. L. 110–434, §1(a), Oct. 16, 2008, 122 Stat. 4972, provided that: "This Act [amending section 1301 of this title] may be cited as the 'Vessel Hull Design Protection Amendments of 2008'."

Short Title of 2006 Amendment

Pub. L. 109–303, §1, Oct. 6, 2006, 120 Stat. 1478, provided that: "This Act [amending sections 111, 114, 115, 118, 119, 801 to 804, and 1007 of this title, enacting provisions set out as notes under sections 111 and 119 of this title, and amending provisions set out as a note under section 801 of this title] may be cited as the 'Copyright Royalty Judges Program Technical Corrections Act'."

Short Title of 2005 Amendment

Pub. L. 109–9, §1, Apr. 27, 2005, 119 Stat. 218, provided that: "This Act [enacting section 2319B of Title 18, Crimes and Criminal Procedure, amending this section and sections 108, 110, 408, 411, 412, and 506 of this title, sections 179m, 179n, 179p, 179q, and 179w of Title 2, The Congress, section 1114 of Title 15, Commerce and Trade, section 2319 of Title 18, and sections 151703, 151705, 151706, and 151711 of Title 36, Patriotic and National Observances, Ceremonies, and Organizations, enacting provisions set out as notes under this section, section 179*l* of Title 2, and section 101 of Title 36, and provisions listed in a table relating to sentencing guidelines set out as a note under section 994 of Title 28, Judiciary and Judicial Procedure] may be cited as the 'Family Entertainment and Copyright Act of 2005'."

Pub. L. 109–9, title I, §101, Apr. 27, 2005, 119 Stat. 218, provided that: "This title [enacting section 2319B of Title 18, Crimes and Criminal Procedure, amending this section, sections 408, 411, 412, and 506 of this title, and section 2319 of Title 18, and enacting provisions listed in a table relating to sentencing guidelines set out as a note under section 994 of Title 28, Judiciary and Judicial Procedure] may be cited as the 'Artists' Rights and Theft Prevention Act of 2005' or the 'ART Act'."

Pub. L. 109–9, title II, §201, Apr. 27, 2005, 119 Stat. 223, provided that: "This title [amending section 110 of this title and section 1114 of Title 15, Commerce and Trade] may be cited as the 'Family Movie Act of 2005'."

Pub. L. 109–9, title IV, §401, Apr. 27, 2005, 119 Stat. 226, provided that: "This title [amending section 108 of this title] may be cited as the 'Preservation of Orphan Works Act'."

Short Title of 2004 Amendment

Pub. L. 108–447, div. J, title IX, §1(a), Dec. 8, 2004, 118 Stat. 3393, provided that: "This title [enacting sections 340 and 341 of Title 47, Telecommunications, amending sections 111, 119, 122, and 803 of this title and sections 307, 312, 325, 338, and 339 of Title 47, enacting provisions set out as notes under section 119 of this title and sections 325 and 338 of Title 47, and amending provisions set out as a note under section 119 of this title] may be cited as the 'Satellite Home Viewer Extension and Reauthorization Act of 2004' or the 'W. J. (Billy) Tauzin Satellite Television Act of 2004'."

Pub. L. 108–419, §1, Nov. 30, 2004, 118 Stat. 2341, provided that: "This Act [enacting chapter 8 of this title, amending this section and sections 111, 112, 114 to 116, 118, 119, 1004, 1006, 1007, and 1010 of this title, and enacting provisions set out as a note under section 801 of this title] may be cited as the 'Copyright Royalty and Distribution Reform Act of 2004'.''

SHORT TITLE OF 2002 AMENDMENT

Pub. L. 107–321, § 1, Dec. 4, 2002, 116 Stat. 2780, provided that: ''This Act [amending section 114 of this title and enacting provisions set out as notes under section 114 of this title] may be cited as the 'Small Webcaster Settlement Act of 2002'.''

Pub. L. 107–273, div. C, title III, § 13301(a), Nov. 2, 2002, 116 Stat. 1910, provided that: ''This subtitle [subtitle C (§ 13301) of title III of div. C of Pub. L. 107–273, amending sections 110, 112, and 802 of this title] may be cited as the 'Technology, Education, and Copyright Harmonization Act of 2002'.''

SHORT TITLE OF 2000 AMENDMENT

Pub. L. 106–379, § 1, Oct. 27, 2000, 114 Stat. 1444, provided that: ''This Act [amending this section and sections 121, 705, and 708 of this title, repealing section 710 of this title, and enacting provisions set out as notes under this section and section 708 of this title] may be cited as the 'Work Made For Hire and Copyright Corrections Act of 2000'.''

SHORT TITLE OF 1999 AMENDMENT

Pub. L. 106–160, § 1, Dec. 9, 1999, 113 Stat. 1774, provided that: ''This Act [amending section 504 of this title and enacting provisions set out as notes under section 504 of this title and section 994 of Title 28, Judiciary and Judicial Procedure] may be cited as the 'Digital Theft Deterrence and Copyright Damages Improvement Act of 1999'.''

Pub. L. 106–113, div. B, § 1000(a)(9) [title I, § 1001], Nov. 29, 1999, 113 Stat. 1536, 1501A–523, provided that: ''This title [enacting section 122 of this title and sections 338 and 339 of Title 47, Telecommunications, amending this section, sections 111, 119, 501, and 510 of this title, and section 325 of Title 47, enacting provisions set out as notes under this section and section 325 of Title 47, and amending provisions set out as a note under section 119 of this title] may be cited as the 'Satellite Home Viewer Improvement Act of 1999'.''

SHORT TITLE OF 1998 AMENDMENT

Pub. L. 105–304, § 1, Oct. 28, 1998, 112 Stat. 2860, provided that: ''This Act [enacting section 512 and chapters 12 and 13 of this title and section 4001 of Title 28, Judiciary and Judicial Procedure, amending this section, sections 104, 104A, 108, 112, 114, 117, 411, 507, 701, and 801 to 803 of this title, section 5314 of Title 5, Government Organization and Employees, sections 1338, 1400, and 1498 of Title 28, and section 3 of Title 35, Patents, and enacting provisions set out as notes under this section and sections 108, 109, 112, 114, 512, and 1301 of this title] may be cited as the 'Digital Millennium Copyright Act'.''

Pub. L. 105–304, title I, § 101, Oct. 28, 1998, 112 Stat. 2861, provided that: ''This title [enacting chapter 12 of this title, amending this section and sections 104, 104A, 411, and 507 of this title, and enacting provisions set out as notes under this section and section 109 of this title] may be cited as the 'WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998'.''

Pub. L. 105–304, title II, § 201, Oct. 28, 1998, 112 Stat. 2877, provided that: ''This title [enacting section 512 of this title and provisions set out as a note under section 512 of this title] may be cited as the 'Online Copyright Infringement Liability Limitation Act'.''

Pub. L. 105–304, title III, § 301, Oct. 28, 1998, 112 Stat. 2886, provided that: ''This title [amending section 117 of this title] may be cited as the 'Computer Maintenance Competition Assurance Act'.''

Pub. L. 105–304, title V, § 501, Oct. 28, 1998, 112 Stat. 2905, provided that: ''This Act [probably means ''this title'', enacting chapter 13 of this title and amending sections 1338, 1400, and 1498 of Title 28, Judiciary and Judicial Procedure] may be referred to as the 'Vessel Hull Design Protection Act'.''

Pub. L. 105–298, title I, § 101, Oct. 27, 1998, 112 Stat. 2827, provided that: ''This title [amending sections 108, 203, and 301 to 304 of this title, enacting provisions set out as a note under section 108 of this title, and amending provisions set out as notes under this section and section 304 of this title] may be referred to as the 'Sonny Bono Copyright Term Extension Act'.''

Pub. L. 105–298, title II, § 201, Oct. 27, 1998, 112 Stat. 2830, provided that: ''This title [enacting section 512 of this title, amending this section and sections 110 and 504 of this title, and enacting provisions set out as notes under this section] may be cited as the 'Fairness In Music Licensing Act of 1998'.''

SHORT TITLE OF 1995 AMENDMENT

Pub. L. 104–39, § 1, Nov. 1, 1995, 109 Stat. 336, provided that: ''This Act [amending this section and sections 106, 111, 114, 115, 119, and 801 to 803 of this title and enacting provisions set out as a note above] may be cited as the 'Digital Performance Right in Sound Recordings Act of 1995'.''

SHORT TITLE OF 1994 AMENDMENT

Pub. L. 103–369, § 1, Oct. 18, 1994, 108 Stat. 3477, provided that: ''This Act [amending sections 111 and 119 of this title and enacting and repealing provisions set out as notes under section 119 of this title] may be cited as the 'Satellite Home Viewer Act of 1994'.''

SHORT TITLE OF 1993 AMENDMENT

Pub. L. 103–198, § 1, Dec. 17, 1993, 107 Stat. 2304, provided that: ''This Act [amending sections 111, 116, 118, 119, 801 to 803, 1004 to 1007, and 1010 of this title and section 1288 of Title 8, Aliens and Nationality, renumbering sections 116A and 804 of this title as sections 116 and 803, respectively, of this title, repealing sections 116, 803, and 805 to 810 of this title, and enacting provisions set out as notes under section 801 of this title and section 1288 of Title 8] may be cited as the 'Copyright Royalty Tribunal Reform Act of 1993'.''

SHORT TITLE OF 1992 AMENDMENT

Pub. L. 102–563, § 1, Oct. 28, 1992, 106 Stat. 4237, provided that: ''This Act [enacting chapter 10 of this title, amending this section, sections 801, 804, and 912 of this title, and section 1337 of Title 19, Customs Duties, and enacting provisions set out as a note under section 1001 of this title] may be cited as the 'Audio Home Recording Act of 1992'.''

Pub. L. 102–307, title I, § 101, June 26, 1992, 106 Stat. 264, provided that: ''This title [amending this section and sections 304, 408, 409, and 708 of this title and enacting provisions set out as notes under this section and section 304 of this title] may be referred to as the 'Copyright Renewal Act of 1992'.''

SHORT TITLE OF 1991 AMENDMENT

Pub. L. 102–64, § 1, June 28, 1991, 105 Stat. 320, provided that: ''This Act [amending section 914 of this title and enacting provisions set out as a note under section 914 of this title] may be cited as the 'Semiconductor International Protection Extension Act of 1991'.''

SHORT TITLE OF 1990 AMENDMENT

Pub. L. 101–650, title VI, § 601, Dec. 1, 1990, 104 Stat. 5128, provided that: ''This title [enacting section 106A of this title, amending this section and sections 107, 113, 301, 411, 412, 501, and 506 of this title, and enacting provisions set out as notes under this section and section 106A of this title] may be cited as the 'Visual Artists Rights Act of 1990'.''

Pub. L. 101–650, title VII, § 701, Dec. 1, 1990, 104 Stat. 5133, provided that: ''This title [enacting section 120 of this title, amending this section and sections 102, 106, and 301 of this title, and enacting provisions set out as a note above] may be cited as the 'Architectural Works Copyright Protection Act'.''

Pub. L. 101–650, title VIII, § 801, Dec. 1, 1990, 104 Stat. 5134, provided that: ''This title [amending section 109 of this title and enacting provisions set out as notes under sections 109 and 205 of this title] may be cited as the 'Computer Software Rental Amendments Act of 1990'.''

Pub. L. 101–553, § 1, Nov. 15, 1990, 104 Stat. 2749, provided that: ''This Act [enacting section 511 of this title, amending sections 501, 910, and 911 of this title, and enacting provisions set out as a note under section 501 of this title] may be cited as the 'Copyright Remedy Clarification Act'.''

Pub. L. 101–319, § 1, July 3, 1990, 104 Stat. 290, provided that: ''This Act [amending sections 701 and 802 of this title and sections 5315 and 5316 of Title 5, Government Organization and Employees, and enacting provisions set out as a note under section 701 of this title] may be cited as the 'Copyright Royalty Tribunal Reform and Miscellaneous Pay Act of 1989'.''

Pub. L. 101–318, § 1, July 3, 1990, 104 Stat. 287, provided that: ''This Act [amending sections 106, 111, 704, 708, 801, and 804 of this title and enacting provisions set out as notes under sections 106, 111, 708, and 804 of this title] may be cited as the 'Copyright Fees and Technical Amendments Act of 1989'.''

SHORT TITLE OF 1988 AMENDMENT

Pub. L. 100–667, title II, § 201, Nov. 16, 1988, 102 Stat. 3949, provided that: ''This title [enacting section 119 of this title and sections 612 and 613 of Title 47, Telecommunications, amending sections 111, 501, 801, and 804 of this title and section 605 of Title 47, and enacting provisions set out as notes under section 119 of this title] may be cited as the 'Satellite Home Viewer Act of 1988'.'' [Section ceases to be effective Dec. 31, 1994, see section 207 of Pub. L. 100–667, set out as an Effective and Termination Dates note under section 119 of this title.]

Pub. L. 100–568, § 1(a), Oct. 31, 1988, 102 Stat. 2853, provided that: ''This Act [enacting section 116A of this title, amending this section and sections 104, 116, 205, 301, 401 to 408, 411, 501, 504, 801, and 804 of this title, and enacting provisions set out as notes under this section] may be cited as the 'Berne Convention Implementation Act of 1988'.''

SHORT TITLE OF 1984 AMENDMENT

Pub. L. 98–620, title III, § 301, Nov. 8, 1984, 98 Stat. 3347, provided that: ''This title [enacting chapter 9 of this title] may be cited as the 'Semiconductor Chip Protection Act of 1984'.''

Pub. L. 98–450, § 1, Oct. 4, 1984, 98 Stat. 1727, provided that: ''This Act [amending sections 109 and 115 of this title and enacting provisions set out as a note under section 109 of this title] may be cited as the 'Record Rental Amendment of 1984'.''

SHORT TITLE OF 1976 ACT

Pub. L. 94–553, Oct. 19, 1976, 90 Stat. 2541, which enacted this title and section 170 of Title 2, The Congress, amended section 131 of Title 2, section 290e of Title 15, Commerce and Trade, section 2318 of Title 18, Crimes and Criminal Procedure, section 543 of Title 26, Internal Revenue Code, section 1498 of Title 28, Judiciary and Judicial Procedure, sections 3202 and 3206 of Title 39, Postal Service, and sections 505 and 2117 of Title 44, Public Printing and Documents, and enacted provisions set out as notes preceding this section and under sections 104, 115, 304, 401, 407, 410, and 501 of this title, is popularly known as the ''Copyright Act of 1976''.

SEVERABILITY

Pub. L. 106–379, § 2(b)(2), Oct. 27, 2000, 114 Stat. 1444, provided that: ''If the provisions of paragraph (1) [see Effective Date of 2000 Amendment note above], or any application of such provisions to any person or circumstance, is held to be invalid, the remainder of this section [amending this section and enacting provisions set out as a note above], the amendments made by this section, and the application of this section to any other person or circumstance shall not be affected by such invalidation.''

CONSTRUCTION OF 1998 AMENDMENT

Pub. L. 105–298, title II, § 206, Oct. 27, 1998, 112 Stat. 2834, provided that: ''Except as otherwise provided in this title [enacting section 512 of this title, amending this section and sections 110 and 504 of this title, and enacting provisions set out as notes under this section], nothing in this title shall be construed to relieve any performing rights society of any obligation under any State or local statute, ordinance, or law, or consent decree or other court order governing its operation, as such statute, ordinance, law, decree, or order is in effect on the date of the enactment of this Act [Oct. 27, 1998], as it may be amended after such date, or as it may be issued or agreed to after such date.''

FIRST AMENDMENT APPLICATION

Pub. L. 101–650, title VI, § 609, Dec. 1, 1990, 104 Stat. 5132, provided that: ''This title [see Short Title of 1990 Amendment note above] does not authorize any governmental entity to take any action or enforce restrictions prohibited by the First Amendment to the United States Constitution.''

BERNE CONVENTION; CONGRESSIONAL DECLARATIONS

Pub. L. 100–568, § 2, Oct. 31, 1988, 102 Stat. 2853, provided that: ''The Congress makes the following declarations:

''(1) The Convention for the Protection of Literary and Artistic Works, signed at Berne, Switzerland, on September 9, 1886, and all acts, protocols, and revisions thereto (hereafter in this Act [see Short Title of 1988 Amendment note above] referred to as the 'Berne Convention') are not self-executing under the Constitution and laws of the United States.

''(2) The obligations of the United States under the Berne Convention may be performed only pursuant to appropriate domestic law.

''(3) The amendments made by this Act, together with the law as it exists on the date of the enactment of this Act [Oct. 31, 1988], satisfy the obligations of the United States in adhering to the Berne Convention and no further rights or interests shall be recognized or created for that purpose.''

BERNE CONVENTION; CONSTRUCTION

Pub. L. 100–568, § 3, Oct. 31, 1988, 102 Stat. 2853, provided that:

''(a) RELATIONSHIP WITH DOMESTIC LAW.—The provisions of the Berne Convention—

''(1) shall be given effect under title 17, as amended by this Act [see Short Title of 1988 Amendment note above], and any other relevant provision of Federal or State law, including the common law; and

''(2) shall not be enforceable in any action brought pursuant to the provisions of the Berne Convention itself.

''(b) CERTAIN RIGHTS NOT AFFECTED.—The provisions of the Berne Convention, the adherence of the United States thereto, and satisfaction of United States obligations thereunder, do not expand or reduce any right of an author of a work, whether claimed under Federal, State, or the common law—

''(1) to claim authorship of the work; or

''(2) to object to any distortion, mutilation, or other modification of, or other derogatory action in relation to, the work, that would prejudice the author's honor or reputation.''

WORKS IN PUBLIC DOMAIN WITHOUT COPYRIGHT PROTECTION

Pub. L. 100–568, § 12, Oct. 31, 1988, 102 Stat. 2860, provided that: ''Title 17, United States Code, as amended by this Act [see Short Title of 1988 Amendment note above], does not provide copyright protection for any work that is in the public domain in the United States.''

DEFINITIONS

Pub. L. 103–465, title V, § 501, Dec. 8, 1994, 108 Stat. 4973, provided that: ''For purposes of this title [enacting section 1101 of this title and section 2319A of Title 18, Crimes and Criminal Procedure, amending sections 104A and 109 of this title, sections 1052 and 1127 of Title 15, Commerce and Trade, and sections 41, 104, 111, 119, 154, 156, 172, 173, 252, 262, 271, 272, 287, 292, 295, 307, 365, and 373 of Title 35, Patents, enacting provisions set out as notes under section 1052 of Title 15 and sections 104 and 154 of Title 35, and amending provisions set out as a note under section 109 of this title]—

''(1) the term 'WTO Agreement' has the meaning given that term in section 2(9) of the Uruguay Round Agreements Act [19 U.S.C. 3501(9)]; and

''(2) the term 'WTO member country' has the meaning given that term in section 2(10) of the Uruguay Round Agreements Act.''

§ 102. Subject matter of copyright: In general

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;

(2) musical works, including any accompanying words;

(3) dramatic works, including any accompanying music;

(4) pantomimes and choreographic works;

(5) pictorial, graphic, and sculptural works;

(6) motion pictures and other audiovisual works;

(7) sound recordings; and

(8) architectural works.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

(Pub. L. 94–553, title I, § 101, Oct. 19, 1976, 90 Stat. 2544; Pub. L. 101–650, title VII, § 703, Dec. 1, 1990, 104 Stat. 5133.)

HISTORICAL AND REVISION NOTES

HOUSE REPORT NO. 94–1476

Original Works of Authorship. The two fundamental criteria of copyright protection—originality and fixation in tangible form are restated in the first sentence of this cornerstone provision. The phrase ''original works or authorship,'' which is purposely left undefined, is intended to incorporate without change the standard of originality established by the courts under the present copyright statute. This standard does not include requirements of novelty, ingenuity, or esthetic merit, and there is no intention to enlarge the standard of copyright protection to require them.

In using the phrase ''original works of authorship,'' rather than ''all the writings of an author'' now in section 4 of the statute [section 4 of former title 17], the committee's purpose is to avoid exhausting the constitutional power of Congress to legislate in this field, and to eliminate the uncertainties arising from the latter phrase. Since the present statutory language is substantially the same as the empowering language of the Constitution [Const. Art. I, §8, cl. 8], a recurring question has been whether the statutory and the constitutional provisions are coextensive. If so, the courts would be faced with the alternative of holding copyrightable something that Congress clearly did not intend to protect, or of holding constitutionally incapable of copyright something that Congress might one day want to protect. To avoid these equally undesirable results, the courts have indicated that ''all the writings of an author'' under the present statute is narrower in scope than the ''writings'' of ''authors'' referred to in the Constitution. The bill avoids this dilemma by using a different phrase—''original works of authorship''—in characterizing the general subject matter of statutory copyright protection.

The history of copyright law has been one of gradual expansion in the types of works accorded protection, and the subject matter affected by this expansion has fallen into two general categories. In the first, scientific discoveries and technological developments have made possible new forms of creative expression that never existed before. In some of these cases the new expressive forms—electronic music, filmstrips, and computer programs, for example—could be regarded as an extension of copyrightable subject matter Congress had already intended to protect, and were thus considered copyrightable from the outset without the need of new legislation. In other cases, such as photographs, sound recordings, and motion pictures, statutory enactment was deemed necessary to give them full recognition as copyrightable works.

Authors are continually finding new ways of expressing themselves, but it is impossible to foresee the forms that these new expressive methods will take. The bill does not intend either to freeze the scope of copyrightable subject matter at the present stage of communications technology or to allow unlimited expansion into areas completely outside the present congressional intent. Section 102 implies neither that that subject matter is unlimited nor that new forms of expression within that general area of subject matter would necessarily be unprotected.

The historic expansion of copyright has also applied to forms of expression which, although in existence for generations or centuries, have only gradually come to be recognized as creative and worthy of protection. The first copyright statute in this country, enacted in 1790, designated only ''maps, charts, and books''; major forms of expression such as music, drama, and works of art achieved specific statutory recognition only in later enactments. Although the coverage of the present statute is very broad, and would be broadened further by the explicit recognition of all forms of choreography, there are unquestionably other areas of existing subject matter that this bill does not propose to protect but that future Congresses may want to.

Fixation in Tangible Form. As a basic condition of copyright protection, the bill perpetuates the existing requirement that a work be fixed in a ''tangible medium of expression,'' and adds that this medium may be one ''now known or later developed,'' and that the fixation is sufficient if the work ''can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.'' This broad language is intended to avoid the artificial and largely unjustifiable distinctions, derived from cases such as *White-Smith Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908) [28 S.Ct. 319, 52 L.Ed. 655], under which statutory copyrightability in certain cases has been made to depend upon the form or medium in which the work is fixed. Under the bill it makes no difference what the form, manner, or medium of fixation may be—whether it is in words, numbers, notes, sounds, pictures, or any other graphic or symbolic indicia, whether embodied in a physical object in written, printed, photographic, sculptural, punched, magnetic, or any other stable form, and whether it is capable of perception directly or by means of any machine or device ''now known or later developed.''

Under the bill, the concept of fixation is important since it not only determines whether the provisions of the statute apply to a work, but it also represents the dividing line between common law and statutory pro-made, purchased or used as specified, or for the manufacture, use or sale of which substantial preparation was made after the date the application became abandoned or patent lapsed for failure to pay the fee but prior to the grant or restoration of the patent, and it may also provide for the continued practice of any process covered by the patent, practiced, or for the practice of which substantial preparation was made, after the date the application became abandoned or patent lapsed for failure to pay the issue fee but prior to the grant or restoration of the patent, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant or restoration of the patent.''

§ 152. Issue of patent to assignee

Patents may be granted to the assignee of the inventor of record in the Patent and Trademark Office, upon the application made and the specification sworn to by the inventor, except as otherwise provided in this title.

(July 19, 1952, ch. 950, 66 Stat. 804; Pub. L. 93–596, § 1, Jan. 2, 1975, 88 Stat. 1949.)

HISTORICAL AND REVISION NOTES

Based on Title 35, U.S.C., 1946 ed., § 44 (R.S. 4895).

Language is changed and the reference to reissue is omitted in view of the general provision in section 251.

AMENDMENTS

1975—Pub. L. 93–596 substituted ''Patent and Trademark Office'' for ''Patent Office''.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93–596 effective Jan. 2, 1975, see section 4 of Pub. L. 93–596, set out as a note under section 1111 of Title 15, Commerce and Trade.

§ 153. How issued

Patents shall be issued in the name of the United States of America, under the seal of the Patent and Trademark Office, and shall be signed by the Director or have his signature placed thereon and shall be recorded in the Patent and Trademark Office.

(July 19, 1952, ch. 950, 66 Stat. 804; Pub. L. 93–596, § 1, Jan. 2, 1975, 88 Stat. 1949; Pub. L. 106–113, div. B, § 1000(a)(9) [title IV, § 4732(a)(10)(A)], Nov. 29, 1999, 113 Stat. 1536, 1501A–582; Pub. L. 107–273, div. C, title III, §§ 13203(c), 13206(b)(1)(B), Nov. 2, 2002, 116 Stat. 1902, 1906.)

HISTORICAL AND REVISION NOTES

Based on Title 35, U.S.C., 1946 ed., § 39 (R.S. 4883, amended (1) Feb. 18, 1888, ch. 15, 25 Stat. 40, (2) April 11, 1903, ch. 417, 32 Stat. 95, (3) Feb. 18, 1922, ch. 58, § 5, 42 Stat. 391).

The phrases referring to the attesting officers and to the recording of the patents are broadened.

AMENDMENTS

2002—Pub. L. 107–273, § 13206(b)(1)(B), made technical correction to directory language of Pub. L. 106–113. See 1999 Amendment note below.

Pub. L. 107–273, § 13203(c), struck out ''and attested by an officer of the Patent and Trademark Office designated by the Director,'' after ''signature placed thereon''.

1999—Pub. L. 106–113, as amended by Pub. L. 107–273, § 13206(b)(1)(B), substituted ''Director'' for ''Commissioner'' in two places.

1975—Pub. L. 93–596 substituted ''Patent and Trademark Office'' for ''Patent Office'' wherever appearing.

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106–113 effective 4 months after Nov. 29, 1999, see section 1000(a)(9) [title IV, § 4731] of Pub. L. 106–113, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93–596 effective Jan. 2, 1975, see section 4 of Pub. L. 93–596, set out as a note under section 1111 of Title 15, Commerce and Trade.

§ 154. Contents and term of patent; provisional rights

(a) IN GENERAL.—

(1) CONTENTS.—Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States, or importing into the United States, products made by that process, referring to the specification for the particulars thereof.

(2) TERM.—Subject to the payment of fees under this title, such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States or, if the application contains a specific reference to an earlier filed application or applications under section 120, 121, or 365(c), from the date on which the earliest such application was filed.

(3) PRIORITY.—Priority under section 119, 365(a), or 365(b) shall not be taken into account in determining the term of a patent.

(4) SPECIFICATION AND DRAWING.—A copy of the specification and drawing shall be annexed to the patent and be a part of such patent.

(b) ADJUSTMENT OF PATENT TERM.—

(1) PATENT TERM GUARANTEES.—

(A) GUARANTEE OF PROMPT PATENT AND TRADEMARK OFFICE RESPONSES.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the Patent and Trademark Office to—

(i) provide at least one of the notifications under section 132 or a notice of allowance under section 151 not later than 14 months after—

(I) the date on which an application was filed under section 111(a); or

(II) the date of commencement of the national stage under section 371 in an international application;

(ii) respond to a reply under section 132, or to an appeal taken under section 134, within 4 months after the date on which the reply was filed or the appeal was taken;

(iii) act on an application within 4 months after the date of a decision by the Patent Trial and Appeal Board under section 134 or 135 or a decision by a Federal court under section 141, 145, or 146 in a case in which allowable claims remain in the application; or

(iv) issue a patent within 4 months after the date on which the issue fee was paid under section 151 and all outstanding requirements were satisfied,

the term of the patent shall be extended 1 day for each day after the end of the period specified in clause (i), (ii), (iii), or (iv), as the case may be, until the action described in such clause is taken.

(B) GUARANTEE OF NO MORE THAN 3-YEAR APPLICATION PENDENCY.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the United States Patent and Trademark Office to issue a patent within 3 years after the actual filing date of the application under section 111(a) in the United States or, in the case of an international application, the date of commencement of the national stage under section 371 in the international application, not including—

(i) any time consumed by continued examination of the application requested by the applicant under section 132(b);

(ii) any time consumed by a proceeding under section 135(a), any time consumed by the imposition of an order under section 181, or any time consumed by appellate review by the Patent Trial and Appeal Board or by a Federal court; or

(iii) any delay in the processing of the application by the United States Patent and Trademark Office requested by the applicant except as permitted by paragraph (3)(C),

the term of the patent shall be extended 1 day for each day after the end of that 3-year period until the patent is issued.

(C) GUARANTEE OF ADJUSTMENTS FOR DELAYS DUE TO DERIVATION PROCEEDINGS, SECRECY ORDERS, AND APPEALS.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to—

(i) a proceeding under section 135(a);

(ii) the imposition of an order under section 181; or

(iii) appellate review by the Patent Trial and Appeal Board or by a Federal court in a case in which the patent was issued under a decision in the review reversing an adverse determination of patentability,

the term of the patent shall be extended 1 day for each day of the pendency of the proceeding, order, or review, as the case may be.

(2) LIMITATIONS.—

(A) IN GENERAL.—To the extent that periods of delay attributable to grounds specified in paragraph (1) overlap, the period of any adjustment granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed.

(B) DISCLAIMED TERM.—No patent the term of which has been disclaimed beyond a specified date may be adjusted under this section beyond the expiration date specified in the disclaimer.

(C) REDUCTION OF PERIOD OF ADJUSTMENT.—

(i) The period of adjustment of the term of a patent under paragraph (1) shall be reduced by a period equal to the period of time during which the applicant failed to engage in reasonable efforts to conclude prosecution of the application.

(ii) With respect to adjustments to patent term made under the authority of paragraph (1)(B), an applicant shall be deemed to have failed to engage in reasonable efforts to conclude processing or examination of an application for the cumulative total of any periods of time in excess of 3 months that are taken to respond to a notice from the Office making any rejection, objection, argument, or other request, measuring such 3-month period from the date the notice was given or mailed to the applicant.

(iii) The Director shall prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.

(3) PROCEDURES FOR PATENT TERM ADJUSTMENT DETERMINATION.—

(A) The Director shall prescribe regulations establishing procedures for the application for and determination of patent term adjustments under this subsection.

(B) Under the procedures established under subparagraph (A), the Director shall—

(i) make a determination of the period of any patent term adjustment under this subsection, and shall transmit a notice of that determination no later than the date of issuance of the patent; and

(ii) provide the applicant one opportunity to request reconsideration of any patent term adjustment determination made by the Director.

(C) The Director shall reinstate all or part of the cumulative period of time of an adjustment under paragraph (2)(C) if the applicant, prior to the issuance of the patent, makes a showing that, in spite of all due care, the applicant was unable to respond within the 3-month period, but in no case shall more than three additional months for each such response beyond the original 3-month period be reinstated.

(D) The Director shall proceed to grant the patent after completion of the Director's determination of a patent term adjustment under the procedures established under this subsection, notwithstanding any appeal taken by the applicant of such determination.

(4) APPEAL OF PATENT TERM ADJUSTMENT DETERMINATION.—

(A) An applicant dissatisfied with the Director's decision on the applicant's request for reconsideration under paragraph (3)(B)(ii) shall have exclusive remedy by a civil action against the Director filed in the United States District Court for the Eastern District of Virginia within 180 days after the date of the Director's decision on the applicant's request for reconsideration. Chapter 7 of title 5 shall apply to such action. Any final judgment resulting in a change to the period of adjustment of the patent term shall be served on the Director, and the Director shall thereafter alter the term of the patent to reflect such change.

(B) The determination of a patent term adjustment under this subsection shall not be subject to appeal or challenge by a third party prior to the grant of the patent.

(c) CONTINUATION.—

(1) DETERMINATION.—The term of a patent that is in force on or that results from an application filed before the date that is 6 months after the date of the enactment of the Uruguay Round Agreements Act shall be the greater of the 20-year term as provided in subsection (a), or 17 years from grant, subject to any terminal disclaimers.

(2) REMEDIES.—The remedies of sections 283, 284, and 285 shall not apply to acts which—

(A) were commenced or for which substantial investment was made before the date that is 6 months after the date of the enactment of the Uruguay Round Agreements Act; and

(B) became infringing by reason of paragraph (1).

(3) REMUNERATION.—The acts referred to in paragraph (2) may be continued only upon the payment of an equitable remuneration to the patentee that is determined in an action brought under chapter 28 and chapter 29 (other than those provisions excluded by paragraph (2)).

(d) PROVISIONAL RIGHTS.—

(1) IN GENERAL.—In addition to other rights provided by this section, a patent shall include the right to obtain a reasonable royalty from any person who, during the period beginning on the date of publication of the application for such patent under section 122(b), or in the case of an international application filed under the treaty defined in section 351(a) designating the United States under Article 21(2)(a) of such treaty, the date of publication of the application, and ending on the date the patent is issued—

(A)(i) makes, uses, offers for sale, or sells in the United States the invention as claimed in the published patent application or imports such an invention into the United States; or

(ii) if the invention as claimed in the published patent application is a process, uses, offers for sale, or sells in the United States or imports into the United States products made by that process as claimed in the published patent application; and

(B) had actual notice of the published patent application and, in a case in which the right arising under this paragraph is based upon an international application designating the United States that is published in a language other than English, had a translation of the international application into the English language.

(2) RIGHT BASED ON SUBSTANTIALLY IDENTICAL INVENTIONS.—The right under paragraph (1) to obtain a reasonable royalty shall not be available under this subsection unless the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application.

(3) TIME LIMITATION ON OBTAINING A REASONABLE ROYALTY.—The right under paragraph (1) to obtain a reasonable royalty shall be available only in an action brought not later than 6 years after the patent is issued. The right under paragraph (1) to obtain a reasonable royalty shall not be affected by the duration of the period described in paragraph (1).

(4) REQUIREMENTS FOR INTERNATIONAL APPLICATIONS.—

(A) EFFECTIVE DATE.—The right under paragraph (1) to obtain a reasonable royalty based upon the publication under the treaty defined in section 351(a) of an international application designating the United States shall commence on the date of publication under the treaty of the international application, or, if the publication under the treaty of the international application is in a language other than English, on the date on which the Patent and Trademark Office receives a translation of the publication in the English language.

(B) COPIES.—The Director may require the applicant to provide a copy of the international application and a translation thereof.

(July 19, 1952, ch. 950, 66 Stat. 804; Pub. L. 89–83, §5, July 24, 1965, 79 Stat. 261; Pub. L. 96–517, §4, Dec. 12, 1980, 94 Stat. 3018; Pub. L. 100–418, title IX, §9002, Aug. 23, 1988, 102 Stat. 1563; Pub. L. 103–465, title V, §532(a)(1), Dec. 8, 1994, 108 Stat. 4983; Pub. L. 104–295, §20(e)(1), Oct. 11, 1996, 110 Stat. 3529; Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §§4402(a), 4504], Nov. 29, 1999, 113 Stat. 1536, 1501A–557, 1501A–564; Pub. L. 107–273, div. C, title III, §§13204, 13206(a)(8), Nov. 2, 2002, 116 Stat. 1902, 1904; Pub. L. 112–29, §§3(j)(1), (2)(B), 9(a), 20(j), Sept. 16, 2011, 125 Stat. 290, 316, 335; Pub. L. 112–211, title I, §102(6), Dec. 18, 2012, 126 Stat. 1531; Pub. L. 112–274, §1(h), Jan. 14, 2013, 126 Stat. 2457.)

AMENDMENT OF SECTION

Pub. L. 112–211, title I, §§102(6), 103, Dec. 18, 2012, 126 Stat. 1531, 1532, provided that, effective on the later of the date that is 1 year after Dec. 18, 2012, or the date that the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs enters into force with respect to the United States, and applicable only to certain applications filed on and after that effective date and patents issuing thereon, this section is amended as follows:

(1) in subsection (a)(2), by substituting ''section 120, 121, 365(c), or 386(c)'' for ''section 120, 121, or 365(c)'';

(2) in subsection (a)(3), by substituting ''section 119, 365(a), 365(b), 386(a), or 386(b)'' for ''section 119, 365(a), or 365(b)''; and

(3) in subsection (d)(1), by inserting ''or an international design application filed under the treaty defined in section 381(a)(1) designating the United States under Article 5 of such treaty'' after ''Article 21(2)(a) of such treaty''.

See 2012 Amendment notes below.

HISTORICAL AND REVISION NOTES

Based on Title 35, U.S.C., 1946 ed., §40 (R.S. 4884, amended May 23, 1930, ch. 312, §1, 46 Stat. 376).

The reference to plants is omitted for inclusion in another section and the reference to the title is shortened since the title is of no legal significance.

The wording of the granting clause is changed to ''the right to exclude others from making, using, or selling'', following language used by the Supreme Court, to render the meaning clearer.

''United States'' is defined in section 100.

REFERENCES IN TEXT

The date of the enactment of the Uruguay Round Agreements Act, referred to in subsec. (c)(1), (2)(A), is the date of enactment of Pub. L. 103–465, which was approved Dec. 8, 1994.

AMENDMENTS

2013—Subsec. (b)(1)(A)(i)(II). Pub. L. 112–274, §1(h)(1)(A), which directed substitution of ''of commencement of the national stage under section 371 in an international application'' for ''on which an international application fulfilled the requirements of section 371 of this title'', was executed by making the substitution for ''on which an international application fulfilled the requirements of section 371'', to reflect the probable intent of Congress and the intervening amendment by Pub. L. 112–29, §20(j). See 2011 Amendment note below.

Subsec. (b)(1)(B). Pub. L. 112–274, §1(h)(1)(B), substituted ''the application under section 111(a) in the United States or, in the case of an international application, the date of commencement of the national stage under section 371 in the international application'' for ''the application in the United States'' in introductory provisions.

Subsec. (b)(3)(B)(i). Pub. L. 112–274, §1(h)(2), substituted ''no later than the date of issuance of the patent'' for ''with the written notice of allowance of the application under section 151''.

Subsec. (b)(4)(A). Pub. L. 112–274, §1(h)(3), substituted ''the Director's decision on the applicant's request for reconsideration under paragraph (3)(B)(ii) shall have exclusive remedy'' for ''a determination made by the Director under paragraph (3) shall have remedy'' and ''the date of the Director's decision on the applicant's request for reconsideration'' for ''the grant of the patent''.

2012—Subsec. (a)(2). Pub. L. 112–211, §102(6)(A)(i), substituted ''section 120, 121, 365(c), or 386(c)'' for ''section 120, 121, or 365(c)''.

Subsec. (a)(3). Pub. L. 112–211, §102(6)(A)(ii), substituted ''section 119, 365(a), 365(b), 386(a), or 386(b)'' for ''section 119, 365(a), or 365(b)''.

Subsec. (d)(1). Pub. L. 112–211, §102(6)(B), inserted ''or an international design application filed under the treaty defined in section 381(a)(1) designating the United States under Article 5 of such treaty'' after ''Article 21(2)(a) of such treaty'' in introductory provisions.

2011—Subsec. (a)(2). Pub. L. 112–29, §20(j), struck out ''of this title'' after ''365(c)''.

Subsec. (a)(3). Pub. L. 112–29, §20(j), struck out ''of this title'' after ''365(b)''.

Subsec. (b)(1)(A)(i). Pub. L. 112–29, §20(j), in introductory provisions, struck out ''of this title'' after ''132'' and after ''151''.

Subsec. (b)(1)(A)(i)(I). Pub. L. 112–29, §20(j), struck out ''of this title'' after ''111(a)''.

Subsec. (b)(1)(A)(i)(II). Pub. L. 112–29, §20(j), struck out ''of this title'' after ''371''.

Subsec. (b)(1)(A)(iii), (B)(ii). Pub. L. 112–29, §3(j)(1), substituted ''Patent Trial and Appeal Board'' for ''Board of Patent Appeals and Interferences''.

Subsec. (b)(1)(C). Pub. L. 112–29, §3(j)(2)(B), amended heading generally. Prior to amendment, heading read as follows: ''Guarantee or adjustments for delays due to interferences, secrecy orders, and appeals''.

Subsec. (b)(1)(C)(iii). Pub. L. 112–29, §3(j)(1), substituted ''Patent Trial and Appeal Board'' for ''Board of Patent Appeals and Interferences''.

Subsec. (b)(4)(A). Pub. L. 112–29, §9(a), substituted ''United States District Court for the Eastern District of Virginia'' for ''United States District Court for the District of Columbia''.

Subsec. (c)(2). Pub. L. 112–29, §20(j), in introductory provisions, struck out ''of this title'' after ''285''.

Subsec. (c)(3). Pub. L. 112–29, §20(j), struck out ''of this title'' after ''excluded by paragraph (2))''.

2002—Subsec. (b)(4)(A). Pub. L. 107–273, §13206(a)(8), struck out '', United States Code,'' after ''title 5''.

Subsec. (d)(4)(A). Pub. L. 107–273, §13204, amended subsec. (d)(4)(A) as in effect on Nov. 29, 2000, by substituting ''the date of'' for ''the date on which the Patent and Trademark Office receives a copy of the'' and ''publication in the English language'' for ''international application in the English language''.

1999—Pub. L. 106–113, §1000(a)(9) [title IV, §4504(1)], inserted ''; provisional rights'' after ''patent'' in section catchline.

Subsec. (b). Pub. L. 106–113, §1000(a)(9) [title IV, §4402(a)], amended heading and text of subsec. (b) generally. Prior to amendment, text provided for interference delay or secrecy orders, extensions for appellate review, a limitations period, and a maximum period of 5 years duration for all extensions.

Subsec. (d). Pub. L. 106–113, §1000(a)(9) [title IV, §4504(2)], added subsec. (d).

1996—Subsec. (c)(2). Pub. L. 104–295 substituted ''acts'' for ''Acts'' in introductory provisions.

1994—Pub. L. 103–465 amended section catchline and text generally. Prior to amendment, text read as follows: ''Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, subject to the payment of fees as provided for in this title, of the right to exclude others from making, using, or selling the invention throughout the United States and, if the invention is a process, of the right to exclude others from using or selling throughout the United States, or importing into the United States, products made by that process,, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.''

1988—Pub. L. 100–418 inserted ''and, if the invention is a process, of the right to exclude others from using or selling throughout the United States, or importing into the United States, products made by that process,'' after ''United States''.

1980—Pub. L. 96–517 substituted ''payment of fees'' for ''payment of issue fees''.

1965—Pub. L. 89–83 added ''subject to the payment of issue fees as provided for in this title''.

EFFECTIVE DATE OF 2013 AMENDMENT

Amendment by Pub. L. 112–274 effective Jan. 14, 2013, and applicable to proceedings commenced on or after such date, see section 1(n) of Pub. L. 112–274, set out as a note under section 5 of this title.

EFFECTIVE DATE OF 2012 AMENDMENT

Amendment by Pub. L. 112–211 effective on the later of the date that is 1 year after Dec. 18, 2012, or the date that the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs enters into force with respect to the United States, and applicable only to certain applications filed on and after that effective date and patents issuing thereon, see section 103 of Pub. L. 112–211, set out as a note under section 100 of this title.

EFFECTIVE DATE OF 2011 AMENDMENT

Amendment by section 3(j)(1), (2)(B) of Pub. L. 112–29 effective upon the expiration of the 18-month period beginning on Sept. 16, 2011, and applicable to certain applications for patent and any patents issuing thereon, see section 3(n) of Pub. L. 112–29, set out as an Effective Date of 2011 Amendment; Savings Provisions note under section 100 of this title.

Amendment by section 9(a) of Pub. L. 112–29 effective Sept. 16, 2011, and applicable to any civil action commenced on or after that date, see section 9(b) of Pub. L. 112–29, set out as a note under section 1071 of Title 15, Commerce and Trade.

Amendment by section 20(j) of Pub. L. 112–29 effective upon the expiration of the 1-year period beginning on Sept. 16, 2011, and applicable to proceedings commenced on or after that effective date, see section 20(*l*) of Pub. L. 112–29, set out as a note under section 2 of this title.

EFFECTIVE DATE OF 1999 AMENDMENT

Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §4405(a)], Nov. 29, 1999, 113 Stat. 1536, 1501A–560, provided that: ''The amendments made by sections 4402 and 4404 [amending this section, sections 156 and 282 of this title, and section 1295 of Title 28, Judiciary and Judicial Procedure] shall take effect on the date that is 6 months after the date of the enactment of this Act [Nov. 29, 1999] and, except for a design patent application filed under chapter 16 of title 35, United States Code, shall apply to any application filed on or after the date that is 6 months after the date of the enactment of this Act.''

Amendment by section 1000(a)(9) [title IV, §4504] of Pub. L. 106–113 effective Nov. 29, 2000, applicable only to applications (including international applications designating the United States) filed on or after that date, and additionally applicable to any pending application filed before Nov. 29, 2000, if such pending application is published pursuant to a request of the applicant under such procedures as may be established by the Director, see section 1000(a)(9) [title IV, §4508] of Pub. L. 106–113, as amended, set out as a note under section 10 of this title.

EFFECTIVE DATE OF 1994 AMENDMENT

Pub. L. 103–465, title V, §534, Dec. 8, 1994, 108 Stat. 4990, provided that:

''(a) IN GENERAL.—Subject to subsection (b), the amendments made by this subtitle [subtitle C (§§531–534) of title V of Pub. L. 103–465, amending this section and sections 41, 104, 111, 119, 156, 172, 173, 252, 262, 271, 272, 287, 292, 295, 307, 365, and 373 of this title] take effect on the date that is one year after the date on which the WTO Agreement enters into force with respect to the United States [Jan. 1, 1995].

''(b) PATENT APPLICATIONS.—

''(1) IN GENERAL.—Subject to paragraph (2), the amendments made by section 532 [amending this section and sections 41, 111, 119, 156, 172, 173, 365, and 373 of this title] take effect on the date that is 6 months after the date of the enactment of this Act [Dec. 8, 1994] and shall apply to all patent applications filed in the United States on or after the effective date.

''(2) SECTION 154(a)(1).—Section 154(a)(1) of title 35, United States Code, as amended by section 532(a)(1) of this Act, shall take effect on the effective date described in subsection (a).

''(3) EARLIEST FILING.—The term of a patent granted on an application that is filed on or after the effective date described in subsection (a) and that contains a specific reference to an earlier application filed under the provisions of section 120, 121, or 365(c) of title 35, United States Code, shall be measured from the filing date of the earliest filed application.''

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100–418 effective 6 months after Aug. 23, 1988, and, subject to enumerated exceptions, applicable only with respect to products made or imported after such effective date, see section 9006 of Pub. L. 100–418, set out as a note under section 271 of this title.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by Pub. L. 96–517 effective Dec. 12, 1980, see section 8(a) of Pub. L. 96–517, set out as a note under section 41 of this title.

EFFECTIVE DATE OF 1965 AMENDMENT

Amendment by Pub. L. 89–83 effective three months after July 24, 1965, see section 7(a) of Pub. L. 89–83, set out as a note under section 41 of this title.

REGULATIONS

Pub. L. 103–465, title V, §532(a)(2), Dec. 8, 1994, 108 Stat. 4985, authorized the Commissioner of Patents and Trademarks to prescribe regulations for further limited reexamination of applications pending 2 years or longer and for examination of more than 1 independent and distinct invention in applications pending 3 years or longer, as of the effective date of section 154(a)(2) of this title, and to establish appropriate related fees.

[§§155, 155A. Repealed. Pub. L. 112–29, §20(k), Sept. 16, 2011, 125 Stat. 335]

Section 155, added Pub. L. 97–414, §11(a), Jan. 4, 1983, 96 Stat. 2065; amended Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §4732(a)(6), (10)(A)], Nov. 29, 1999, 113 Stat. 1536, 1501A–582; Pub. L. 107–273, div. C, title III, §13206(b)(1)(B), Nov. 2, 2002, 116 Stat. 1906, related to patent term extension.

Section 155A, added Pub. L. 98–127, §4(a), Oct. 13, 1983, 97 Stat. 832; amended Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §4732(a)(7), (10)(A)], Nov. 29, 1999, 113 Stat. 1536, 1501A–582; Pub. L. 107–273, div. C, title III, §13206(b)(1)(B), Nov. 2, 2002, 116 Stat. 1906, related to patent term restoration.

EFFECTIVE DATE OF REPEAL

Repeal effective upon the expiration of the 1-year period beginning on Sept. 16, 2011, and applicable to proceedings commenced on or after that effective date, see section 20(*l*) of Pub. L. 112–29, set out as an Effective Date of 2011 Amendment note under section 2 of this title.

§156. Extension of patent term

(a) The term of a patent which claims a product, a method of using a product, or a method of manufacturing a product shall be extended in accordance with this section from the original expiration date of the patent, which shall include any patent term adjustment granted under section 154(b), if—

(1) the term of the patent has not expired before an application is submitted under subsection (d)(1) for its extension;

(2) the term of the patent has never been extended under subsection (e)(1) of this section;

(3) an application for extension is submitted by the owner of record of the patent or its agent and in accordance with the requirements of paragraphs (1) through (4) of subsection (d);

(4) the product has been subject to a regulatory review period before its commercial marketing or use;

(5)(A) except as provided in subparagraph (B) or (C), the permission for the commercial marketing or use of the product after such regulatory review period is the first permitted commercial marketing or use of the product under the provision of law under which such regulatory review period occurred;

(B) in the case of a patent which claims a method of manufacturing the product which primarily uses recombinant DNA technology in the manufacture of the product, the permission for the commercial marketing or use of the product after such regulatory review period is the first permitted commercial market-

''(B) a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.

''(2) INTERFERING PATENTS.—The provisions of sections 102(g), 135, and 291 of title 35, United States Code, as in effect on the day before the effective date set forth in paragraph (1) of this subsection, shall apply to each claim of an application for patent, and any patent issued thereon, for which the amendments made by this section also apply, if such application or patent contains or contained at any time—

''(A) a claim to an invention having an effective filing date as defined in section 100(i) of title 35, United States Code, that occurs before the effective date set forth in paragraph (1) of this subsection; or

''(B) a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.''

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106–113 effective Nov. 29, 1999, and applicable to any patent issuing from an original application filed in the United States on or after that date, see section 1000(a)(9) [title IV, § 4608(a)] of Pub. L. 106–113, set out as a note under section 41 of this title.

§ 101. Inventions patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

(July 19, 1952, ch. 950, 66 Stat. 797.)

HISTORICAL AND REVISION NOTES

Based on Title 35, U.S.C., 1946 ed., § 31 (R.S. 4886, amended (1) Mar. 3, 1897, ch. 391, § 1, 29 Stat. 692, (2) May 23, 1930, ch. 312, § 1, 46 Stat. 376, (3) Aug. 5, 1939, ch. 450, § 1, 53 Stat. 1212).

The corresponding section of existing statute is split into two sections, section 101 relating to the subject matter for which patents may be obtained, and section 102 defining statutory novelty and stating other conditions for patentability.

Section 101 follows the wording of the existing statute as to the subject matter for patents, except that reference to plant patents has been omitted for incorporation in section 301 and the word ''art'' has been replaced by ''process'', which is defined in section 100. The word ''art'' in the corresponding section of the existing statute has a different meaning than the same word as used in other places in the statute; it has been interpreted by the courts as being practically synonymous with process or method. ''Process'' has been used as its meaning is more readily grasped than ''art'' as interpreted, and the definition in section 100(b) makes it clear that ''process or method'' is meant. The remainder of the definition clarifies the status of processes or methods which involve merely the new use of a known process, machine, manufacture, composition of matter, or material; they are processes or methods under the statute and may be patented provided the conditions for patentability are satisfied.

LIMITATION ON ISSUANCE OF PATENTS

Pub. L. 112–29, § 33, Sept. 16, 2011, 125 Stat. 340, provided that:

''(a) LIMITATION.—Notwithstanding any other provision of law, no patent may issue on a claim directed to or encompassing a human organism.

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Subsection (a) shall apply to any application for patent that is pending on, or filed on or after, the date of the enactment of this Act [Sept. 16, 2011].

''(2) PRIOR APPLICATIONS.—Subsection (a) shall not affect the validity of any patent issued on an application to which paragraph (1) does not apply.''

§ 102. Conditions for patentability; novelty

(a) NOVELTY; PRIOR ART.—A person shall be entitled to a patent unless—

(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

(b) EXCEPTIONS.—

(1) DISCLOSURES MADE 1 YEAR OR LESS BEFORE THE EFFECTIVE FILING DATE OF THE CLAIMED INVENTION.—A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if—

(A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

(B) the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.

(2) DISCLOSURES APPEARING IN APPLICATIONS AND PATENTS.—A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if—

(A) the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor;

(B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

(C) the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

(c) COMMON OWNERSHIP UNDER JOINT RESEARCH AGREEMENTS.—Subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of subsection (b)(2)(C) if—

(1) the subject matter disclosed was developed and the claimed invention was made by, or on behalf of, 1 or more parties to a joint research agreement that was in effect on or before the effective filing date of the claimed invention;

(2) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and

(3) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

(d) PATENTS AND PUBLISHED APPLICATIONS EFFECTIVE AS PRIOR ART.—For purposes of determining whether a patent or application for patent is prior art to a claimed invention under subsection (a)(2), such patent or application shall be considered to have been effectively filed, with respect to any subject matter described in the patent or application—

(1) if paragraph (2) does not apply, as of the actual filing date of the patent or the application for patent; or

(2) if the patent or application for patent is entitled to claim a right of priority under section 119, 365(a), or 365(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c), based upon 1 or more prior filed applications for patent, as of the filing date of the earliest such application that describes the subject matter.

(July 19, 1952, ch. 950, 66 Stat. 797; Pub. L. 92–358, §2, July 28, 1972, 86 Stat. 502; Pub. L. 94–131, §5, Nov. 14, 1975, 89 Stat. 691; Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §§4505, 4806], Nov. 29, 1999, 113 Stat. 1536, 1501A–565, 1501A–590; Pub. L. 107–273, div. C, title III, §13205(1), Nov. 2, 2002, 116 Stat. 1902; Pub. L. 112–29, §3(b)(1), Sept. 16, 2011, 125 Stat. 285; Pub. L. 112–211, title I, §102(2), Dec. 18, 2012, 126 Stat. 1531.)

AMENDMENT OF SUBSECTION (d)(2)

Pub. L. 112–211, title I, §§102(2), 103, Dec. 18, 2012, 126 Stat. 1531, 1532, provided that, effective on the later of the date that is 1 year after Dec. 18, 2012, or the date that the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs enters into force with respect to the United States, and applicable only to certain applications filed on and after that effective date and patents issuing thereon, with certain exceptions, subsection (d)(2) of this section is amended by substituting ''to claim a right of priority under section 119, 365(a), 365(b), 386(a), or 386(b), or to claim the benefit of an earlier filing date under section 120, 121, 365(c), or 386(c)'' for ''to claim a right of priority under section 119, 365(a), or 365(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c)''. See 2012 Amendment note below.

HISTORICAL AND REVISION NOTES

Paragraphs (a), (b), and (c) are based on Title 35, U.S.C., 1946 ed., §31 (R.S. 4886, amended (1) Mar. 3, 1897, ch. 391, §1, 29 Stat. 692, (2) May 23, 1930, ch. 312, §1, 46 Stat. 376, (3) Aug. 5, 1939, ch. 450, §1, 53 Stat. 1212).

No change is made in these paragraphs other than that due to division into lettered paragraphs. The interpretation by the courts of paragraph (a) as being more restricted than the actual language would suggest (for example, ''known'' has been held to mean ''publicly known'') is recognized but no change in the language is made at this time. Paragraph (a) together with section 104 contains the substance of Title 35, U.S.C., 1946 ed., §72 (R.S. 4923).

Paragraph (d) is based on Title 35, U.S.C., 1946 ed., §32, first paragraph (R.S. 4887 (first paragraph), amended (1) Mar. 3, 1897, ch. 391, §3, 29 Stat. 692, 693, (2) Mar. 3, 1903, ch. 1019, §1, 32 Stat. 1225, 1226, (3) June 19, 1936, ch. 594, 49 Stat. 1529).

The section has been changed so that the prior foreign patent is not a bar unless it was granted before the filing of the application in the United States.

Paragraph (e) is new and enacts the rule of *Milburn* v. *Davis-Bournonville*, 270 U.S. 390, by reason of which a United States patent disclosing an invention dates from the date of filing the application for the purpose of anticipating a subsequent inventor.

Paragraph (f) indicates the necessity for the inventor as the party applying for patent. Subsequent sections permit certain persons to apply in place of the inventor under special circumstances.

Paragraph (g) is derived from Title 35, U.S.C., 1946 ed., §69 (R.S. 4920, amended (1) Mar. 3, 1897, ch. 391, §2, 29 Stat. 692, (2) Aug. 5, 1939, ch. 450, §1, 53 Stat. 1212), the second defense recited in this section. This paragraph retains the present rules of law governing the determination of priority of invention.

Language relating specifically to designs is omitted for inclusion in subsequent sections.

AMENDMENTS

2012—Subsec. (d)(2). Pub. L. 112–211 substituted ''to claim a right of priority under section 119, 365(a), 365(b), 386(a), or 386(b), or to claim the benefit of an earlier filing date under section 120, 121, 365(c), or 386(c)'' for ''to claim a right of priority under section 119, 365(a), or 365(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c)''.

2011—Pub. L. 112–29 amended section generally. Prior to amendment, section related to conditions for patentability; novelty and loss of right to patent.

2002—Subsec. (e). Pub. L. 107–273, amended Pub. L. 106–113, §1000(a)(9) [title IV, §4505]. See 1999 Amendment note below. Prior to being amended by Pub. L. 107–273, Pub. L. 106–113, §1000(a)(9) [title IV, §4505], had amended subsec. (e) to read as follows: ''The invention was described in—

''(1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effect under this subsection of a national application published under section 122(b) only if the international application designating the United States was published under Article 21(2)(a) of such treaty in the English language; or

''(2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that a patent shall not be deemed filed in the United States for the purposes of this subsection based on the filing of an international application filed under the treaty defined in section 351(a); or''.

1999—Subsec. (e). Pub. L. 106–113, §1000(a)(9) [title IV, §4505], as amended by Pub. L. 107–273, amended subsec. (e) generally. Prior to amendment, subsec. (e) read as follows: ''the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent, or''.

Subsec. (g). Pub. L. 106–113, §1000(a)(9) [title IV, §4806], amended subsec. (g) generally. Prior to amendment, subsec. (g) read as follows: ''before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.''

1975—Par. (e). Pub. L. 94–131 inserted provision for nonentitlement to a patent where the invention was described in a patent granted on an international application by another who has fulfilled the requirements of pars. (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent.

1972—Subsec. (d). Pub. L. 92–358 inserted reference to inventions that were the subject of an inventors' certificate.

EFFECTIVE DATE OF 2012 AMENDMENT

Amendment by Pub. L. 112–211 effective on the later of the date that is 1 year after Dec. 18, 2012, or the date that the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs enters into force with respect to the United States, and applicable only to certain applications filed on and after that effective date and patents issuing thereon, with certain exceptions, see section 103 of Pub. L. 112–211, set out as a note under section 100 of this title.

EFFECTIVE DATE OF 2011 AMENDMENT

Amendment by Pub. L. 112–29 effective upon the expiration of the 18-month period beginning on Sept. 16, 2011, and applicable to certain applications for patent and any patents issuing thereon, see section 3(n) of Pub. L. 112–29, set out as an Effective Date of 2011 Amendment; Savings Provisions note under section 100 of this title.

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by section 1000(a)(9) [title IV, § 4505] of Pub. L. 106–113 effective Nov. 29, 2000 and applicable to all patents and all applications for patents pending on or filed after Nov. 29, 2000, see section 1000(a)(9) [title IV, § 4508] of Pub. L. 106–113, as amended, set out as a note under section 10 of this title.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 94–131 effective Jan. 24, 1978, and applicable on and after that date to patent applications filed in the United States and to international applications, where applicable, see section 11 of Pub. L. 94–131, set out as an Effective Date note under section 351 of this title.

EFFECTIVE DATE OF 1972 AMENDMENT

Pub. L. 92–358, § 3(b), July 28, 1972, 86 Stat. 502, provided that: ''Section 2 of this Act [amending this section] shall take effect six months from the date when Articles 1 to 12 of the Paris Convention of March 20, 1883, for the Protection of Industrial Property, as revised at Stockholm, July 14, 1967, come into force with respect to the United States [Aug. 25, 1973] and shall apply to applications thereafter filed in the United States.''

SAVINGS PROVISIONS

Provisions of former subsec. (g) of this section, as in effect on the day before the expiration of the 18-month period beginning on Sept. 16, 2011, apply to each claim of certain applications for patent, and certain patents issued thereon, for which the amendments made by section 3 of Pub. L. 112–29 also apply, see section 3(n)(2) of Pub. L. 112–29, set out as an Effective Date of 2011 Amendment; Savings Provisions note under section 100 of this title.

CONTINUITY OF INTENT UNDER THE CREATE ACT

Pub. L. 112–29, § 3(b)(2), Sept. 16, 2011, 125 Stat. 287, provided that: ''The enactment of section 102(c) of title 35, United States Code, under paragraph (1) of this subsection is done with the same intent to promote joint research activities that was expressed, including in the legislative history, through the enactment of the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108–453; the 'CREATE Act') [see Short Title of 2004 Amendment note set out under section 1 of this title], the amendments of which are stricken by subsection (c) of this section [amending section 103 of this title]. The United States Patent and Trademark Office shall administer section 102(c) of title 35, United States Code, in a manner consistent with the legislative history of the CREATE Act that was relevant to its administration by the United States Patent and Trademark Office.''

TAX STRATEGIES DEEMED WITHIN THE PRIOR ART

Pub. L. 112–29, § 14, Sept. 16, 2011, 125 Stat. 327, provided that:

''(a) IN GENERAL.—For purposes of evaluating an invention under section 102 or 103 of title 35, United States Code, any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent, shall be deemed insufficient to differentiate a claimed invention from the prior art.

''(b) DEFINITION.—For purposes of this section, the term 'tax liability' refers to any liability for a tax under any Federal, State, or local law, or the law of any foreign jurisdiction, including any statute, rule, regulation, or ordinance that levies, imposes, or assesses such tax liability.

''(c) EXCLUSIONS.—This section does not apply to that part of an invention that—

''(1) is a method, apparatus, technology, computer program product, or system, that is used solely for preparing a tax or information return or other tax filing, including one that records, transmits, transfers, or organizes data related to such filing; or

''(2) is a method, apparatus, technology, computer program product, or system used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor.

''(d) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to imply that other business methods are patentable or that other business method patents are valid.

''(e) EFFECTIVE DATE; APPLICABILITY.—This section shall take effect on the date of the enactment of this Act [Sept. 16, 2011] and shall apply to any patent application that is pending on, or filed on or after, that date, and to any patent that is issued on or after that date.''

EMERGENCY RELIEF FROM POSTAL SITUATION AFFECTING PATENT CASES

Relief as to filing date of patent application or patent affected by postal situation beginning on Mar. 18, 1970, and ending on or about Mar. 30, 1970, but patents issued with earlier filing dates not effective as prior art under subsec. (e) of this section as of such earlier filing dates, see section 1(a) of Pub. L. 92–34, formerly set out in a note under section 111 of this title.

§ 103. Conditions for patentability; non-obvious subject matter

A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.

(July 19, 1952, ch. 950, 66 Stat. 798; Pub. L. 98–622, title I, § 103, Nov. 8, 1984, 98 Stat. 3384; Pub. L. 104–41, § 1, Nov. 1, 1995, 109 Stat. 351; Pub. L.

1975—Par. (e). Pub. L. 94–131 inserted provision for nonentitlement to a patent where the invention was described in a patent granted on an international application by another who has fulfilled the requirements of pars. (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent.

1972—Subsec. (d). Pub. L. 92–358 inserted reference to inventions that were the subject of an inventors' certificate.

EFFECTIVE DATE OF 2012 AMENDMENT

Amendment by Pub. L. 112–211 effective on the later of the date that is 1 year after Dec. 18, 2012, or the date that the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs enters into force with respect to the United States, and applicable only to certain applications filed on and after that effective date and patents issuing thereon, with certain exceptions, see section 103 of Pub. L. 112–211, set out as a note under section 100 of this title.

EFFECTIVE DATE OF 2011 AMENDMENT

Amendment by Pub. L. 112–29 effective upon the expiration of the 18-month period beginning on Sept. 16, 2011, and applicable to certain applications for patent and any patents issuing thereon, see section 3(n) of Pub. L. 112–29, set out as an Effective Date of 2011 Amendment; Savings Provisions note under section 100 of this title.

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Pub. L. 92–358, § 3(b), July 28, 1972, 86 Stat. 502, provided that: ''Section 2 of this Act [amending this section] shall take effect six months from the date when Articles 1 to 12 of the Paris Convention of March 20, 1883, for the Protection of Industrial Property, as revised at Stockholm, July 14, 1967, come into force with respect to the United States [Aug. 25, 1973] and shall apply to applications thereafter filed in the United States.''

SAVINGS PROVISIONS

Provisions of former subsec. (g) of this section, as in effect on the day before the expiration of the 18-month period beginning on Sept. 16, 2011, apply to each claim of certain applications for patent, and certain patents issued thereon, for which the amendments made by section 3 of Pub. L. 112–29 also apply, see section 3(n)(2) of Pub. L. 112–29, set out as an Effective Date of 2011 Amendment; Savings Provisions note under section 100 of this title.

CONTINUITY OF INTENT UNDER THE CREATE ACT

Pub. L. 112–29, § 3(b)(2), Sept. 16, 2011, 125 Stat. 287, provided that: ''The enactment of section 102(c) of title 35, United States Code, under paragraph (1) of this subsection is done with the same intent to promote joint research activities that was expressed, including in the legislative history, through the enactment of the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108–453; the 'CREATE Act') [see Short Title of 2004 Amendment note set out under section 1 of this title], the amendments of which are stricken by subsection (c) of this section [amending section 103 of this title]. The United States Patent and Trademark Office shall administer section 102(c) of title 35, United States Code, in a manner consistent with the legislative history of the CREATE Act that was relevant to its administration by the United States Patent and Trademark Office.''

TAX STRATEGIES DEEMED WITHIN THE PRIOR ART

Pub. L. 112–29, § 14, Sept. 16, 2011, 125 Stat. 327, provided that:

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''(b) DEFINITION.—For purposes of this section, the term 'tax liability' refers to any liability for a tax under any Federal, State, or local law, or the law of any foreign jurisdiction, including any statute, rule, regulation, or ordinance that levies, imposes, or assesses such tax liability.

''(c) EXCLUSIONS.—This section does not apply to that part of an invention that—

''(1) is a method, apparatus, technology, computer program product, or system, that is used solely for preparing a tax or information return or other tax filing, including one that records, transmits, transfers, or organizes data related to such filing; or

''(2) is a method, apparatus, technology, computer program product, or system used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor.

''(d) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to imply that other business methods are patentable or that other business method patents are valid.

''(e) EFFECTIVE DATE; APPLICABILITY.—This section shall take effect on the date of the enactment of this Act [Sept. 16, 2011] and shall apply to any patent application that is pending on, or filed on or after, that date, and to any patent that is issued on or after that date.''

EMERGENCY RELIEF FROM POSTAL SITUATION AFFECTING PATENT CASES

Relief as to filing date of patent application or patent affected by postal situation beginning on Mar. 18, 1970, and ending on or about Mar. 30, 1970, but patents issued with earlier filing dates not effective as prior art under subsec. (e) of this section as of such earlier filing dates, see section 1(a) of Pub. L. 92–34, formerly set out in a note under section 111 of this title.

§ 103. Conditions for patentability; non-obvious subject matter

A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.

(July 19, 1952, ch. 950, 66 Stat. 798; Pub. L. 98–622, title I, § 103, Nov. 8, 1984, 98 Stat. 3384; Pub. L. 104–41, § 1, Nov. 1, 1995, 109 Stat. 351; Pub. L.

106–113, div. B, § 1000(a)(9) [title IV, § 4807(a)], Nov. 29, 1999, 113 Stat. 1536, 1501A–591; Pub. L. 108–453, § 2, Dec. 10, 2004, 118 Stat. 3596; Pub. L. 112–29, §§ 3(c), 20(j), Sept. 16, 2011, 125 Stat. 287, 335.)

Historical and Revision Notes

There is no provision corresponding to the first sentence explicitly stated in the present statutes, but the refusal of patents by the Patent Office, and the holding of patents invalid by the courts, on the ground of lack of invention or lack of patentable novelty has been followed since at least as early as 1850. This paragraph is added with the view that an explicit statement in the statute may have some stabilizing effect, and also to serve as a basis for the addition at a later time of some criteria which may be worked out.

The second sentence states that patentability as to this requirement is not to be negatived by the manner in which the invention was made, that is, it is immaterial whether it resulted from long toil and experimentation or from a flash of genius.

Amendments

2011—Pub. L. 112–29, § 3(c), amended section generally. Prior to amendment, section consisted of subsecs. (a) to (c) and related to conditions for patentability; non-obvious subject matter.

Subsecs. (a), (c)(1). Pub. L. 112–29, § 20(j), struck out ''of this title'' after ''102''.

2004—Subsec. (c). Pub. L. 108–453 amended subsec. (c) generally. Prior to amendment, subsec. (c) read as follows: ''Subject matter developed by another person, which qualifies as prior art only under one or more of subsections (e), (f), and (g) of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the invention was made, owned by the same person or subject to an obligation of assignment to the same person.''

1999—Subsec. (c). Pub. L. 106–113 substituted ''one or more of subsections (e), (f), and (g)'' for ''subsection (f) or (g)''.

1995—Pub. L. 104–41 designated first and second pars. as subsecs. (a) and (c), respectively, and added subsec. (b).

1984—Pub. L. 98–622 inserted ''Subject matter developed by another person, which qualifies as prior art only under subsection (f) or (g) of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the invention was made, owned by the same person or subject to an obligation of assignment to the same person.''

Effective Date of 2011 Amendment

Amendment by section 3(c) of Pub. L. 112–29 effective upon the expiration of the 18-month period beginning on Sept. 16, 2011, and applicable to certain applications for patent and any patents issuing thereon, see section 3(n) of Pub. L. 112–29, set out as an Effective Date of 2011 Amendment; Savings Provisions note under section 100 of this title.

Amendment by section 20(j) of Pub. L. 112–29 effective upon the expiration of the 1-year period beginning on Sept. 16, 2011, and applicable to proceedings commenced on or after that effective date, see section 20(*l*) of Pub. L. 112–29, set out as a note under section 2 of this title.

Effective Date of 2004 Amendment

Pub. L. 108–453, § 3, Dec. 10, 2004, 118 Stat. 3596, provided that:

''(a) In General.—The amendments made by this Act [amending this section] shall apply to any patent granted on or after the date of the enactment of this Act [Dec. 10, 2004].

''(b) Special Rule.—The amendments made by this Act shall not affect any final decision of a court or the United States Patent and Trademark Office rendered before the date of the enactment of this Act, and shall not affect the right of any party in any action pending before the United States Patent and Trademark Office or a court on the date of the enactment of this Act to have that party's rights determined on the basis of the provisions of title 35, United States Code, in effect on the day before the date of the enactment of this Act.''

Effective Date of 1999 Amendment

Pub. L. 106–113, div. B, § 1000(a)(9) [title IV, § 4807(b)], Nov. 29, 1999, 113 Stat. 1536, 1501A–591, provided that: ''The amendment made by this section [amending this section] shall apply to any application for patent filed on or after the date of the enactment of this Act [Nov. 29, 1999].''

Effective Date of 1995 Amendment

Pub. L. 104–41, § 3, Nov. 1, 1995, 109 Stat. 352, provided that: ''The amendments made by section 1 [amending this section] shall apply to any application for patent filed on or after the date of enactment of this Act [Nov. 1, 1995] and to any application for patent pending on such date of enactment, including (in either case) an application for the reissuance of a patent.''

Effective Date of 1984 Amendment

Pub. L. 98–622, title I, § 106, Nov. 8, 1984, 98 Stat. 3385, provided that:

''(a) Subject to subsections (b), (c), (d), and (e) of this section, the amendments made by this Act [probably should be ''this title'', meaning title I of Pub. L. 98–622, enacting section 157 of this title, amending this section and sections 116, 120, 135, and 271 of this title, and enacting a provision set out as a note under section 157 of this title] shall apply to all United States patents granted before, on, or after the date of enactment of this Act [Nov. 8, 1984], and to all applications for United States patents pending on or filed after the date of enactment.

''(b) The amendments made by this Act shall not affect any final decision made by the court or the Patent and Trademark Office before the date of enactment of this Act [Nov. 8, 1984], with respect to a patent or application for patent, if no appeal from such decision is pending and the time for filing an appeal has expired.

''(c) Section 271(f) of title 35, United States Code, added by section 101 of this Act shall apply only to the supplying, or causing to be supplied, of any component or components of a patented invention after the date of enactment of this Act [Nov. 8, 1984].

''(d) No United States patent granted before the date of enactment of this Act [Nov. 8, 1984] shall abridge or affect the right of any person or his successors in business who made, purchased, or used prior to such effective date anything protected by the patent, to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased, or used, if the patent claims were invalid or otherwise unenforceable on a ground obviated by section 103 or 104 of this Act [amending this section and sections 116 and 120 of this title] and the person made, purchased, or used the specific thing in reasonable reliance on such invalidity or unenforceability. If a person reasonably relied on such invalidity or unenforceability, the court before which such matter is in question may provide for the continued manufacture, use, or sale of the thing made, purchased, or used as specified, or for the manufacture, use, or sale of which substantial preparation was made before the date of enactment of this Act, and it may also provide for the continued practice of any process practiced, or for the practice of which substantial preparation was made, prior to the date of enactment, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the date of enactment.

''(e) The amendments made by this Act shall not affect the right of any party in any case pending in court on the date of enactment [Nov. 8, 1984] to have their rights determined on the basis of the substantive law in effect prior to the date of enactment.''

[§ 104. Repealed. Pub. L. 112–29, § 3(d), Sept. 16, 2011, 125 Stat. 287]

Section, act July 19, 1952, ch. 950, 66 Stat. 798; Pub. L. 93–596, § 1, Jan. 2, 1975, 88 Stat. 1949; Pub. L. 94–131, § 6, Nov. 14, 1975, 89 Stat. 691; Pub. L. 98–622, title IV, § 403(a), Nov. 8, 1984, 98 Stat. 3392; Pub. L. 103–182, title III, § 331, Dec. 8, 1993, 107 Stat. 2113; Pub. L. 103–465, title V, § 531(a), Dec. 8, 1994, 108 Stat. 4982; Pub. L. 106–113, div. B, § 1000(a)(9) [title IV, § 4732(a)(10)(A)], Nov. 29, 1999, 113 Stat. 1536, 1501A–582; Pub. L. 107–273, div. C, title III, § 13206(b)(1)(B), Nov. 2, 2002, 116 Stat. 1906; Pub. L. 112–29, § 20(j), Sept. 16, 2011, 125 Stat. 335, related to inventions made abroad.

EFFECTIVE DATE OF REPEAL

Repeal effective upon the expiration of the 18-month period beginning on Sept. 16, 2011, and applicable to certain applications for patent and any patents issuing thereon, see section 3(n) of Pub. L. 112–29, set out as an Effective Date of 2011 Amendment; Savings Provisions note under section 100 of this title.

§ 105. Inventions in outer space

(a) Any invention made, used or sold in outer space on a space object or component thereof under the jurisdiction or control of the United States shall be considered to be made, used or sold within the United States for the purposes of this title, except with respect to any space object or component thereof that is specifically identified and otherwise provided for by an international agreement to which the United States is a party, or with respect to any space object or component thereof that is carried on the registry of a foreign state in accordance with the Convention on Registration of Objects Launched into Outer Space.

(b) Any invention made, used or sold in outer space on a space object or component thereof that is carried on the registry of a foreign state in accordance with the Convention on Registration of Objects Launched into Outer Space, shall be considered to be made, used or sold within the United States for the purposes of this title if specifically so agreed in an international agreement between the United States and the state of registry.

(Added Pub. L. 101–580, § 1(a), Nov. 15, 1990, 104 Stat. 2863.)

EFFECTIVE DATE; SPECIAL RULES

Pub. L. 101–580, § 2, Nov. 15, 1990, 104 Stat. 2863, provided that:

''(a) EFFECTIVE DATE.—Subject to subsections (b), (c), and (d) of this section, the amendments made by the first section of this Act [enacting this section] shall apply to all United States patents granted before, on, or after the date of enactment of this Act [Nov. 15, 1990], and to all applications for United States patents pending on or filed on or after such date of enactment.

''(b) FINAL DECISIONS.—The amendments made by the first section of this Act [enacting this section] shall not affect any final decision made by a court or the Patent and Trademark Office before the date of enactment of this Act [Nov. 15, 1990] with respect to a patent or an application for a patent, if no appeal from such decision is pending and the time for filing an appeal has expired.

''(c) PENDING CASES.—The amendments made by the first section of this Act [enacting this section] shall not affect the right of any party in any case pending in a court on the date of enactment of this Act [Nov. 15, 1990] to have the party's rights determined on the basis of the substantive law in effect before such date of enactment.

''(d) NON-APPLICABILITY.—The amendments made by the first section of this Act [enacting this section] shall not apply to any process, machine, article of manufacture, or composition of matter, an embodiment of which was launched prior to the date of enactment of this Act [Nov. 15, 1990].''

CHAPTER 11—APPLICATION FOR PATENT

AMENDMENTS

2011—Pub. L. 112–29, § 10(g)(2), Sept. 16, 2011, 125 Stat. 319, which directed adding item 123 at the end of this chapter, was executed by adding the item at the end of the table of sections of this chapter, to reflect the probable intent of Congress.

Pub. L. 112–29, § 4(a)(4), Sept. 16, 2011, 125 Stat. 296, amended item 115 generally, substituting ''Inventor's oath or declaration'' for ''Oath of applicant''.

2002—Pub. L. 107–273, div. C, title III, § 13206(a)(7), Nov. 2, 2002, 116 Stat. 1904, substituted ''Inventors'' for ''Joint inventors'' in item 116.

1999—Pub. L. 106–113, div. B, § 1000(a)(9) [title IV, § 4507(5)], Nov. 29, 1999, 113 Stat. 1536, 1501A–566, inserted ''; publication of patent applications'' after ''applications'' in item 122.

1994—Pub. L. 103–465, title V, § 532(c)(6), Dec. 8, 1994, 108 Stat. 4987, substituted ''Application'' for ''Application for patent'' in item 111 and ''Benefit of earlier filing date; right of priority'' for ''Benefit of earlier filing date in foreign country; right of priority'' in item 119.

§ 111. Application

(a) IN GENERAL.—

(1) WRITTEN APPLICATION.—An application for patent shall be made, or authorized to be made, by the inventor, except as otherwise provided in this title, in writing to the Director.

(2) CONTENTS.—Such application shall include—

(A) a specification as prescribed by section 112;

(B) a drawing as prescribed by section 113; and

(C) an oath or declaration as prescribed by section 115.

(3) FEE AND OATH OR DECLARATION.—The application must be accompanied by the fee required by law. The fee and oath or declaration may be submitted after the specification and any required drawing are submitted, within such period and under such conditions, including the payment of a surcharge, as may be prescribed by the Director.

(4) FAILURE TO SUBMIT.—Upon failure to submit the fee and oath or declaration within

any document related thereto upon request, and may require a fee therefor.'' at end of first par. and substituted ''An interest that constitutes an assignment'' for ''An assignment'' in fourth par.

1982—Pub. L. 97–247 inserted '', or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States''.

1975—Pub. L. 93–596 substituted ''Patent and Trademark Office'' for ''Patent Office''.

EFFECTIVE DATE OF 2012 AMENDMENT

Amendment by Pub. L. 112–211 effective on the date that is 1 year after Dec. 18, 2012, applicable to patents issued before, on, or after that effective date and patent applications pending on or filed after that effective date, and not effective with respect to patents in litigation commenced before that effective date, see section 203 of Pub. L. 112–211, set out as an Effective Date note under section 27 of this title.

EFFECTIVE DATE OF 1982 AMENDMENT

Amendment by Pub. L. 97–247 effective Aug. 27, 1982, see section 17(a) of Pub. L. 97–247, set out as a note under section 41 of this title.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93–596 effective Jan. 2, 1975, see section 4 of Pub. L. 93–596, set out as a note under section 1111 of Title 15, Commerce and Trade.

§ 262. Joint owners

In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other owners.

(July 19, 1952, ch. 950, 66 Stat. 810; Pub. L. 103–465, title V, § 533(b)(3), Dec. 8, 1994, 108 Stat. 4989.)

HISTORICAL AND REVISION NOTES

This section states a condition in existing law not expressed in the existing statutes.

AMENDMENTS

1994—Pub. L. 103–465 substituted ''use, offer to sell, or sell'' for ''use or sell'' and inserted ''within the United States, or import the patented invention into the United States,'' after ''invention''.

EFFECTIVE DATE OF 1994 AMENDMENT

Amendment by Pub. L. 103–465 effective on date that is one year after date on which the WTO Agreement enters into force with respect to the United States [Jan. 1, 1995], with provisions relating to earliest filed patent application, see section 534(a), (b)(3) of Pub. L. 103–465, set out as a note under section 154 of this title.

CHAPTER 27—GOVERNMENT INTERESTS IN PATENTS

AMENDMENTS

1965—Pub. L. 89–83, §8, July 24, 1965, 79 Stat. 261, struck out item 266 ''Issue of patents without fees to Government employees''.

[§ 266. Repealed. Pub. L. 89–83, § 8, July 24, 1965, 79 Stat. 261]

Section, act July 19, 1952, ch. 950, §1, 66 Stat. 811, provided for issuance of patents to government employees without fees.

EFFECTIVE DATE OF REPEAL

Repeal effective three months after July 24, 1965, see section 7(a) of Pub. L. 89–83, set out as an Effective Date of 1965 Amendment note under section 41 of this title.

§ 267. Time for taking action in Government applications

Notwithstanding the provisions of sections 133 and 151, the Director may extend the time for taking any action to three years, when an application has become the property of the United States and the head of the appropriate department or agency of the Government has certified to the Director that the invention disclosed therein is important to the armament or defense of the United States.

(July 19, 1952, ch. 950, 66 Stat. 811; Pub. L. 106–113, div. B, § 1000(a)(9) [title IV, § 4732(a)(10)(A)], Nov. 29, 1999, 113 Stat. 1536, 1501A–582; Pub. L. 107–273, div. C, title III, § 13206(b)(1)(B), Nov. 2, 2002, 116 Stat. 1906; Pub. L. 112–29, § 20(j), Sept. 16, 2011, 125 Stat. 335.)

HISTORICAL AND REVISION NOTES

Based on Title 35, U.S.C., 1946 ed., §37 (R.S. 4894, amended (1) Mar. 3, 1897, ch. 391, §4, 29 Stat. 692, 693, (2) July 6, 1916, ch. 225, §1, 39 Stat. 345, 347–8, (3) Mar. 2, 1927, ch. 273, §1, 44 Stat. 1335, (4) Aug. 7, 1939, ch. 568, 53 Stat. 1264).

This provision, which appears as the last two sentences of the corresponding section of the present statute (see note to section 133) is made a separate section and rewritten in simpler form.

AMENDMENTS

2011—Pub. L. 112–29 struck out ''of this title'' after ''151''.

2002—Pub. L. 107–273 made technical correction to directory language of Pub. L. 106–113. See 1999 Amendment note below.

1999—Pub. L. 106–113, as amended by Pub. L. 107–273, substituted ''Director'' for ''Commissioner'' in two places.

EFFECTIVE DATE OF 2011 AMENDMENT

Amendment by section 20(j) of Pub. L. 112–29 effective upon the expiration of the 1-year period beginning on Sept. 16, 2011, and applicable to proceedings commenced on or after that effective date, see section 20(*l*) of Pub. L. 112–29, set out as a note under section 2 of this title.

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106–113 effective 4 months after Nov. 29, 1999, see section 1000(a)(9) [title IV, §4731] of Pub. L. 106–113, set out as a note under section 1 of this title.

CHAPTER 28—INFRINGEMENT OF PATENTS

AMENDMENTS

2011—Pub. L. 112–29, §5(b), Sept. 16, 2011, 125 Stat. 299, amended item 273 generally, substituting ''Defense to infringement based on prior commercial use'' for ''Defense to infringement based on earlier inventor''.

1999—Pub. L. 106–113, div. B, §1000(a)(9) [title IV, §4302(b)], Nov. 29, 1999, 113 Stat. 1536, 1501A–557, added item 273.

§ 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

(e)(1) It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.

(2) It shall be an act of infringement to submit—

(A) an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent,

(B) an application under section 512 of such Act or under the Act of March 4, 1913 (21 U.S.C. 151–158) for a drug or veterinary biological product which is not primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques and which is claimed in a patent or the use of which is claimed in a patent, or

(C)(i) with respect to a patent that is identified in the list of patents described in section 351(*l*)(3) of the Public Health Service Act (including as provided under section 351(*l*)(7) of such Act), an application seeking approval of a biological product, or

(ii) if the applicant for the application fails to provide the application and information required under section 351(*l*)(2)(A) of such Act, an application seeking approval of a biological product for a patent that could be identified pursuant to section 351(*l*)(3)(A)(i) of such Act,

if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug, veterinary biological product, or biological product claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.

(3) In any action for patent infringement brought under this section, no injunctive or other relief may be granted which would prohibit the making, using, offering to sell, or selling within the United States or importing into the United States of a patented invention under paragraph (1).

(4) For an act of infringement described in paragraph (2)—

(A) the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed,

(B) injunctive relief may be granted against an infringer to prevent the commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug, veterinary biological product, or biological product,

(C) damages or other monetary relief may be awarded against an infringer only if there has been commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug, veterinary biological product, or biological product, and

(D) the court shall order a permanent injunction prohibiting any infringement of the patent by the biological product involved in the infringement until a date which is not earlier than the date of the expiration of the patent that has been infringed under paragraph (2)(C), provided the patent is the subject of a final court decision, as defined in section 351(k)(6) of the Public Health Service Act, in an action for infringement of the patent under section 351(*l*)(6) of such Act, and the biological product has not yet been approved because of section 351(k)(7) of such Act.

The remedies prescribed by subparagraphs (A), (B), (C), and (D) are the only remedies which may be granted by a court for an act of infringement described in paragraph (2), except that a court may award attorney fees under section 285.

(5) Where a person has filed an application described in paragraph (2) that includes a certification under subsection (b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) of section 505 of the Federal

Food, Drug, and Cosmetic Act (21 U.S.C. 355), and neither the owner of the patent that is the subject of the certification nor the holder of the approved application under subsection (b) of such section for the drug that is claimed by the patent or a use of which is claimed by the patent brought an action for infringement of such patent before the expiration of 45 days after the date on which the notice given under subsection (b)(3) or (j)(2)(B) of such section was received, the courts of the United States shall, to the extent consistent with the Constitution, have subject matter jurisdiction in any action brought by such person under section 2201 of title 28 for a declaratory judgment that such patent is invalid or not infringed.

(6)(A) Subparagraph (B) applies, in lieu of paragraph (4), in the case of a patent—

(i) that is identified, as applicable, in the list of patents described in section 351(*l*)(4) of the Public Health Service Act or the lists of patents described in section 351(*l*)(5)(B) of such Act with respect to a biological product; and

(ii) for which an action for infringement of the patent with respect to the biological product—

(I) was brought after the expiration of the 30-day period described in subparagraph (A) or (B), as applicable, of section 351(*l*)(6) of such Act; or

(II) was brought before the expiration of the 30-day period described in subclause (I), but which was dismissed without prejudice or was not prosecuted to judgment in good faith.

(B) In an action for infringement of a patent described in subparagraph (A), the sole and exclusive remedy that may be granted by a court, upon a finding that the making, using, offering to sell, selling, or importation into the United States of the biological product that is the subject of the action infringed the patent, shall be a reasonable royalty.

(C) The owner of a patent that should have been included in the list described in section 351(*l*)(3)(A) of the Public Health Service Act, including as provided under section 351(*l*)(7) of such Act for a biological product, but was not timely included in such list, may not bring an action under this section for infringement of the patent with respect to the biological product.

(f)(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(g) Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell, or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after—

(1) it is materially changed by subsequent processes; or

(2) it becomes a trivial and nonessential component of another product.

(h) As used in this section, the term ''whoever'' includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(i) As used in this section, an ''offer for sale'' or an ''offer to sell'' by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent.

(July 19, 1952, ch. 950, 66 Stat. 811; Pub. L. 98–417, title II, §202, Sept. 24, 1984, 98 Stat. 1603; Pub. L. 98–622, title I, §101(a), Nov. 8, 1984, 98 Stat. 3383; Pub. L. 100–418, title IX, §9003, Aug. 23, 1988, 102 Stat. 1563; Pub. L. 100–670, title II, §201(i), Nov. 16, 1988, 102 Stat. 3988; Pub. L. 100–703, title II, §201, Nov. 19, 1988, 102 Stat. 4676; Pub. L. 102–560, §2(a)(1), Oct. 28, 1992, 106 Stat. 4230; Pub. L. 103–465, title V, §533(a), Dec. 8, 1994, 108 Stat. 4988; Pub. L. 108–173, title XI, §1101(d), Dec. 8, 2003, 117 Stat. 2457; Pub. L. 111–148, title VII, §7002(c)(1), Mar. 23, 2010, 124 Stat. 815.)

Historical and Revision Notes

The first paragraph of this section is declaratory only, defining infringement.

Paragraphs (b) and (c) define and limit contributory infringement of a patent and paragraph (d) is ancillary to these paragraphs, see preliminary general description of bill. One who actively induces infringement as by aiding and abetting the same is liable as an infringer, and so is one who sells a component part of a patented invention or material or apparatus for use therein knowing the same to be especially made or especially adapted for use in the infringement of the patent except in the case of a staple article or commodity of commerce having other uses. A patentee is not deemed to have misused his patent solely by reason of doing anything authorized by the section.

References in Text

The Federal Food, Drug, and Cosmetic Act, referred to in subsec. (e)(1), (2), is act June 25, 1938, ch. 675, 52 Stat. 1040, which is classified generally to chapter 9

(§ 301 et seq.) of Title 21, Food and Drugs. Sections 505 and 512 of the Act are classified to sections 355 and 360b, respectively, of Title 21. For complete classification of this Act to the Code, see section 301 of Title 21 and Tables.

Act of March 4, 1913, referred to in subsec. (e)(1), (2), is act Mar. 4, 1913, ch. 145, 37 Stat. 828. The provisions of such act relating to viruses, etc., applicable to domestic animals, popularly known as the Virus-Serum-Toxin Act, are contained in the eighth paragraph under the heading ''Bureau of Animal Industry'' of act Mar. 4, 1913, at 37 Stat. 832, and are classified generally to chapter 5 (§ 151 et seq.) of Title 21, Food and Drugs. For complete classification of this Act to the Code, see Short Title note set out under section 151 of Title 21 and Tables.

Section 351 of the Public Health Service Act, referred to in subsec. (e)(2)(C), (4)(D), (6)(A), (C), is classified to section 262 of Title 42, The Public Health and Welfare.

AMENDMENTS

2010—Subsec. (e)(2). Pub. L. 111–148, § 7002(c)(1)(A)(iv), substituted '', veterinary biological product, or biological product'' for ''or veterinary biological product'' in concluding provisions.

Subsec. (e)(2)(C). Pub. L. 111–148, § 7002(c)(1)(A)(i)–(iii), added subpar. (C).

Subsec. (e)(4). Pub. L. 111–148, § 7002(c)(1)(B)(iv), substituted ''(C), and (D)'' for ''and (C)'' in concluding provisions.

Subsec. (e)(4)(B). Pub. L. 111–148, § 7002(c)(1)(B)(i), substituted '', veterinary biological product, or biological product'' for ''or veterinary biological product'' and struck out ''and'' at end.

Subsec. (e)(4)(C). Pub. L. 111–148, § 7002(c)(1)(B)(ii), substituted '', veterinary biological product, or biological product'' for ''or veterinary biological product'' and '', and'' for period at end.

Subsec. (e)(4)(D). Pub. L. 111–148, § 7002(c)(1)(B)(iii), added subpar. (D).

Subsec. (e)(6). Pub. L. 111–148, § 7002(c)(1)(C), added par. (6).

2003—Subsec. (e)(5). Pub. L. 108–173 added par. (5).

1994—Subsec. (a). Pub. L. 103–465, § 533(a)(1), inserted '', offers to sell,'' after ''uses'' and ''or imports into the United States any patented invention'' after ''the United States''.

Subsec. (c). Pub. L. 103–465, § 533(a)(2), substituted ''offers to sell or sells within the United States or imports into the United States'' for ''sells''.

Subsec. (e)(1). Pub. L. 103–465, § 533(a)(3)(A), substituted ''offer to sell, or sell within the United States or import into the United States'' for ''or sell''.

Subsec. (e)(3). Pub. L. 103–465, § 533(a)(3)(B), substituted ''offering to sell, or selling within the United States or importing into the United States'' for ''or selling''.

Subsec. (e)(4)(B), (C). Pub. L. 103–465, § 533(a)(3)(C), (D), substituted ''offer to sell, or sale within the United States or importation into the United States'' for ''or sale''.

Subsec. (g). Pub. L. 103–465, § 533(a)(4), substituted ''offers to sell, sells,'' for ''sells'', ''importation, offer to sell, sale,'' for ''importation, sale,'', and ''other use, offer to sell, or'' for ''other use or''.

Subsec. (i). Pub. L. 103–465, § 533(a)(5), added subsec. (i).

1992—Subsec. (h). Pub. L. 102–560 added subsec. (h).

1988—Subsec. (d). Pub. L. 100–703 added cls. (4) and (5).

Subsec. (e)(1). Pub. L. 100–670, § 201(i)(1), inserted ''which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques'' after ''March 4, 1913)'' and ''or veterinary biological products'' after ''sale of drugs''.

Subsec. (e)(2). Pub. L. 100–670, § 201(i)(2), amended par. (2) generally. Prior to amendment, par. (2) read as follows: ''It shall be an act of infringement to submit an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent, if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.''

Subsec. (e)(4). Pub. L. 100–670, § 201(i)(3), inserted ''or veterinary biological product'' after ''drug'' in subpars. (A) to (C).

Subsec. (g). Pub. L. 100–418 added subsec. (g).

1984—Subsec. (e). Pub. L. 98–417 added subsec. (e).

Subsec. (f). Pub. L. 98–622 added subsec. (f).

EFFECTIVE DATE OF 1994 AMENDMENT

Amendment by Pub. L. 103–465 effective on date that is one year after date on which the WTO Agreement enters into force with respect to the United States [Jan. 1, 1995], with provisions relating to earliest filed patent application, see section 534(a), (b)(3) of Pub. L. 103–465, set out as a note under section 154 of this title.

EFFECTIVE DATE OF 1992 AMENDMENT

Amendment by Pub. L. 102–560 effective with respect to violations that occur on or after Oct. 28, 1992, see section 4 of Pub. L. 102–560, set out as a note under section 2541 of Title 7, Agriculture.

EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 100–703, title II, § 202, Nov. 19, 1988, 102 Stat. 4676, provided that: ''The amendment made by this title [amending this section] shall apply only to cases filed on or after the date of the enactment of this Act [Nov. 19, 1988].''

Pub. L. 100–418, title IX, § 9006, Aug. 23, 1988, 102 Stat. 1566, provided that:

''(a) IN GENERAL.—The amendments made by this subtitle [subtitle A (§§ 9001–9007) of title IX of Pub. L. 100–418, enacting section 295 of this title and amending this section and sections 154 and 287 of this title] take effect 6 months after the date of enactment of this Act [Aug. 23, 1988] and, subject to subsections (b) and (c), shall apply only with respect to products made or imported after the effective date of the amendments made by this subtitle.

''(b) EXCEPTIONS.—The amendments made by this subtitle shall not abridge or affect the right of any person or any successor in business of such person to continue to use, sell, or import any specific product already in substantial and continuous sale or use by such person in the United States on January 1, 1988, or for which substantial preparation by such person for such sale or use was made before such date, to the extent equitable for the protection of commercial investments made or business commenced in the United States before such date. This subsection shall not apply to any person or any successor in business of such person using, selling, or importing a product produced by a patented process that is the subject of a process patent enforcement action commenced before January 1, 1987, before the International Trade Commission, that is pending or in which an order has been entered.

''(c) RETENTION OF OTHER REMEDIES.—The amendments made by this subtitle shall not deprive a patent owner of any remedies available under subsections (a) through (f) of section 271 of title 35, United States Code, under section 337 of the Tariff Act of 1930 [19 U.S.C. 1337], or under any other provision of law.''

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98–622 applicable only to the supplying, or causing to be supplied, of any component or components of a patented invention after Nov. 8, 1984, see section 106(c) of Pub. L. 98–622, set out as a note under section 103 of this title.

REPORTS TO CONGRESS; EFFECT ON DOMESTIC INDUSTRIES OF PROCESS PATENT AMENDMENTS ACT OF 1988

Pub. L. 100–418, title IX, § 9007, Aug. 23, 1988, 102 Stat. 1567, provided that the Secretary of Commerce was to make annual reports to Congress covering each of the successive five 1-year periods beginning 6 months after Aug. 23, 1988, on the effect of the amendments made by subtitle A (§§ 9001–9007) of title IX of Pub. L. 100–418, enacting section 295 of this title and amending sections 154, 271, and 287 of this title, on those domestic industries that submit complaints to the Department of Commerce alleging that their legitimate sources of supply have been adversely affected by the amendments.

§ 272. Temporary presence in the United States

The use of any invention in any vessel, aircraft or vehicle of any country which affords similar privileges to vessels, aircraft or vehicles of the United States, entering the United States temporarily or accidentally, shall not constitute infringement of any patent, if the invention is used exclusively for the needs of the vessel, aircraft or vehicle and is not offered for sale or sold in or used for the manufacture of anything to be sold in or exported from the United States.

(July 19, 1952, ch. 950, 66 Stat. 812; Pub. L. 103–465, title V, § 533(b)(4), Dec. 8, 1994, 108 Stat. 4989.)

Historical and Revision Notes

This section follows the requirement of the International Convention for the Protection of Industrial Property, to which the United States is a party, and also codifies the holding of the Supreme Court that use of a patented invention on board a foreign ship does not infringe a patent.

Amendments

1994—Pub. L. 103–465 substituted ''not offered for sale or sold'' for ''not sold''.

Effective Date of 1994 Amendment

Amendment by Pub. L. 103–465 effective on date that is one year after date on which the WTO Agreement enters into force with respect to the United States [Jan. 1, 1995], with provisions relating to earliest filed patent application, see section 534(a), (b)(3) of Pub. L. 103–465, set out as a note under section 154 of this title.

§ 273. Defense to infringement based on prior commercial use

(a) In General.—A person shall be entitled to a defense under section 282(b) with respect to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process, that would otherwise infringe a claimed invention being asserted against the person if—

(1) such person, acting in good faith, commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use; and

(2) such commercial use occurred at least 1 year before the earlier of either—

(A) the effective filing date of the claimed invention; or

(B) the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under section 102(b).

(b) Burden of Proof.—A person asserting a defense under this section shall have the burden of establishing the defense by clear and convincing evidence.

(c) Additional Commercial Uses.—

(1) Premarketing regulatory review.—Subject matter for which commercial marketing or use is subject to a premarketing regulatory review period during which the safety or efficacy of the subject matter is established, including any period specified in section 156(g), shall be deemed to be commercially used for purposes of subsection (a)(1) during such regulatory review period.

(2) Nonprofit laboratory use.—A use of subject matter by a nonprofit research laboratory or other nonprofit entity, such as a university or hospital, for which the public is the intended beneficiary, shall be deemed to be a commercial use for purposes of subsection (a)(1), except that a defense under this section may be asserted pursuant to this paragraph only for continued and noncommercial use by and in the laboratory or other nonprofit entity.

(d) Exhaustion of Rights.—Notwithstanding subsection (e)(1), the sale or other disposition of a useful end result by a person entitled to assert a defense under this section in connection with a patent with respect to that useful end result shall exhaust the patent owner's rights under the patent to the extent that such rights would have been exhausted had such sale or other disposition been made by the patent owner.

(e) Limitations and Exceptions.—

(1) Personal defense.—

(A) In general.—A defense under this section may be asserted only by the person who performed or directed the performance of the commercial use described in subsection (a), or by an entity that controls, is controlled by, or is under common control with such person.

(B) Transfer of right.—Except for any transfer to the patent owner, the right to assert a defense under this section shall not be licensed or assigned or transferred to another person except as an ancillary and subordinate part of a good-faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates.

(C) Restriction on sites.—A defense under this section, when acquired by a person as part of an assignment or transfer described in subparagraph (B), may only be asserted for uses at sites where the subject matter that would otherwise infringe a claimed invention is in use before the later of the effective filing date of the claimed invention or the date of the assignment or transfer of such enterprise or line of business.

(2) Derivation.—A person may not assert a defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.

(3) Not a general license.—The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the specific subject matter for which it has been established

record as made, as the appellate court may deem proper.''

Act July 5, 1946, ch. 540, title XI, § 49, 60 Stat. 446, provided: ''Nothing herein [in this chapter] shall adversely affect the rights or the enforcement of rights in marks acquired in good faith prior to the effective date of this Act [July 5, 1947].''

EMERGENCY RELIEF FROM POSTAL SITUATION AFFECTING TRADEMARK CASES

Relief as to filing date of trademark application or registration and excusal of delayed fees or actions affected by postal situation beginning on Mar. 18, 1970, and ending on or about Mar. 30, 1970, see note set out under section 111 of Title 35, Patents.

§ 1052. Trademarks registrable on principal register; concurrent registration

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

(a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO Agreement (as defined in section 3501(9) of title 19) enters into force with respect to the United States.

(b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.

(c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That if the Director determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Director when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Director shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title, (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.

(f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made. Nothing in this section shall prevent the registration of a mark which, when used on or in connection with the goods of the applicant, is primarily geographically deceptively misdescriptive of them, and which became distinctive of the applicant's goods in commerce before December 8, 1993.

A mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be refused registration only pursuant to a proceeding brought under section 1063 of this title. A registration for a mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be canceled pursuant to a proceeding brought under either section 1064 of this title or section 1092 of this title.

(July 5, 1946, ch. 540, title I, § 2, 60 Stat. 428; Pub. L. 87–772, § 2, Oct. 9, 1962, 76 Stat. 769; Pub. L. 93–596, § 1, Jan. 2, 1975, 88 Stat. 1949; Pub. L. 100–667, title I, § 104, Nov. 16, 1988, 102 Stat. 3937; Pub. L. 103–182, title III, § 333(a), Dec. 8, 1993, 107 Stat. 2114; Pub. L. 103–465, title V, § 522, Dec. 8, 1994, 108 Stat. 4982; Pub. L. 105–330, title II, § 201(a)(2), (12), Oct. 30, 1998, 112 Stat. 3069, 3070; Pub. L. 106–43, § 2(a), Aug. 5, 1999, 113 Stat. 218; Pub. L. 106–113, div. B, § 1000(a)(9) [title IV,

§4732(b)(1)(B)], Nov. 29, 1999, 113 Stat. 1536, 1501A–583; Pub. L. 109–312, §3(a), Oct. 6, 2006, 120 Stat. 1732.)

REFERENCES IN TEXT

Acts March 3, 1881, and February 20, 1905, referred to in subsec. (d), are acts Mar. 3, 1881, ch. 138, 21 Stat. 502, and Feb. 20, 1905, ch. 592, 33 Stat. 724, which were repealed insofar as inconsistent with this chapter by act July 5, 1946, ch. 540, §46(a), 60 Stat. 444. Act Feb. 20, 1905, was classified to sections 81 to 109 of this title.

PRIOR PROVISIONS

Acts Feb. 20, 1905, ch. 592, §5, 33 Stat. 725; Mar. 2, 1907, ch. 2573, §1, 34 Stat. 1251; Feb. 18, 1911, ch. 113, 36 Stat. 918; Jan. 8, 1913, ch. 7, 37 Stat. 649; Mar. 19, 1920, ch. 104, §9, 41 Stat. 535; June 7, 1924, ch. 341, 43 Stat. 647.

AMENDMENTS

2006—Pub. L. 109–312, which directed substitution of ''A mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be refused registration only pursuant to a proceeding brought under section 1063 of this title. A registration for a mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be canceled pursuant to a proceeding brought under either section 1064 of this title or section 1092 of this title.'' for last two sentences in subsec. (f) of this section, was executed by making the substitution for ''A mark which when used would cause dilution under section 1125(c) of this title may be refused registration only pursuant to a proceeding brought under section 1063 of this title. A registration for a mark which when used would cause dilution under section 1125(c) of this title may be canceled pursuant to a proceeding brought under either section 1064 of this title or section 1092 of this title.'' in concluding provisions of section to reflect the probable intent of Congress.

1999—Pub. L. 106–43 inserted concluding provisions.

Subsecs. (d), (f). Pub. L. 106–113 substituted ''Director'' for ''Commissioner'' wherever appearing.

1998—Pub. L. 105–330, §201(a)(12), substituted ''trademark'' for ''trade-mark'' in introductory provisions.

Subsec. (e). Pub. L. 105–330, §201(a)(2)(A), struck out ''or'' before ''(4)'' and inserted '', or (5) comprises any matter that, as a whole, is functional'' before period at end.

Subsec. (f). Pub. L. 105–330, §201(a)(2)(B), substituted ''subsections (a), (b), (c), (d), (e)(3), and (e)(5)'' for ''paragraphs (a), (b), (c), (d), and (e)(3)''.

1994—Subsec. (a). Pub. L. 103–465 amended subsec. (a) generally. Prior to amendment, subsec. (a) read as follows: ''Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.''

1993—Subsec. (e). Pub. L. 103–182, §333(a)(1), amended subsec. (e) generally. Prior to amendment, subsec. (e) read as follows: ''Consists of a mark which, (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, or (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, except as indications of regional origin may be registrable under section 1054 of this title, or (3) is primarily merely a surname.''

Subsec. (f). Pub. L. 103–182, §333(a)(2), substituted ''(d), and (e)(3)'' for ''and (d)'' and inserted at end ''Nothing in this section shall prevent the registration of a mark which, when used on or in connection with the goods of the applicant, is primarily geographically deceptively misdescriptive of them, and which became distinctive of the applicant's goods in commerce before December 8, 1993.''

1988—Subsec. (d). Pub. L. 100–667, §104(1), amended subsec. (d) generally. Prior to amendment, subsec. (d) read as follows: ''Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That when the Commissioner determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (i) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; or (ii) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (iii) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods in connection with which such mark is registered to the respective persons.''

Subsec. (e). Pub. L. 100–667, §104(2), substituted ''used on or in connection with'' for ''applied to'' in two places.

Subsec. (f). Pub. L. 100–667, §104(3), substituted ''used on or in connection with'' for ''applied to'' and ''five years before the date on which the claim of distinctiveness is made'' for ''five years next preceding the date of the filing of the application for its registration''

1975—Subsec. (d). Pub. L. 93–596 substituted ''Patent and Trademark Office'' for ''Patent Office''.

1962—Subsec. (d). Pub. L. 87–772, among other changes, substituted provisions authorizing the issuance of concurrent registrations to persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to the earliest of the filing dates of the applications pending or of any registration issued under this chapter, or July 5, 1947, in the case of registrations previously issued under the act of Mar. 3, 1881, or Feb. 20, 1905, and continuing in full force and effect on that date, or July 5, 1947, in the case of applications under the act of Feb. 20, 1905, and registered after July 5, 1947, for provisions which restricted issuance of concurrent registrations to persons entitled to use such mark as a result of their concurrent lawful use thereof in commerce prior to any of the filing dates of the applications involved, and provisions directing that issuance of the mark be upon such conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used, for provisions which required issuance under conditions and limitations as to the mode or place of use of the goods in connection with which such registrations may be granted, and eliminated provisions which limited confusion, mistake, or deception to purchasers, required written notice of applications for concurrent registrations and of hearings thereon, and publication in the Official Gazette upon a decision to grant such a registration and permitted a court to order such a registration under section 4915 of the Revised Statutes.

EFFECTIVE DATE OF 1999 AMENDMENTS

Amendment by Pub. L. 106–113 effective 4 months after Nov. 29, 1999, see section 1000(a)(9) [title IV, §4731] of Pub. L. 106–113, set out as a note under section 1 of Title 35, Patents.

Pub. L. 106–43, §2(e), Aug. 5, 1999, 113 Stat. 218, provided that: ''The amendments made by this section [amending this section and sections 1063, 1064, and 1092 of this title] shall take effect on the date of enactment of this Act [Aug. 5, 1999] and shall apply only to any application for registration filed on or after January 16, 1996.''

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105–330 effective Oct. 30, 1998, and applicable only to any civil action filed or proceeding before the United States Patent and Trademark Office commenced on or after such date relating to the registration of a mark, see section 201(b) of Pub. L. 105–330, set out as a note under section 1051 of this title.

EFFECTIVE DATE OF 1994 AMENDMENT

Pub. L. 103–465, title V, § 523, Dec. 8, 1994, 108 Stat. 4982, provided that: ''The amendments made by this subtitle [subtitle B (§§ 521–523) of title V of Pub. L. 103–465, amending this section and section 1127 of this title] take effect one year after the date on which the WTO Agreement enters into force with respect to the United States [Jan. 1, 1995].''

EFFECTIVE DATE OF 1993 AMENDMENT

Pub. L. 103–182, title III, § 335, Dec. 8, 1993, 107 Stat. 2116, provided that:

''(a) IN GENERAL.—Subject to subsections (b) and (c), the amendments made by this subtitle [subtitle C (§§ 331–335) of title III of Pub. L. 103–182, enacting section 104A of Title 17, Copyrights, amending this section, section 1091 of this title, and section 104 of Title 35, Patents, and amending provisions set out as a note under section 109 of Title 17] take effect on the date the Agreement [North American Free Trade Agreement] enters into force with respect to the United States [Jan. 1, 1994].

''(b) SECTION 331.—The amendments made by section 331 [amending section 104 of Title 35] shall apply to all patent applications that are filed on or after the date of the enactment of this Act [Dec. 8, 1993]: *Provided*, That an applicant for a patent, or a patentee, may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a NAFTA country, except as provided in sections 119 and 365 of title 35, United States Code, that is earlier than the date of the enactment of this Act.

''(c) SECTION 333.—The amendments made by section 333 [amending this section and section 1091 of this title] shall apply only to trademark applications filed on or after the date of the enactment of this Act.''

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100–667 effective one year after Nov. 16, 1988, see section 136 of Pub. L. 100–667, set out as a note under section 1051 of this title.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93–596 effective Jan. 2, 1975, see section 4 of Pub. L. 93–596, set out as a note under section 1111 of this title.

REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes set out under section 1051 of this title.

TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of Department of Commerce to Secretary of Commerce, with certain exceptions, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

URUGUAY ROUND AGREEMENTS: ENTRY INTO FORCE

The Uruguay Round Agreements, including the World Trade Organization Agreement and agreements annexed to that Agreement, as referred to in section 3511(d) of Title 19, Customs Duties, entered into force with respect to the United States on Jan. 1, 1995. See note set out under section 3511 of Title 19.

MARKS REGISTERED UNDER TEN-YEAR PROVISO OF TRADE-MARK ACT OF 1905

Marks registered under the ''ten-year proviso'' of section 5 of the act of Feb. 20, 1905, as amended, deemed to have become distinctive of the registrant's goods in commerce under par. (f) of this section, see section 46(b) of act July 5, 1946, set out in note under section 1051 of this title.

§ 1053. Service marks registrable

Subject to the provisions relating to the registration of trademarks, so far as they are applicable, service marks shall be registrable, in the same manner and with the same effect as are trademarks, and when registered they shall be entitled to the protection provided in this chapter in the case of trademarks. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trademarks.

(July 5, 1946, ch. 540, title I, § 3, 60 Stat. 429; Pub. L. 100–667, title I, § 105, Nov. 16, 1988, 102 Stat. 3938; Pub. L. 106–43, § 6(b), Aug. 5, 1999, 113 Stat. 220.)

AMENDMENTS

1999—Pub. L. 106–43 substituted ''trademarks'' for ''trade-marks'' wherever appearing.

1988—Pub. L. 100–667 struck out ''used in commerce'' after ''applicable, service marks'' and '', except when used so as to represent falsely that the owner thereof makes or sells the goods on which such mark is used. The Commissioner may establish a separate register for such service marks'' after ''case of trade-marks''.

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100–667 effective one year after Nov. 16, 1988, see section 136 of Pub. L. 100–667, set out as a note under section 1051 of this title.

REPEAL AND EFFECT ON EXISTING RIGHTS

Repeal of inconsistent provisions, effect of this chapter on pending proceedings and existing registrations and rights under prior acts, see notes set out under section 1051 of this title.

TRANSFER OF FUNCTIONS

For transfer of functions of other officers, employees, and agencies of Department of Commerce, with certain exceptions, to Secretary of Commerce, with power to delegate, see Reorg. Plan No. 5 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3174, 64 Stat. 1263, set out in the Appendix to Title 5, Government Organization and Employees.

§ 1054. Collective marks and certification marks registrable

Subject to the provisions relating to the registration of trademarks, so far as they are applicable, collective and certification marks, including indications of regional origin, shall be registrable under this chapter, in the same manner and with the same effect as are trademarks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided in

United States v. Dubilier Condenser Corp.

Supreme Court of the United States

January 13, 16, 1933, Argued ; April 10, 1933, Decided

Nos. 316, 317, and 318

Reporter
289 U.S. 178; 53 S. Ct. 554; 77 L. Ed. 1114; ; 85 A.L.R. 1488

UNITED STATES v. DUBILIER CONDENSER CORP.

Prior History: CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT.

CERTIORARI, 287 U.S. 588, to review the affirmance of decrees dismissing the bills in three suits brought by the United States to compel the exclusive licensee under certain patents to assign all its right, title and interest in them to the United States, and for an accounting.
United States v. Dubilier Condenser Corp., 59 F.2d 381,

Disposition: 59 F.2d 387, affirmed.

Syllabus

1. One who is employed to invent is bound by contractual obligation to assign the patent for the invention to his employer. P. 187.

2. Where the contract of employment does not contemplate invention, but an invention is made by the employee during the hours of his employment and with the aid of the employer's materials and appliances, the right of patent belongs to the employee, and the employer's interest in the invention is limited to a non-exclusive right to practice it -- a ″shop-right.″ P. 188.

3. These principles are settled as respects private employment and they apply also as between the United States and its employees. P. 189.

4. No servant of the United States has by statute been disqualified from applying for and receiving a patent for his invention, save officers and employees of the Patent Office during the period for which they hold their appointments. P. 189.

5. Scientists employed by the United States in the Radio Section of the Electric Division of the Bureau of Standards, while assigned to research concerning use of radio in airplanes, made discoveries concerning the use of alternating current in broadcast receiving sets -- a subject not within their assignment and not being investigated by the Section; and, having with the consent of their superior perfected their inventions in the Bureau laboratory, obtained patents. *Held*, upon the facts, that there was no employment to invent and no basis for implying a contract to assign to the United States, or a trust in its favor, save as to shop-rights. P. 193.

6. The proposition that anyone who is employed by the United States for scientific research should be forbidden to obtain a patent for what he invents is at variance with the policy heretofore evidenced by Congress. P. 199.

7. If public policy demands such a prohibition, Congress, and not the courts, must declare it. Pp. 197, 208.

Counsel: Solicitor General Thacher, with whom Assistant Attorney General Rugg and Messrs. Alexander Holtzoff, Paul D. Miller, and H. Brian Holland were on the brief, for the United States.

This Court has held that if one is expressly hired for the purpose of making a specific invention, or is designated or directed to develop such invention, the patent rights arising out of such invention become the property of the employer.

The ratio decidendi of this holding is that in making the invention the employee is merely doing what he was hired to do, having contracted in advance for the performance of work of an inventive character, and therefore the fruits of his work belong to the employer.

The same result should follow if an employee, instead of being hired or being assigned to make a specific invention, is hired for the purpose of doing inventive work in a particular field. If in such event the employee makes an invention within that field, he has only done that which he was hired to do and accordingly the patent rights to such invention are the property of the employer.

The employment of Lowell and Dunmore included the duty to exercise their inventive faculties within the general field to which they were assigned. It is not disputed that they were in the actual performance of their employment while engaged in the research which led to the inventions in question. Their duties were not confined to the solution of specially designated problems, but they were expected to and did follow ″leads″ uncovered during the progress of their work. The inventions in question represented a natural and progressive development of the work which they were pursuing under the direction of their superiors, and which they systematically described in their official reports.

Essentially the purpose of industrial research is to apply to industry the discoveries of science. When one is employed for scientific research to meet the needs of a rapidly advancing industrial art, such as radio, his employment necessarily includes the duty to employ his talent in devising new and useful appliances for the improvement of the art. If, in this process, discovery and application to useful purposes rise to the level of invention, the invention is the fruit of the employment.

There is no basis for the holding that because ″research″ and ″invention″ are not synonymous, the research work of Lowell and Dunmore did not include the duty to make inventions. The research work in which they were engaged had for its express purpose the improvement of the radio art by invention.

In the efficient conduct of modern research laboratories it is necessary to permit scientists to exercise initiative and freedom in the solution of particular problems and in following suggestions or leads arising out of a specific task. Discoveries and inventions seldom can be anticipated and, hence, it is often impossible to assign the development of a particular invention as a task to be performed.

Research work regularly resulting in numerous inventions is continually being carried on in laboratories conducted by governmental agencies. It is against public interest that private individuals should collect royalties for the use of inventions developed at public cost.

The rule adopted by the courts below, if allowed to stand, would tend to demoralize the Bureau of Standards as a center for scientific and industrial research. The experience of private industry shows that invention is not discouraged where the employer retains property rights to the inventions of employees engaged in inventive work.

The Act of March 3, 1883, as amended by the Act of April 30, 1928, does not express the entire governmental policy with regard to patent rights on inventions of government employees. Its obvious purpose was to accord the privilege of obtaining patents without charge to government employees who might make an invention under such circumstances that the Government would have neither title to the patent nor a license under it.

Mr. James H. Hughes, Jr., with whom Messrs. E. Ennalls Berl and John B. Brady were on the brief, for respondent.

Judges: Hughes, Van Devanter, McReynolds, Brandeis, Sutherland, Butler, Stone, Roberts, Cardozo

Opinion by: ROBERTS

Opinion

[*182] [**555] [***1116] MR. JUSTICE ROBERTS delivered the opinion of the Court.

Three suits were brought in the District Court for Delaware against the respondent as exclusive licensee under three separate patents issued to Francis W. Dunmore and Percival D. Lowell. The bills recite that the inventions were made while the patentees were employed in the radio laboratories of the Bureau of Standards, and are therefore, in equity, the property of the United States. The prayers are for a declaration that the respondent is a trustee for the Government, and, as such, required to assign to the United States all its right, title and interest in the patents; for an accounting of all moneys received as licensee, and for general relief. The District Court consolidated the cases for trial, and after a hearing dismissed the bills. [1] The Court of Appeals for the Third Circuit affirmed the decree. [2]

The courts below concurred in findings which are not challenged and, in summary, are:

The Bureau of Standards is a subdivision of the Department of Commerce. [3] Its functions consist in the custody of standards; the comparison of standards used in scientific investigations, engineering, manufacturing, commerce, and educational institutions with those adopted [*183] or recognized by the Government; the construction of standards, their multiples or subdivisions; the testing and calibration of standard measuring apparatus; the solution of problems which arise in connection with standards; and the physical properties of materials. In 1915 the Bureau was also charged by Congress with the duty of investigation and standardization of methods and instruments employed in radio communication, for which special [**556] appropriations were made. [4] In recent years it has been engaged in research and testing work of various kinds for the benefit of private industries, other departments of the Government, and the general public. [5]

The Bureau is composed of divisions, each charged with a specified field of activity, one of which is the electrical division. These are further subdivided into sections. One section of the electrical division is the radio section. In 1921 and 1922 the employees in the laboratory of this section numbered approximately twenty men doing technical work, and some draftsmen and mechanics. The twenty were engaged in testing radio apparatus and methods and in radio research work. They were subdivided into ten groups, each group having a chief. The work of each group was defined in outlines by the chief or alternate chief of the section.

Dunmore and Lowell were employed in the radio section and engaged in research and testing in the laboratory. In the outlines of laboratory work the subject of ″airplane radio″ was assigned to the group of which Dunmore was chief and Lowell a member. The subject of ″radio receiving sets″ was assigned to a group of which J. L. Preston was chief, but to which neither Lowell nor Dunmore belonged.

[*184] [***1117] In May, 1921, the Air Corps of the Army and the Bureau of Standards entered into an arrangement whereby the latter undertook the prosecution of forty-four research projects for the benefit of the Air Corps. To pay the cost of such work, the Corps transferred and allocated to the Bureau the sum of $ 267,500. Projects Nos. 37 to 42, inclusive, relating to the use of radio in connection with aircraft, were assigned to the radio section and $ 25,000 was allocated to pay the cost of the work. Project No. 38 was styled ″visual indicator for radio signals,″ and suggested the construction of a modification of what was known as an ″Eckhart recorder.″ Project No. 42 was styled ″airship bomb control and marine torpedo control.″ Both were problems of design merely.

In the summer of 1921 Dunmore, as chief of the group to which ″airplane radio″ problems had been assigned, without further instructions from his superiors, picked out for himself one of these navy problems, that of operating a relay for remote control of bombs on airships and torpedoes in the sea, ″as one of particular interest and having perhaps a rather easy solution, and worked on it.″ In September he solved it.

In the midst of aircraft investigations and numerous routine problems of the section, Dunmore was wrestling in his own mind, impelled thereto solely by his own scientific curiosity, with the subject of substituting houselighting

1 49 F.2d 306.

2 59 F.2d 381.

3 See Act of March 3, 1901, 31 Stat. 1449; Act of February 14, 1903, § 4, 32 Stat. 826.

4 Act of March 4, 1915, 38 Stat. 1044; Act of May 29, 1920, 41 Stat. 684; Act of March 3, 1921, 41 Stat. 1303.

5 The fees charged cover merely the cost of the service rendered, as provided in the Act of June 30, 1932, § 312, 47 Stat. 410.

alternating current for direct battery current in radio apparatus. He obtained a relay for operating a telegraph instrument which was in no way related to the remote control relay devised for aircraft use. The conception of the application of alternating current concerned particularly broadcast reception. This idea was conceived by Dunmore August 3, 1921, and he reduced the invention to practice December 16, 1921. Early in 1922 he advised his superior of his invention and spent additional [*185] time in perfecting the details. February 27, 1922 he filed an application for a patent.

In the fall of 1921 both Dunmore and Lowell were considering the problem of applying alternating current to broadcast receiving sets. This project was not involved in or suggested by the problems with which the radio section was then dealing and was not assigned by any superior as a task to be solved by either of these employees. It was independent of their work and voluntarily assumed.

While performing their regular tasks they experimented at the laboratory in devising apparatus for operating a radio receiving set by alternating current with the hum incident thereto eliminated. The invention was completed on December 10, 1921. Before its completion no instructions were received from and no conversations relative to the invention were held by these employees with the head of the radio section, or with any superior.

They also conceived the idea of energizing a dynamic type of loud speaker from an alternating current houselighting circuit, and reduced the invention to practice on January 25, 1922. March 21, 1922, they filed an application for a ″power amplifier.″ The conception embodied in this patent was devised by the patentees without suggestion, instruction, or assignment from any superior.

Dunmore and Lowell were permitted by their chief, after the discoveries had been brought to his attention, to pursue their work in the laboratory and to perfect the devices embodying their inventions. No one advised them prior to the filing of applications for patents that they would be expected to assign the patents to the United States or to grant the Government exclusive rights thereunder.

The respondent concedes that the United States may practice the inventions without payment of royalty, but asserts that all others [**557] are excluded, during the life of the [*186] patents, [***1118] from using them without the respondent's consent. The petitioner insists that the circumstances require a declaration either that the Government has sole and exclusive property in the inventions or that they have been dedicated to the public so that anyone may use them.

First. By Article I, § 8, clause 8 of the Constitution, Congress is given power to promote the progress of science and the useful arts by securing for limited times to inventors the exclusive rights to their respective discoveries. R.S. 4886 as amended (U.S. Code, Title 35, § 31) is the last of a series of statutes which since 1793 have implemented the constitutional provision.

[1]Though often so characterized, a patent is not, accurately speaking, a monopoly, for it is not created by the executive authority at the expense and to the prejudice of all the community except the grantee of the patent. *Seymour* v. *Osborne*, 11 Wall. 516, 533.The term monopoly connotes the giving of an exclusive privilege for buying, selling, working or using a thing which the public freely enjoyed prior to the grant. [6] Thus a monopoly takes something from the people. An inventor deprives the public of nothing which it enjoyed before his discovery, but gives something of value to the community by adding to the sum of human knowledge. *United States* v. *Bell Telephone Co*., 167 U.S. 224, 239; *Paper Bag Patent Case*, 210 U.S. 405, 424; *Brooks* v. *Jenkins*, 3 McLean 432, 437; *Parker* v. *Haworth*, 4 McLean 370, 372; *Allen* v. *Hunter*, 6 McLean 303, 305-306; *Attorney General* v. *Rumford Chemical Works*, 2 Bann. & Ard. 298, 302. He may keep his invention secret and reap its fruits indefinitely. In consideration of its disclosure and the consequent benefit to the community, the patent is granted. An exclusive enjoyment is guaranteed him for [*187] seventeen years, but upon the expiration of that period, the knowledge of the invention enures to the people, who are thus enabled without restriction to practice it and profit by its use. *Kendall* v. *Winsor*, 21 How. 322, 327; *United States*

[6] Webster's New International Dictionary: ″Monopoly.″

v. *Bell Telephone Co., supra*, p. 239. To this end the law requires such disclosure to be made in the application for patent that others skilled in the art may understand the invention and how to put it to use. [7]

[2][3][4][5]A patent is property and title to it can pass only by assignment. If not yet issued an agreement to assign when issued, if valid as a contract, will be specifically enforced. The respective rights and obligations of employer and employee, touching an invention conceived by the latter, spring from the contract of employment.

[6] [7]One employed to make an invention, who succeeds, during his term of service, in accomplishing that task, is bound to assign to his employer any patent obtained. The reason is that he has only produced that which he was employed to invent. His invention is the precise subject of the contract of employment. A term of the agreement necessarily is that what he is paid to produce belongs to his paymaster. *Standard Parts Co*. v. *Peck*, 264 U.S. 52. On the other hand, if the employment be general, albeit it cover a field of labor and effort in the performance of which the employee conceived the invention for which he obtained a patent, the contract is not so broadly construed as to require an assignment of the [***1119] patent. *Hapgood* v. *Hewitt*, 119 U.S. 226; *Dalzell* v. *Dueber Watch Case Mfg. Co*. 149 U.S. 315. In the latter case it was said [p. 320]:

″ But a manufacturing corporation, which has employed a skilled workman, for a stated compensation, to take charge of its works, and to devote his time and services to devising and making improvements in articles [*188] there manufactured, is not entitled to a conveyance of patents obtained for inventions made by him while so employed, in the absence of express agreement to that effect.″

[8][9]The reluctance of courts to imply or infer an agreement by the employee to assign his patent is due to a recognition of the peculiar nature of the act of invention, which consists neither in finding out the laws of nature, nor in fruitful research as to the operation of natural laws, but in discovering how those laws may be utilized or applied for some beneficial purpose, by a process, a device or a machine. It is the result of an inventive act, the birth of an idea and its reduction to practice; the product of original thought; a concept demonstrated to be true by practical application or embodiment in tangible form. *Clark Thread Co*. v. *Willimantic Linen Co*., 140 U.S. 481, 489;*Symington Co*. v. *National Castings Co*., 250 U.S. 383, 386;*Pyrene Mfg. Co*. v. *Boyce*, 292 Fed. 480, 481.

[10][11][12]Though the mental concept is embodied or realized in a mechanism or a physical or chemical aggregate, the embodiment is not the invention and is not the subject of a patent. [**558] This distinction between the idea and its application in practice is the basis of the rule that employment merely to design or to construct or to devise methods of manufacture is not the same as employment to invent. Recognition of the nature of the act of invention also defines the limits of the so-called shop-right, which shortly stated, is that where a servant, during his hours of employment, working with his master's materials and appliances, conceives and perfects an invention for which he obtains a patent, he must accord his master a non-exclusive right to practice the invention. *McClurg* v. *Kingsland*, 1 How. 202; *Solomons* v. *United States*, 137 U.S. 342; *Lane & Bodley Co*. v. *Locke*, 150 U.S. 193. This is an application of equitable principles. Since the servant uses his master's time, facilities and materials to attain a [*189] concrete result, the latter is in equity entitled to use that which embodies his own property and to duplicate it as often as he may find occasion to employ similar appliances in his business. But the employer in such a case has no equity to demand a conveyance of the invention, which is the original conception of the employee alone, in which the employer had no part. This remains the property of him who conceived it, together with the right conferred by the patent, to exclude all others than the employer from the accruing benefits. These principles are settled as respects private employment.

[13]*Second*. Does the character of the service call for different rules as to the relative rights of the United States and its employees?

[14][15]The title of a patentee is subject to no superior right of the Government. The grant of letters patent is not, as in England, a matter of grace or favor, so that conditions may be annexed at the pleasure of the executive. To the laws

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[7] U.S. Code, Tit. 35, § 33.

passed by the Congress, and to them alone, may we look for guidance as to the extent and the limitations of the respective rights of the inventor and the public. *Attorney* [***1120] *General* v. *Rumford Chemical Works, supra*, at pp. 303-4. And this court has held that the Constitution evinces no public policy which requires the holder of a patent to cede the use or benefit of the invention to the United States, even though the discovery concerns matters which can properly be used only by the Government; as, for example, munitions of war. *James* v. *Campbell*, 104 U.S. 356, 358. *Hollister* v. *Benedict Mfg. Co*., 113 U.S. 59, 67.

No servant of the United States has by statute been disqualified from applying for and receiving a patent for his invention, save officers and employees of the Patent Office during the period for which they hold their appointments. [8] [*190] This being so, this court has applied the rules enforced as between private employers and their servants to the relation between the Government and its officers and employees.

United States v. *Burns*, 12 Wall. 246, was a suit in the Court of Claims by an army officer as assignee of a patent obtained by another such officer for a military tent, to recover royalty under a contract made by the Secretary of War for the use of the tents. The court said, in affirming a judgment for the plaintiff [p. 252]:

″If an officer in the military service, *not specially employed to make experiments with a view to suggest improvements*, devises a new and valuable improvement in arms, tents, or any other kind of war material, he is entitled to the benefit of it, and to letters-patent for the improvement from the United States, equally with any other citizen not engaged in such service; and the government cannot, after the patent is issued, make use of the improvement any more than a private individual, without license of the inventor or making compensation to him.″

In *United States* v. *Palmer*, 128 U.S. 262, Palmer, a lieutenant in the army, patented certain improvements in infantry accoutrements. An army board recommended their use and the Secretary of War confirmed the recommendation. The United States manufactured and purchased a large number of the articles. Palmer brought suit in the Court of Claims for a sum alleged to be a fair and reasonable royalty. From a judgment for the plaintiff the United States appealed. This court, in affirming, said [p. 270]:

″It was at one time somewhat doubted whether the government might not be entitled to the use and benefit of every patented invention, by analogy to the English law which reserves this right to the crown. But that [*191] notion no longer exists. It was ignored in the case of Burns.″

These principles were recognized in later cases involving the relative rights of the Government and its employees in instances where the subject-matter of the patent was useful to the public generally. While these did not involve a claim to an assignment of the patent, the court reiterated the views earlier announced.

In *Solomons* v. *United States*, 137 U.S. 342, 346, it was said:

″The government has no more power to appropriate a man's property invested in a patent [**559] than it has to take his property invested in real estate; *nor does the mere fact that an inventor is at the time of his invention in the employ of the government transfer to it any title to, or interest in it*. An employe, performing all the duties assigned to him in his department of service, may exercise his inventive faculties in any direction he chooses, with the assurance that whatever invention he may thus conceive and perfect is his individual property. *There is no difference between the government and any other employer in this respect*.″

And in *Gill* v. *United States*, 160 U.S. 426, 435:

[***1121] ″There is no doubt whatever of the proposition laid down in *Solomons case*, that the mere fact that a person is in the employ of the government does not preclude him from making improvements in the machines with which he is connected, and obtaining patents therefor, as his individual property, and that in such case the government would have no more right to seize upon and appropriate such property, than any other proprietor would have. . . .″

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[8] R.S. 480; U.S. Code, Tit. 35, § 4.

The distinction between an employment to make an invention and a general employment in the course of [*192] which the servant conceives an invention has been recognized by the executive department of the Government. A lieutenant in the navy patented an anchor while he was on duty in the Bureau of Equipment and Recruiting, which was charged with the duty of furnishing anchors for the navy; he was not while attached to the bureau specially employed to make experiments with a view to suggesting improvements to anchors or assigned the duty of making or improving. The Attorney General advised that as the invention did not relate to a matter as to which the lieutenant was specially directed to experiments with a view to suggesting improvements, he was entitled to compensation from the Government for the use of his invention in addition to his salary or pay as a navy officer. [9]

A similar ruling was made with respect to an ensign who obtained a patent for improvements in ″B.L.R. ordnance″ and who offered to sell the improvements, or the right to use them, to the Government. It was held that the navy might properly make a contract with him to this end. [10]

The United States is entitled, in the same way and to the same extent as a private employer, to shop-rights, that is, the free and non-exclusive use of a patent which results from effort of its employee in his working hours and with material belonging to the Government. *Solomons* v. *United States, supra*, pp. 346-7; *McAleer* v. *United States*, 150 U.S. 424; *Gill* v. *United States, supra*.

The statutes, decisions and administrative practice negate the existence of a duty binding one in the service of the Government different from the obligation of one in private employment.

[*193] [16]*Third*. When the United States filed its bills it recognized the law as heretofore declared; realized that it must like any other employer, if it desired an assignment of the respondent's rights, prove a contractual obligation on the part of Lowell and Dunmore to assign the patents to the Government. The averments clearly disclose this. The bill in No. 316 is typical. After reciting that the employees were laboratory apprentice and associate physicist, and laboratory assistant and associate physicist, respectively, and that one of their duties was ″to carry on investigation research and experimentation in such problems relating to radio and wireless *as might be assigned to them* by their superiors,″ it is charged ″in the course of his employment as aforesaid, *there was assigned* to said Lowell by his superiors in said radio section, for *investigation and research*, the problem of developing a radio receiving set capable of operation by alternating current. . . .″

Thus the Government understood that respondent could be deprived of rights under the patents only by proof that Dunmore and Lowell were employed to devise the inventions. The findings of the courts below show how far the proofs fell short of sustaining these averments.

The Government is consequently [***1122] driven to the contention that though the employees were not specifically assigned the task of making the inventions (as in *Standard Parts Co*. v. *Peck, supra*), still, as the discoveries were ″within the general field of their research and *inventive work*,″ the United States is entitled to an assignment of the patents. The courts below expressly found that Dunmore and Lowell did not agree to exercise their inventive faculties in their work, and that invention was not within its scope. In this connection it is to be remembered that the written evidence of their employment does not mention research, much less invention; that never was there [*194] a word said to either of them, prior to their discoveries, concerning invention or patents or [**560] their duties or obligations respecting these matters; that as shown by the records of the patent office, employees of the Bureau of Standards and other departments had, while so employed, received numerous patents and enjoyed the exclusive rights obtained as against all private persons without let or hindrance from the Government. [11] In no proper [*195] sense may it be said

[9] 19 Opinions Attorney-General, 407.

[10] 20 Opinions Attorney-General, 329. And compare Report Judge Advocate General of the Navy, 1901, p. 6; Digest, Opinions Judge Advocate General of the Army, 1912-1930, p. 237; Opinions, Judge Advocate General of the Army, 1918, Vol. 2, pp. 529, 988, 1066.

[11] No exhaustive examination of the official records has been attempted. It is sufficient, however, for present purposes, to call attention to the following instances.

that the contract of employment contemplated invention; everything that Dunmore and Lowell knew [***1123] negatived the theory that they were employed to invent; they knew, on the contrary, that the past and then present practice was that the employees of the Bureau were allowed to take patents on their inventions and have the benefits thereby conferred save as to use by the [*196] United States. The circumstances preclude the implication of any agreement to assign their inventions or patents.

The record affords even less basis for inferring a contract on the part of the inventors to refrain from patenting their discoveries than for finding an agreement to assign them.

The bills aver that the inventions and patents are held in trust for the United States, and that the court should so declare. It is claimed that as the work of the Bureau, including all that Dunmore and Lowell did, was in the public interest, these public servants had dedicated the offspring of their brains to the public, and so held their patents in trust for the common weal, represented here in a corporate capacity by the United States. The patentees, we are told, should surrender the patents for cancellation, and the respondent must also give up its rights under the patents.

The trust cannot be express. Every fact in the case negatives the existence of one. Nor can it arise *ex maleficio*. The employees' conduct was not fraudulent in any respect. They promptly disclosed their inventions. Their superiors encouraged them to proceed in perfecting and applying the discoveries. Their note books and reports disclosed

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Dr. Frederick A. Kolster was employed in the radio section, Bureau of Standards, from December, 1912, until about March 1, 1921. He applied for the following patents: No. 1,609,366, for radio apparatus, application dated November 26, 1920. No. 1,447,165, for radio method and apparatus, application dated January 30, 1919. No. 1,311,654, for radio method and apparatus, application dated March 25, 1916. No. 1,394,560, for apparatus for transmitting radiant energy, application dated November 24, 1916. The Patent Office records show assignments of these patents to Federal Telegraph Company, San Francisco, Cal., of which Dr. Kolster is now president. He testified that these are all subject to a non-exclusive license in the United States to use and practice the same.

Burten McCollum was an employee of the Bureau of Standards between 1911 and 1924. On the dates mentioned he filed the following applications for patents, which were issued to him. No. 1,035,373, alternating current induction motor, March 11, 1912. No. 1,156,364, induction motor, February 25, 1915. No. 1,226,091, alternating current induction motor, August 2, 1915. No. 1,724,495, method and apparatus for determining the slope of subsurface rock boundaries, October 24, 1923. No. 1,724,720, method and apparatus for studying subsurface contours, October 12, 1923. The last two inventions were assigned to McCollum Geological Explorations, Inc., a Delaware corporation.

Herbert B. Brooks, while an employee of the Bureau between 1912 and 1930, filed, November 1, 1919, an application on which patent No. 1,357,197, for an electric transformer, was issued.

William W. Coblentz, an employee of the Bureau of Standards from 1913, and still such at the date of the trial, on the dates mentioned, filed applications on which patents issued as follows: No. 1,418,362, for electrical resistance, September 22, 1920. No. 1,458,165, system of electrical control, September 22, 1920. No. 1,450,061, optical method for producing pulsating electric current, August 6, 1920. No. 1,563,557, optical means for rectifying alternating currents, September 18, 1923. The Patent Office records show that all of these stand in the name of Coblentz, but are subject to a license to the United States of America.

August Hund, who was an employee of the Bureau from 1922 to 1927, on the dates mentioned filed applications on which letters patent issued: No. 1,649,828, method of preparing Piezo-electric plates, September 30, 1925. No. 1,688,713, Piezo-electric-crystal oscillator system, May 10, 1927. No. 1,688,714, Piezo-electric-crystal apparatus, May 12, 1927. No. 1,648,689, condenser transmitter, April 10, 1926. All of these patents are shown of record to have been assigned to Wired Radio, Inc., a corporation.

Paul R. Heyl and Lyman J. Briggs, while employees of the Bureau, filed an application January 11, 1922, for patent No. 1,660,751, on inductor compass, and assigned the same to the Aeronautical Instrument Company of Pittsburgh, Pennsylvania.C. W. Burrows was an employee of the Bureau of Standards between 1912 and 1919. While such employee he filed applications on the dates mentioned for patents, which were issued: No. 1,322,405, October 4, 1917, method and apparatus for testing magnetizable objects by magnetic leakage; assigned to Magnetic Analysis Corporation, Long Island City, N. Y. No. 1,329,578, relay, March 13, 1918; exclusive license issued to make, use and sell for the field of railway signaling and train control, to Union Switch & Signal Company, Swissvale, Pa. No. 1,459,970, method of and apparatus for testing magnetizable objects, July 25, 1917; assigned to Magnetic Analysis Corporation, Long Island City, N. Y.

John A. Willoughby, an employee of the Bureau of Standards between 1918 and 1922, while so employed, on June 26, 1919, applied for and was granted a patent, No. 1,555,345, for a loop antenna.

[**561] the work they were doing, and there is not a syllable to suggest their use of time or material was clandestine or improper. No word was spoken regarding any claim of title by the Government until after applications for patents were filed. And, as we have seen, no such trust has been spelled out of the relation of master and servant, even in the cases where the employee has perfected his invention by the use of his employer's time and materials. The cases recognizing the doctrine of shop rights may be said to fix a trust upon the employee in favor of his master as respects the use of the invention [*197] by the latter, but they do not affect the title to the patent and the exclusive rights conferred by it against the public.

[17]The Government's position in reality is, and must be, that a public policy, to be declared by a court, forbids one employed by the United States, for scientific research, to obtain a patent for what he invents, though neither the Constitution nor any statute so declares.

Where shall the courts set the limits of the doctrine? For, confessedly, it must be limited. The field of research is as broad as that of science itself. If the petitioner is entitled to a cancellation of the patents in this case, would it be so entitled if the employees had done their work at home, in their own time and with their own appliances and materials? What is to be said of an invention evolved as the result of the solution of a problem in a realm apart from that to which the employee is assigned by his official [***1124] superiors? We have seen that the Bureau has numerous divisions. It is entirely possible that an employee in one division may make an invention falling within the work of some other division. Indeed this case presents that exact situation, for the inventions in question had to do with radio reception, a matter assigned to a group of which Dunmore and Lowell were not members. Did the mere fact of their employment by the Bureau require these employees to cede to the public every device they might conceive?

Is the doctrine to be applied only where the employment is in a bureau devoted to scientific investigation *pro bono publico*? Unless it is to be so circumscribed, the statements of this court in *United States* v. *Burns, supra, Solomons* v. *United States, supra*, and *Gill* v. *United States, supra*, must be held for naught.

Again, what are to be defined as bureaus devoted entirely to scientific research? It is common knowledge that many in the Department of Agriculture conduct researches [*198] and investigations; that divisions of the War and Navy Departments do the like; and doubtless there are many other bureaus and sections in various departments of government where employees are set the task of solving problems all of which involve more or less of science. Shall the field of the scientist be distinguished from the art of a skilled mechanic? Is it conceivable that one working on a formula for a drug or an antiseptic in the Department of Agriculture stands in a different class from a machinist in an arsenal? Is the distinction to be that where the government department is, so to speak, a business department operating a business activity of the government, the employee has the same rights as one in private employment, whereas if his work be for a bureau interested more particularly in what may be termed scientific research he is upon notice that whatever he invents in the field of activity of the bureau, broadly defined, belongs to the public and is unpatentable? Illustrations of the difficulties which would attend an attempt to define the policy for which the Government contends might be multiplied indefinitely.

The courts ought not to declare any such policy; its formulation belongs solely to the Congress. Will permission to an employee to enjoy patent rights as against all others than the Government tend to the improvement of the public service by attracting a higher class of employees? Is there in fact greater benefit to the people in a dedication to the public of inventions conceived by officers of government, than in their exploitation under patents by private industry? Should certain classes of invention be treated in one way and other classes differently? These are not legal questions, which courts are competent to answer. They are practical questions, and the decision as to what will accomplish the greatest good for the inventor, the Government and the public rests [*199] with the Congress. We should not read into the patent laws limitations and conditions which the legislature has not expressed.

Fourth. Moreover, we are of opinion Congress has approved a policy at variance with the petitioner's contentions. This is demonstrated by examination of two statutes, with their legislative history, and the hearings and debates respecting proposed legislation which failed of passage.

Since 1883 there has been in force an act [12] which provides:

"The Secretary of the Interior [now the Secretary of Commerce, Act of February 14, 1903, c. 552, § 12, 32 Stat. 830] and the Commissioner of Patents are authorized to grant any officer of the government, except officers [**562] and employees of the Patent Office, a patent for any [***1125] invention of the classes mentioned in section forty eight hundred and eighty six of the Revised Statutes, when such invention is used or to be used in the public service, without the payment of any fee: *Provided*, That the applicant in his application shall state that the invention described therein, if patented, may be used by the government or any of its officers or employees in the prosecution of work for the government, or by any other person in the United States, without the payment to him of any royalty thereon, which stipulation shall be included in the patent."

This law was evidently intended to encourage government employees to obtain patents, by relieving them of the payment of the usual fees. The condition upon which the privilege was accorded is stated as the grant of free use by the government, "its officers or employees in the prosecution of work for the government, *or by any* [*200] *other person in the United States*." For some time the effect of the italicized phrase was a matter of doubt.

In 1910 the Judge Advocate General of the Army rendered an opinion to the effect that one taking a patent pursuant to the act threw his invention "open to public and private use in the United States." [13] It was later realized that this view made such a patent a contradiction in terms, for it secured no exclusive right to anyone. In 1918 the Judge Advocate General gave a well-reasoned opinion [14] holding that if the statute were construed to involve a dedication to the public, the so-called patent would at most amount to a publication or prior reference. He concluded that the intent of the act was that the free use of the invention extended only to the Government or those doing work for it. A similar construction was adopted in an opinion of the Attorney General. [15] Several federal courts referred to the statute and in *dicta* indicated disagreement with the views expressed in these later opinions. [16]

The departments of government were anxious to have the situation cleared, and repeatedly requested that the act be amended. Pursuant to the recommendations of the War Department an amendment was enacted April 30, 1928. [17] The proviso was changed to read:

"*Provided*, That the applicant in his application shall state that the invention described therein, if patented, [*201] may be manufactured or used by or for the Government for governmental purposes without the payment to him of any royalty thereon, which stipulation shall be included in the patent."

The legislative history of the amendment clearly discloses the purpose to save to the employee his right to exclude the public. [18] In the report of the Senate Committee on Patents submitted with the amendment, the object of the bill was said to be the protection of the interests of the Government, primarily by securing patents on inventions made by officers and employees, presently useful in the interest of the national defense or those which may prove useful in the interest of national defense in the future; and secondarily, [***1126] to encourage the patenting of inventions by

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[12] Act of March 3, 1883, c. 143, 22 Stat. 625.

[13] See *Squier* v. *American T. & T. Co*., 21 F.2d 747, 748.

[14] November 30, 1918; Opinions of Judge Advocate General, 1918, Vol. 2, p. 1029.

[15] 32 Opinions Attorney General, 145.

[16] See *Squier* v. *American Tel. & Tel. Co*., 7 F.2d 831, 21 F.2d 747; *Hazeltine Corporation* v. *Electric Service Engineering Corp*., 18 F.2d 662; *Hazeltine Corporation* v. *A. W. Grebe & Co*., 21 F.2d 643; *Selden Co*. v. *National Aniline & Chemical Co*., 48 F.2d 270.

[17] 45 Stat. 467, 468.

[18] Report No. 871, 70th Cong., 1st Sess., House of Representatives, to accompany H. R. 6103; Report No. 765, 70th Cong., 1st Sess., Senate, to accompany H. R. 6103; Cong. Rec., House of Representatives, March 19, 1928, 70th Cong., 1st Sess., p. 5013; Cong. Rec., Senate, April 24, 1928, 70th Cong., 1st Sess., p. 7066.

officers and employees of the Government with the view to future protection of the Government against suits for infringement of patents. The committee stated that the bill had the approval of the Commissioner of Patents and was introduced at the request of the Secretary of War. Appended to the report is a copy of a letter of the Secretary of War addressed to the committees of both Houses stating that the language of the legislation then existing was susceptible of two interpretations contrary to each other. The letter quoted the proviso of the section as it then stood, and continued:

"It is clear that a literal construction of this proviso would work a dedication to the public of every patent taken out under the act. If the proviso must be construed literally we would have a situation wherein all the patents taken out under the act would be nullified by the [*202] very terms of the act under which they were granted, for the reason that a patent which does not carry with it the limited monopoly referred to in the Constitution is in reality not a patent at all. The only value that a patent has is the right that it extends to the patentee to exclude all others from making, using, or selling the invention for a certain period of years. A patent that is dedicated to the public is virtually the same as a patent that has expired."

After referring to the interpretation of the [**563] Judge Advocate General and the Attorney General and mentioning that no satisfactory adjudication of the question had been afforded by the courts, the letter went on to state:

"Because of the ambiguity referred to and the unsettled condition that has arisen therefrom, it has become the policy of the War Department to advise all its personnel who desire to file applications for letters patent, to do so under the general law and pay the required patent-office fee in each case."

And added:

"If the proposed legislation is enacted into law, Government officers and employees may unhesitatingly avail themselves of the benefits of the act with full assurance that in so doing their patent is not dedicated to the public by operation of law. The War Department has been favoring legislation along the lines of the proposed bill for the past five or six years."

When the bill came up for passage in the House a colloquy occurred which clearly disclosed the purpose of the amendment. [19] The intent was that a government [*203] employee who in the course of his employment conceives [***1127] an invention should afford the Government free use thereof, but should be protected in his right to exclude

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[19] Cong. Rec., 70th Cong., 1st Sess., Vol. 69, Part 5, p. 5013:

"Mr. LaGuardia. Mr. Speaker, reserving the right to object, is not the proviso too broad? Suppose an employee of the Government invents some improvement which is very valuable, is he compelled to give the Government free use of it?

"Mr. Vestal [who reported the bill for the Committee and was in charge of it]. If he is employed by the Government and the invention is made while working in his capacity as an agent of the Government. If the head of the bureau certifies this invention will be used by the Government, then the Government, of course gets it without the payment of any royalty.

"Mr. LaGuardia. *The same as a factory rule*

"Mr. Vestal. *Yes; but the man who takes out the patent has his commercial rights outside*.

"Mr. LaGuardia. *Outside of the Government*

"Mr. Vestal. *Yes*.

"Mr. LaGuardia. But the custom is, and without this bill, the Government has the right to the use of the improvement without payment if it is invented in Government time and in Government work.

"Mr. Vestal. That is correct; and then on top of that, may I say that a number of instances have occurred where an employee of the Government, instead of taking out a patent had some one else take out the patent and the Government has been involved in a number of suits. There is now $ 600,000,000 worth of such claims in the Court of Claims."

It will be noted from the last statement of the gentleman in charge of the bill that Congress was concerned with questions of policy in the adoption of the amendment. These, as stated above, are questions of business policy and business judgment -- what is to the all others. If Dunmore and Lowell, who tendered the Government a non-exclusive license without royalty, and always understood that the Government might use their inventions freely, had proceeded under the act of 1883, they would have retained their rights as against all but the United States. This is clear from the executive interpretation of the act. But for greater security they pursued the very course then advised by the law officers of the Government. It would be surprising if they thus lost all rights as patentees; especially so, since Congress has now confirmed the soundness of the views held by the law officers of the Government.

[*204] Until the year 1910 the Court of Claims was without jurisdiction to award compensation to the owner of a patent for unauthorized use by the United States or its agents. Its power extended only to the trial of claims based upon an express or implied contract for such use. [20] In that year Congress enlarged the jurisdiction to embrace the former class of claims. [21] In giving consent to be sued, the restriction was imposed that it should not extend to owners of patents obtained by employees of the Government while in the service. From this it is inferred that Congress [**564] recognized no right in such patentees to exclude the public from practicing the invention. But [*205] an examination of the legislative record completely refutes the contention.

The House Committee in reporting the bill, after referring to the law as laid down in the *Solomons* case, said: ″The United States in such a case has an implied license to use the patent without compensation, for the reason that the inventor used the time or the money or the material of the United States in perfecting his invention. The use by the United States of such a patented invention without any authority from the owner thereof is a lawful use [***1128] under existing law, and we have inserted the words 'or lawful right to use the same' in order to make it plain that we do not intend to make any change in existing law in this respect, and do not intend to give the owner of such a patent any claim against the United States for its use.″ [22] From this it is clear that Congress had no purpose to declare a policy at variance with the decisions of this court.

The executive departments have advocated legislation regulating the taking of patents by government employees and the administration by government agencies of the patents so obtained. In 1919 and 1920 a bill sponsored by the Interior Department was introduced. It provided for the voluntary assignment or license by any government employee, to the Federal Trade Commission, of a patent applied for by him, and the licensing of manufacturers by the Commission, the license fees to be paid into the Treasury and such part of them as the President might deem equitable to be turned over to the patentee. [23] In the hearings and reports upon this measure stress was laid not only upon the

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best advantage of the Government and the public. They are not questions as to which the courts ought to invade the province of the Congress.

[20] See *Belknap* v. *Schild*, 161 U.S. 10, 16; *Eager* v. *United States*, 35 Ct. Cls. 556.

[21] Act of June 25, 1910, 36 Stat. 851: (See *Crozier* v. *Krupp*, 224 U.S. 290.)

″That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof *or lawful right to use the same*, such owner may recover reasonable compensation for such use by suit in the Court of Claims: *Provided, however*, That said Court of Claims shall not entertain a suit or reward [*sic*] compensation under the provisions of this Act where the claim for compensation is based on the use by the United States of any article heretofore owned, leased, used by, or in the possession of the United States: *Provided further*, That in any such suit the United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise: *And provided further*, That the benefits of this Act shall not inure to any patentee, who, when he makes such claim is in the employment or service of the Government of the United States; or the assignee of any such patentee; nor shall this Act apply to any device discovered or invented by such employee during the time of his employment or service.″

The Act was amended in respects immaterial to the present question, July 1, 1918, 40 Stat. 705. See *William Cramp & Sons Co*. v. *Curtis Turbine Co*., 246 U.S. 28; *Richmond Screw Anchor Co*. v. *United States*, 275 U.S. 331, 343. As amended it appears in U. S. C., Tit. 35, § 68.

[22] House Report 1288, 61st Cong., 2d Sess.

[23] S. 5265, 65th Cong. 3d Sess.; S. 3223, 66th Cong., 2d Sess.; H. R. 9932, 66th Cong., 2d Sess.; H. R. 11984, 66th Cong., 3d Sess.

fact that action by an employee thereunder would be voluntary, but that the inventor would be protected at least to some extent in his private [*206] right of exclusion. It was recognized that the Government could not compel an assignment, was incapable of taking such assignment or administering the patent, and that it had shop-rights in a patent perfected by the use of government material and in government working time. Nothing contained in the bill itself or in the hearings or reports indicates any intent to change the existing and well understood rights of government employees who obtain patents for their inventions made while in the service. The measure failed of passage.

In 1923 the President sent to the Congress the report of an interdepartmental patents-board created by executive order to study the question of patents within the government service and to recommend regulations establishing a policy to be followed in respect thereof. The report adverted to the fact that in the absence of a contract providing otherwise a patent taken out by a government employee, and any invention developed by one in the public service, is the sole property of the inventor. The committee recommended strongly against public dedication of such an invention, saying that this in effect voids a patent, and, if this were not so, ″there is little incentive for anyone to take up a patent and spend time, effort, and money . . . on its commercial development without at least some measure of protection against others free to take the patent as developed by him and compete in its use. In such a case one of the chief objects of the patent law would be defeated.″ [24] In full accord is the statement on behalf of the Department of the Interior in a memorandum furnished with respect to the bill introduced in 1919. [25]

With respect to a policy of permitting the patentee to take a patent and control it in his own interest (subject, [*207] of course, to the Government's right of use, if any) the committee said:

″. . . it must not be lost sight of that in general it is the constitutional right of every patentee to exploit his patent as he may desire, however expedient it may appear to endeavor to modify this right in the interest of the public when the patentee [***1129] is in the Government service.″ [26]

Concerning a requirement that all patents obtained by government employees be assigned to the United States or its agent, the committee said:

″. . . it would, on the one hand, render difficult securing the best sort of technical men for the service and, on the other, would influence technical workers to resign in order to exploit inventions which they might evolve and suppress while still in the service. There has always been more or less of a tendency for able men in the service to do this, particularly in view of the comparative meagerness of Government salaries; thus the Government has suffered loss among its most capable class of workers.″ [27]

The committee recommended legislation to create an Interdepartmental Patents Board; and further that the law make it part of the express terms of employment, having the effect of a contract, that any patent application made or patent granted for an invention discovered or developed during the period of government service and incident to the line [**565] of official duties, which in the judgment of the board should, in the interest of the national defense, or otherwise in the public interest, be controlled by the Government, should upon demand by the board be assigned by the employee to an agent of the Government. The recommended measures were not adopted.

[*208] [18]*Fifth*. Congress has refrained from imposing upon government servants a contract obligation of the sort above described. At least one department has attempted to do so by regulation. [28] Since the record in this case discloses that the Bureau of Standards had no such regulation, it is unnecessary to consider whether the various

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24 Sen. Doc. No. 83, 68th Cong., 1st Sess., p. 3.

25 Hearings, Senate Patent Committee, 66th Cong., 2d Sess., January 23, 1920, p. 11.

26 Sen. Doc. No. 83, 68th Cong., 1st Sess., p. 3.

27 *Ibid*., p. 4.

28 See Annual Report, Department of Agriculture, for 1907, p. 775. See *Selden Co*. v. *National Aniline & Chemical Co*., 48 F.2d 270, 273.

departments have power to impose such a contract upon employees without authorization by act of Congress. The question is more difficult under our form of government than under that of Great Britain, where such departmental regulations seem to settle the matter. [29]

All of this legislative history emphasizes what we have stated -- that the courts are incompetent to answer the difficult question whether the patentee is to be allowed his exclusive right or compelled to dedicate his invention to the public. It is suggested that the election rests with the authoritative officers of the Government. Under what power, express or implied, may such officers, by administrative fiat, determine the nature and extent of rights exercised under a charter granted a patentee pursuant to constitutional and legislative provisions? Apart from the fact that express authority is nowhere to be found, the question arises, who are the authoritative officers whose determination shall bind the United States and the patentee? The Government's position comes to this -- that the courts may not reexamine the exercise of an authority by some officer, not named, purporting to deprive the patentee of the rights conferred upon him by law. Nothing would be settled by such a holding, except that the determination of the reciprocal rights and obligations of the Government and its employee as respects [*209] inventions are to be adjudicated, without review, by an unspecified department head or bureau chief. Hitherto both the executive and the legislative branches of the Government have concurred in what we consider the correct view, -- that any such declaration of policy must come from Congress and that no power to [***1130] declare it is vested in administrative officers.

The decrees are

Affirmed.

Dissent by: STONE; HUGHES

Dissent

MR. JUSTICE STONE, dissenting.

I think the decrees should be reversed.

The Court's conclusion that the employment of Dunmore and Lowell did not contemplate that they should exercise inventive faculties in their service to the government, and that both courts below so found, seems to render superfluous much that is said in the opinion. For it has not been contended, and I certainly do not contend, that if such were the fact there would be any foundation for the claim asserted by the government. But I think the record does not support the Court's conclusion of fact. I am also unable to agree with the reasoning of the opinion, although on my view of the facts it would lead to the reversal of the decree below, which I favor.

When originally organized [1] as a subdivision of the Department of Commerce, the functions of the Bureau of Standards consisted principally of the custody, comparison, construction, testing and calibration of standards and the solution of problems arising in connection with standards. But in the course of its investigation of standards of quality and performance it has gradually expanded into a laboratory for research of the broadest character in various branches of science and industry and particularly [*210] in the field of engineering. [2] Work of this nature is carried on for

[29] Queen's Regulations (Addenda 1895, 1st February); Ch. 1, Instructions for Officers in General, pp. 15-16.

[1] Act of March 3, 1901, 31 Stat. 1449; Act of February 14, 1903, § 4, 32 Stat. 825, 826. For an account of the origin and development of the Bureau and its predecessor, see Weber, The Bureau of Standards, 1-75.

[2] Much of the expansion of the Bureau's activities in this direction took place during the war. See Annual Report of the Director, Bureau of Standards, for 1919, p. 25; War Work of the Bureau of Standards (1921), Misc. Publications of the Bureau of Standards No. 46. The scope of the Bureau's scientific work is revealed by the annual reports of the Director. See also the bibliography of Bureau publications for the years 1901-1925, Circular of the Bureau of Standards No. 24 (1925).

other government departments, [3] the general public [4] and private industries. [5] It [**566] is almost entirely supported by public funds, [6] and is maintained in the public [*211] [***1131] interest. In 1915, as the importance of radio to the government and to the public increased, Congress appropriated funds [7] to the Bureau ″for investigation and standardization of methods and instruments employed in radio communication.″ Similar annual appropriations have been made since and public funds were allotted by Acts of July 1, 1916, c. 209, 39 Stat. 262, 324 and October 6, 1917, c. 79, 40 Stat. 345, 375, for the construction of a fireproof laboratory building ″to provide additional space to be used for research and testing in radio communication,″ as well as ″space and facilities for cooperative research and experimental work in radio communication″ by other departments of the government. Thus, the conduct of research and scientific investigation in the field of radio has been a duty imposed by law upon the Bureau of Standards since 1915.

Radio research has been conducted in the Radio Section of the Electric Division of the Bureau. In 1921 and 1922, when Dunmore and Lowell made the inventions in controversy, they were employed in this section as members of the scientific staff. They were not, of course, engaged to invent, in the sense in which a carpenter is employed to build a chest, but they were employed to conduct scientific investigations in a laboratory devoted principally to applied rather than pure science with full knowledge and expectation of all concerned that their investigations might normally lead, as they did, to invention. The Bureau was as much devoted to the advancement of the radio art by invention as by discovery which falls short of it. Hence, invention in the field of radio was a goal intimately related to and embraced within the purposes of the work of the scientific staff.

[*212] Both courts below found that Dunmore and Lowell were impelled to make these inventions ″solely by their own scientific curiosity.″ They undoubtedly proceeded upon their own initiative beyond the specific problems upon which they were authorized or directed to work by their superiors in the Bureau, who did not actively supervise their work in its inventive stages. But the evidence leaves no doubt that in all they did they were following the established practice of the Section. For members of the research staff were expected and encouraged to follow their own scientific impulses in pursuing their researches and discoveries to the point of useful application, whether they involved invention or not, and even though they did not relate to the immediate problem in hand. After the inventions had been conceived they were disclosed by the inventors to their chief and they devoted considerable time to perfecting them, with his express approval. All the work was carried on by them in the government laboratory with the use of government materials and facilities, during the hours for which they received a government salary. Its progress was recorded throughout in weekly and monthly reports which they were required to file, as well as in their laboratory notebooks. It seems clear that in thus exercising their inventive powers in the pursuit of ideas reaching beyond their

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[3] The Act of May 29, 1920, 41 Stat. 631, 683, 684, permitted other departments to transfer funds to the Bureau of Standards for such purposes, though even before that time it was one of the major functions of the Bureau to be of assistance to other branches of the service. See *e. g*. Annual Reports of the Director for 1915, 1916, 1917, p. 16; Annual Report for 1918, p. 18; compare Annual Report for 1921, p. 25; for 1922, p. 10.

[4] The consuming public is directly benefited not only by the Bureau's work in improving the standards of quality and performance of industry, but also by the assistance which it lends to governmental bodies, state and city. See Annual Reports of the Director for 1915, 1916, 1917, p. 14; Annual Report for 1918, p. 16; National Bureau of Standards, Its Functions and Activity, Circular of the Bureau of Standards, No. 1 (1925), pp. 28, 33.

[5] Cooperation with private industry has been the major method relied upon to make the accomplishments of the Bureau effective. See Annual Report for 1922, p. 7; Annual Report for 1923, p. 3. A system of research associates permits industrial groups to maintain men at the Bureau for research of mutual concern. The plan has facilitated cooperation. See Annual Report for 1923, p. 4; Annual Report for 1924, p. 35; Annual Report for 1925, p. 38; Annual Reports for 1926, 1928, 1929, 1931, 1932, p. 1; Research Associates at the Bureau of Standards, Bureau Circular No. 296 (1926). For a list of cooperating organizations as of December 1, 1926, see Misc. Publications No. 96 (1927).

[6] No fees have been charged except to cover the cost of testing, but the Act of June 30, 1932, c. 314, § 312, 47 Stat. 410, directs that ″for all comparisons, calibrations, tests or investigations, performed″ by the Bureau except those performed for the Government of the United States or a State, ″a fee sufficient in each case to compensate the . . . Bureau . . . for the entire cost of the services rendered shall be charged. . . .″

[7] Act of March 4, 1915, c. 141, 38 Stat. 997, 1044.

specific assignments, the inventors were discharging the duties expected of scientists employed in the laboratory; Dunmore as well as his supervisors, testified that such was their conception of the nature of the work. The conclusion is irresistible that their scientific curiosity was precisely what gave the inventors value as research workers; the government employed it and gave it free rein in performing the broad duty of the Bureau of advancing the radio art by discovery and invention.

The courts below did not find that there was any agreement between the government and the inventors as to [*213] their relative rights in the patents and there was no evidence to [***1132] support such a finding. They did not find, and upon the facts in evidence and within the range of judicial notice, they could not find that the work done by Dunmore and Lowell leading to the inventions in controversy was not within the scope of their employment. Such a finding was unnecessary to support the decisions below, which proceeded on the theory relied on by the respondent here, that in the absence of an express contract to assign it, an employer is entitled to the full benefit of the patent granted to an employee, only when it is for a particular invention which the employee was specifically hired or directed to make. The bare references by the court below to the obvious facts that ″research″ and ″invention″ are not synonymous, and that all research work [**567] in the Bureau is not concerned with invention, fall far short of a finding that the work in the Bureau did not contemplate invention at all. Those references were directed to a different end, to the establishment of what is conceded here, that Dunmore and Lowell were not *specifically* hired or directed to make the inventions because in doing so they proceeded beyond the assignments given them by their superiors. The court's conception of the law, applied to this ultimate fact, led inevitably to its stated conclusion that the claim of the government is without support in reason or authority ″unless we should regard a general employment for research work as synonymous with a particular employment (or assignment) for inventive work.″

The opinion of this Court apparently rejects the distinction between specific employment or assignment and general employment to invent, adopted by the court below and supported by authority, in favor of the broader position urged by the government that wherever the employee's duties involve the exercise of inventive powers, the employer is entitled to an assignment of the patent [*214] on any invention made in the scope of the general employment. As I view the facts, I think such a rule, to which this Court has not hitherto given explicit support, would require a decree in favor of the government. It would also require a decree in favor of a private employer, on the ground stated by the court that as the employee ″has only produced what he is employed to invent,″ a specifically enforceable ″term of the agreement necessarily is that what he is paid to produce belongs to his paymaster.″ A theory of decision so mechanical is not forced upon us by precedent and cannot, I think, be supported.

What the employee agrees to assign to his employer is always a question of fact. It cannot be said that merely because an employee agrees to invent, he also agrees to assign any patent secured for the invention. Accordingly, if an assignment is ordered in such a case it is no more to be explained and supported as the specific enforcement of an agreement to transfer property in the patent than is the shop-right which equity likewise decrees, where the employment does not contemplate invention. All the varying and conflicting language of the books cannot obscure the reality that in any case where the rights of the employer to the invention are not fixed by express contract, and no agreement in fact may fairly be implied, equity determines after the event what they shall be. In thus adjudicating *in invitum* the consequences of the employment relationship, equity must reconcile the conflicting claims of the employee who has evolved the idea and the employer who has paid him for his time and supplied the materials utilized in experimentation and construction. A task so delicate cannot be performed by accepting the formula advanced by the petitioner any more than by adopting that urged by the respondent, though both are not without support in the [*215] opinions of this Court. Compare *Hapgood* v. *Hewitt*, 119 U.S. 226; *Dalzell* v. *Dueber Mfg. Co*., 149 U.S. 315; [***1133] *Solomons* v. *United States*, 137 U.S. 342, 346; *Gill* v. *United States*, 160 U.S. 426, 435; *Standard Parts Co*. v. *Peck*, 264 U.S. 52.

Where the employment does not contemplate the exercise of inventive talent the policy of the patent laws to stimulate invention by awarding the benefits of the monopoly to the inventor and not to someone else leads to a ready compromise: a shop-right gives the employer an adequate share in the unanticipated boon. [8] *Hapgood* v. *Hewitt, supra;*

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[8] See the cases collected in 30 Columbia Law Rev. 1172; 36 Harvard Law Rev. 468.

Lane & Bodley Co. v. *Locke*, 150 U.S. 193; *Dalzell* v. *Dueber Mfg. Co., supra; Pressed Steel Car Co*. v. *Hansen*, 137 Fed. 403; *Amdyco Corp*. v. *Urquhart*, 39 F.2d 943, aff'd 51 F.2d 1072; *Ingle* v. *Landis Tool Co*., 272 Fed. 464; see *Beecroft & Blackman* v. *Rooney*, 268 Fed. 545, 549.

But where, as in this case, the employment contemplates invention, the adequacy of such a compromise is more doubtful not because it contravenes an agreement for an assignment, which may not exist, but because, arguably, as the patent is the fruit of the very work which the employee is hired to do and for which he is paid, it should no more be withheld from the employer, in equity and good conscience, than the product of any other service which the employee engages to render. This result has been reached where the contract was to devise a means for solving a defined problem, *Standard Parts Co*. v. *Peck, supra*, and the decision has been thought to establish the employer's right wherever the employee is hired or assigned to evolve a process or mechanism for meeting a specific need. *Magnetic Mfg. Co*. v. *Dings Magnetic Separator Co*., 16 F.2d 739; *Goodyear Tire & Rubber* [*216] *Co*. v. *Miller*, 22 F.2d 353, 356; *Houghton* v. *United States*, 23 F.2d 386. But the court below and others have thought (*Pressed Steel Car Co*. v. *Hansen, supra; Houghton* v. *United States, supra; Amdyco Corp*. v. *Urquhart, supra*), as the respondent argues, that only in cases where the employment or assignment is thus specific may the employer demand all the benefits of the employee's invention. The basis of such a limitation is [**568] not articulate in the cases. There is at least a question whether its application may not be attributed, in some instances, to the readier implication of an actual promise to assign the patent, where the duty is to invent a specific thing (see *Pressed Steel Car Co*. v. *Hansen, supra*, 415), or, in any case, to the reluctance of equity logically to extend, in this field, the principle that the right to claim the service includes the right to claim its product. The latter alternative may find support in the policy of the patent laws to secure to the inventor the fruits of his inventive genius, in the hardship which may be involved in imposing a duty to assign all inventions, see *Dalzell* v. *Dueber Mfg. Co., supra*, 323, cf. *Aspinwall Mfg. Co*. v. *Gill*, 32 Fed. 697, 700, and in a possible inequality in bargaining power of employer and employee. But compare *Goodyear Tire & Rubber Co*. v. *Miller, supra*, 355; *Hulse* v. *Bonsack Mach. Co*., 65 Fed. 864, 868; see 30 Columbia Law Rev. 1172, 1176-8. There is no reason for determining now the weight which should be accorded [***1134] these objections to complete control of the invention by the employer, in cases of ordinary employment for private purposes. Once it is recognized, as it must be, that the function of the Court in every case is to determine whether the employee may, in equity and good conscience retain the benefits of the patent, it is apparent that the present case turns upon considerations which distinguish it from any which has thus far been decided.

[*217] The inventors were not only employed to engage in work which unmistakably required them to exercise their inventive genius as occasion arose; they were a part of a public enterprise. It was devoted to the improvement of the art of radio communication for the benefit of the people of the United States, carried on in a government laboratory, maintained by public funds. Considerations which might favor the employee where the interest of the employer is only in private gain are therefore of slight significance; the policy dominating the research in the Bureau, as the inventors knew, was that of the government to further the interests of the public by advancing the radio art. For the work to be successful, the government must be free to use the results for the benefit of the public in the most effective way. A patent monopoly in individual employees, carrying with it the power to suppress the invention, or at least to exclude others from using it, would destroy this freedom; a shop-right in the government would not confer it. For these employees, in the circumstances, to attempt to withhold from the public and from the government the full benefit of the inventions which it has paid them to produce, appears to me so unconscionable and inequitable as to demand the interposition of a court exercising chancery powers. A court which habitually enjoins a mortgagor from acquiring and setting up a tax title adversely to the mortgagee, *Middletown Savings Bank* v. *Bacharach*, 46 Conn. 513, 524; *Chamberlain* v. *Forbes*, 126 Mich. 86; 85 N. W. 253; *Waring* v. *National Savings & Trust Co*., 138 Md. 367; 114 Atl. 57; see 2 Jones on Mortgages (8th ed.), § 841, should find no difficulty in enjoining these employees and the respondent claiming under them from asserting, under the patent laws, rights which would defeat the very object of their employment. The capacity of equitable doctrine for growth and of courts of equity to mould it to [*218] new situations, was not exhausted with the establishment of the employer's shop-right. See *Essex Trust Co*. v. *Enwright*, 214 Mass. 507; 102 N. E. 441; *Meinhard* v. *Salmon*, 249 N. Y. 458; 164 N. E. 545.

If, in the application of familiar principles to the situation presented here, we must advance somewhat beyond the decided cases, I see nothing revolutionary in the step. We need not be deterred by fear of the necessity, inescapable in the development of the law, of setting limits to the doctrine we apply, as the need arises. That prospect does not require us to shut our eyes to the obvious consequences of the decree which has been rendered here. The result is repugnant to common notions of justice and to policy as well, and the case must turn upon these considerations if we abandon the illusion that equity is called upon merely to enforce a contract, albeit, one that is "implied." The case would be more dramatic if the inventions produced at public expense were important to the preservation of human life, or the public health, or the agricultural resources of the country. The principle is the same here, though the inventions are of importance only in the furtherance of human happiness. In enlisting their scientific talent and curiosity in the performance of the public service in which the Bureau was engaged, Dunmore and Lowell necessarily renounced the prospect of deriving from their work commercial [***1135] rewards incompatible with it. [9] Hence, there is nothing [**569] oppressive or [*219] unconscionable in requiring them or their licensee to surrender their patents at the instance of the United States, as there probably would be if the inventions had not been made within the scope of their employment or if the employment did not contemplate invention at all.

The issue raised here is unaffected by legislation. Undoubtedly the power rests with Congress to enact a rule of decision for determining the ownership and control of patents on inventions made by government employees in the course of their employment. But I find no basis for saying that Congress has done so or that it has manifested any affirmative policy for the disposition of cases of this kind, which is at variance with the considerations which are controlling here.

The Act of June 25, 1910, 36 Stat. 851, as amended July 1, 1918, 40 Stat. 704, 705, permitted patentees to sue the government in the Court of Claims for the unauthorized use of their patents. It was in effect an eminent domain statute by which just compensation was secured to the patentee, whose patent had been used by the government. See *Richmond Screw Anchor Co.* v. *United States*, 275 U.S. 331. This statute excluded government employees from the benefits of the Act in order, as the House Committee Report explicitly points out, to leave unaffected the shop-rights of the government. See H. R. Report No. 1288, 61st Cong. 2d Sess. A statute thus [*220] aimed at protecting in every case the minimum rights of the government can hardly be taken to deny other and greater rights growing out of the special equity of cases like the present.

The Act of April 30, 1928, 45 Stat. 467, 468, amending an earlier statute of 1883 (22 Stat. 625), so as to permit a patent to be issued to a government employee without payment of fees, for any invention which the head of a department or independent bureau certifies "is used or liable to be used in the public service," and which the application specifies may, if patented, "be manufactured and used by or for the Government for governmental purposes without the payment of . . . any royalty," was passed, it is true, with the general purpose of encouraging government employees to take out patents on their inventions. But this purpose was not, as the opinion of the Court suggests, born of a Congressional intent that a government employee who conceives an invention in the course of his employment should be protected in his right to exclude all others but the government from using it. Congress was concerned neither with enlarging nor with narrowing the relative rights of the government and its [***1136] employees. [10] This is

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9 It has been said that many scientists in the employ of the government regard the acceptance of patent rights leading to commercial rewards in any case as an abasement of their work. Hearings on Exploitation of Inventions by Government Employees, Senate Committee on Patents, 65th Cong., 3d Sess. (1919), pp. 16, 17; see also the Hearings before the same Committee, January 23, 1920, 66th Cong., 2d Sess. (1920), p. 5. The opinion of the Court attributes importance to the fact, seemingly irrelevant, that other employees of the Bureau have in some instances in the past taken out patents on their inventions which, so far as appears, the government has not prevented them from enjoying. The circumstances under which those inventions were made do not appear. But even if they were the same as those in the present case there is no basis for contending that because the government saw fit not to assert its rights in other cases it has lost them in this. Moreover, there is no necessary inconsistency in the government's position if it concluded in those cases that the public interest would be served best by permitting the employees to exploit their inventions themselves, and adopted a contrary conclusion here.

10 Throughout the various speculations in committee as to what those rights were, it was generally agreed that they were intended to remain unchanged by the bill. See Hearings before the House Committee on Patents, 68th Cong., 2d Sess., on H. R. 3267 and 11403 (1925); Hearings before the same Committee, 70th Cong., 1st Sess. (1928), especially at pp. 8-13. The discussion on the floor of the House, referred to in the opinion of the Court (see note 19) does not indicate the contrary.

apparent from the language of the statute that the patent shall be issued without a fee "subject to existing law," as well as from the records of its legislative history. [11]

[*221] The purpose of Congress in facilitating the patenting of inventions by government employees was to protect the existing right of the government to use all devices invented in the service, whether or not the patentee was employed to use his inventive powers. Experience had shown that this shop-right was jeopardized unless the employee applied for a patent, since without the disclosure incident to the application the government was frequently hampered in its defense of claims by others asserting priority of invention. But doubt which had arisen whether an application for a patent under the Act of 1883 did not operate to dedicate the patent to the public, [12] and reluctance to pay the fees otherwise required, had led government employees to neglect to make applications, even when they were entitled to the benefits of the monopoly subject only to the government's right of use. This doubt the amendment removed. It can hardly be contended that in removing it in order to aid the government in the protection of its shopright, Congress declared a policy that it should have no greater right to control a patent procured either under this special statute or under the general patent laws by fraud or any other type of inequitable conduct. Had such a policy been declared, it is difficult to see on what basis we could award the government a remedy, as it seems to be agreed we would, if [**570] Dunmore and Lowell had been specifically employed to make the inventions. There is nothing to indicate that Congress adopted one policy for such a case and a contrary one for this.

[*222] Other legislation proposed but not enacted, [13] requires but a word. [***1137] Even had Congress expressly rejected a bill purporting to enact into law the rule of decision which I think applicable here, its failure to act could not be accorded the force of law. But no such legislation has been proposed to Congress, and that which was suggested

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[11] In addition to the hearings cited *supra*, note 10, see H. R. Report No. 1596, 68th Cong., 2d Sess.; H. R. Report No. 871, Senate Report No. 765, 70th Cong., 1st Sess. The bill was originally a companion proposal to the Federal Trade Commission bill discussed *infra*, note 13. See the references given there.

[12] See *Selden Co*. v. *National Aniline & Chemical Co*., 48 F.2d 270, 272; *Squier* v. *American Telephone & Telegraph Co*., 7 F.2d 831, 832, affirmed 21 F.2d 747.

[13] The bill referred to in the opinion of the Court was one sponsored by the executive departments to endow the Federal Trade Commission with the power to accept assignments of patents from government employees and administer them in the public interest. It passed the Senate on one occasion and the House on another but failed to become a law. (S. 5265, 65th Cong., 3d Sess., S. 3223, 66th Cong., 1st Sess., H. R. 9932, 66th Cong., 1st Sess., H. R. 11984, 66th Cong., 3d Sess.) In the course of hearings and debates many points of view were expressed. See Hearings on Exploitation of Inventions by Government Employees, Senate Committee on Patents, 65th Cong., 3d Sess. (1919); Hearing before the same Committee, 66th Cong., 2d Sess. (1920); Senate Report No. 405, H. R. Report No. 595, 66th Cong., 2d Sess., recommending passage. See 59 Cong. Rec., 2300, 2421, 2430, 3908, 4682, 4771, 8359, 8360, 8483, 8490; 60 *ibid*. 356; Conference Report, H. R. No. 1294, Sen. Doc. No. 379, 66th Cong., 3d Sess. And see 60 Cong. Rec., 2890, 3229, 3264-3269, 3537. Differences were stressed in the purposes and needs of different agencies of the Government. See especially Hearings (1919), *supra*, pp. 22, 24-5. The need of commercial incentives to private exploiters, as well as the general desirability of such exploitation were admitted, but the dangers were recognized as well. It was thought that the public interest would best be served by the establishment of a single agency for government control, with the power to determine upon some compensation for the inventor.

After the death of this bill in the Senate, February 21, 1921, the subject was again considered by an Interdepartmental Board established by executive order of President Harding, August 9, 1922. Its report was transmitted to Congress by President Coolidge, in December, 1923. Sen. Doc. No. 83, 68th Cong., 1st Sess. The Board found that there had never been any general governmental policy established with respect to inventions, that whether public dedication, private exploitation or governmental control and administration is desirable, depends largely on the nature of the invention. Accordingly, legislation was recommended establishing a permanent Interdepartmental Patents Board with the power to demand assignments of patents on those inventions thereafter developed in the service which "in the interest of the national defense, or otherwise in the public interest" should be controlled by the Government. No action was taken upon this proposal.

Since that time the Director of the Bureau of Standards has recommended that a "uniform, equitable policy of procedure" be defined for the government by legislation. (Annual Report for 1925, p. 40.) In the Report for 1931 it is said (p. 46) that the "patent policy of this Bureau has always been that patentable devices developed by employees paid out of public funds belong to the public," and the Report for 1932 adds (p. 40) "if not so dedicated directly, the vested rights should be held by the Government."

may have been and probably was defeated for reasons unconnected with the issue presented in this case. The legislative record does show, as the opinion of the Court states, that it is a difficult question which has been the subject of consideration at least since the war, whether the public interest is best served by the [*223] dedication of an invention to the public or by its exploitation with patent protection under license from the government or the inventor. But the difficulty of resolving the question does not justify a decree which does answer it in favor of permitting government employees such as these to exploit their inventions without restriction, rather than one which would require the cancellation of their patents or their assignment to the United States.

The decrees should be reversed.

MR. JUSTICE CARDOZO concurs in this opinion.

MR. CHIEF JUSTICE HUGHES, dissenting:

I agree with Mr. Justice Stone's analysis of the facts showing the nature of the employment of Dunmore and Lowell, and with his conclusions as to the legal effect [*224] of that employment. As the people of the United States should have the unrestricted benefit of the inventions in such a case, I think that the appropriate remedy would be to cancel the patents.

Gary Van Zeeland Talent, Inc. v. Sandas

Supreme Court of Wisconsin

May 3, 1978, Submitted on Briefs ; June 30, 1978, Decided

No. 76-029

Reporter
84 Wis. 2d 202; 267 N.W.2d 242;

Gary Van Zeeland Talent, Inc., Appellant, v. Sandas, Respondent

Prior History: [***1] Appeal from a judgment of the County Court of Outagamie County: R. Thomas Cane, Judge.

Disposition: *By the Court*. -- Judgment affirmed.

Counsel: For the appellant the cause was submitted on the briefs of *Andrew O. Riteris, K. Thor Lundgren*, and *Michael, Best & Friedrich*, attorneys, of Milwaukee, and *Irving G. Curry III, McCarty, Curry, Wydeven* and *Peeters & Riester*, of Kaukauna, of counsel.

For the respondent the cause was submitted on the brief of *Thomas J. Janssen* and *Figman, Shiff, Janssen* and *Voesch* of Appleton.

Judges: Heffernan, J.

Opinion by: HEFFERNAN

Opinion

[*205] [**244] The appeal is from a summary judgment which dismissed the complaint of Gary Van Zeeland Talent, Inc., against its former employee, Edwin J. Sandas. Van Zeeland is a talent booking agency. Its principal business is placing musical groups in nightclubs and other places of entertainment.

Sandas, who had no previous experience in talent agency work, became an employee of Van Zeeland in 1972. Van Zeeland trained him in the methods of working with musical groups and clubs and the importance of matching musical talent to the needs of a club. Sandas was, however, a former band musician, [***2] and he was familiar with the procedures of booking bands through agents.

Sandas left the employment of Van Zeeland in 1975. Prior to the time he did so, he made copies of his employer's club or ″customer″ list. He admitted that he took the list because he was planning to start his own business in competition with Van Zeeland Talent, Inc. Shortly after termination of his employment, he commenced his own talent agency.

Van Zeeland commenced an action alleging that Sandas, through the use of the ″private, secret and confidential customer lists, compilations and information . . . interfered with plaintiff's business . . . and has continuously solicited, invited and urged plaintiff's customers to cease doing business with the plaintiff and to become his customers . . . .″

The complaint demanded that the defendant surrender the customer list, account for any business and profits that he had derived from transactions with the customers on the plaintiff's customer list, and be restrained from any future disclosure of the list or information. The plaintiff also asks for an order enjoining any future solicitation of plaintiff's customers and for damages as the result of Sandas' use of [***3] the customer list.

[*206] The essential cause of action asserted by Van Zeeland is for the theft of a trade secret. It is argued that the customer list was a trade secret.

Following the answer denying the principal allegations of the complaint, Sandas moved for summary judgment and accompanied that motion with an affidavit which averred that the information in the customer list was obtainable from telephone directories, trade publications, newspaper advertisements, musician unions' records, and brochures and publicly distributed lists prepared by the Van Zeeland agency, in essence showing facts that tended to demonstrate that the information in the list was readily obtainable and, hence, not a trade secret.

Although the record contains no pleadings in opposition to the motion for summary judgment and no counter-affidavits, the trial judge's opinion reflects the fact that the plaintiff did not contest the facts set forth in the defendant's affidavit in support of summary judgment, but rather took the position that, under those facts, summary judgment in favor of the defendant should be denied as a matter of law. There is also evidence in the record and also in the opinion [***4] of the trial judge that the parties accepted as a verity testimony contained in various pretrial depositions. In effect, then, the motion for summary judgment was decided as a matter of law on an agreed set of facts. Neither of the parties contend that any disputed facts need to be resolved by trial.

The trial judge ordered summary judgment for the defendant after concluding [**245] that the customer list did not constitute a trade secret. He also held that the portion of the complaint which, arguably at least, could be construed to state a cause of action for the misappropriation of the time and effort of Van Zeeland in preparing the customer list must also fail, because only a ″trade secret″ could be misappropriated.

Van Zeeland has appealed from the judgment dismissing its complaint, and on this appeal again asserts that [*207] the customer list was a trade secret. Alternatively, if it is not a trade secret, it argues the misappropriation of its time and effort by the taking of the customer list.

We conclude that, under the undisputed facts relied upon by the trial court, summary judgment was appropriately granted as a matter of law. We affirm.

We conclude that [***5] the customer list was not a trade secret. The list which Sandas took was prepared for the sole purpose of assuring that Christmas cards were sent to all Van Zeeland's customers. Because it did not contain street addresses, it was not used for actual mailing purposes, but only for the purpose of determining that Christmas cards had been sent to the customers on the list. It contained no street addresses, no telephone numbers, no business information in respect to the type of music preferred by the customer, no names of managers or owners, and no other information of any kind other than the club name, the city, and the state.

Van Zeeland kept far more extensive information about its customers than was contained in the list taken by Sandas. It kept billing records, the names of bands placed with various clubs, the dates of engagements, the individuals with whom the placements were made, the club name, the prices, the commissions, and credit information.

The defendant's affidavit in support of the motion for summary judgment established that it would be possible to compile or prepare a list like the one taken by Sandas from other sources. It was equally undisputed that it would [***6] take time and effort to prepare such a list.

Van Zeeland acknowledged that it would be relatively simple to prepare a customer list -- the names of the clubs -- in comparison to the more difficult task of matching appropriate talent with those clubs. There is no assertion that any list which matched bands with customers was taken. Van Zeeland admitted that a list of [*208] customers without detailed information about club preferences would be relatively useless.

Immediately after Sandas left Van Zeeland, he commenced a competing talent agency business. It is undisputed that, during the second month following the commencement of his own business, 80 percent of the telephone calls made by Sandas in placing bands were to clubs listed on the document taken from Van Zeeland.

Additionally, it is undisputed that, at the time that Sandas joined Van Zeeland, he signed an employment agreement which, among other provisions, contained the following:

"7. *Disclosure of information*. The Employee recognizes and acknowledges that the list of the Employer's customers, as it may exist from time to time, is a valuable, special, and unique asset of the Employer's business. The Employee [***7] will not, during or after the term of his employment, disclose the list of the Employer's customers or any part thereof to any person, firm, corporation, association, or other entity for any reason or purpose whatsoever. In the event of a breach or threatened breach by the Employee of the provisions of this paragraph, the Employer shall be entitled to an injunction restraining the Employee from disclosing, in whole or in part, the list of the Employer's customers, or from rendering any services to any person, firm, corporation, association, or other entity to whom such list, in whole or in part, has been disclosed or is threatened to be disclosed. Nothing herein shall be construed as prohibiting the Employer from pursuing any other remedies available to the Employer for such breach or threatened breach, including the recovery of damages from the Employee."

[**246] Under these undisputed facts, then, the initial question is whether the customer list taken by Sandas was a trade secret entitled to legal protection.

Customer lists, in some circumstances, may be protected as trade secrets. Restatement of Torts, sec. 757, comment b at 5 (1939), defines a trade secret:

[*209] [***8] "A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it."

The comment goes on to state that a trade secret generally relates to the production of goods, such as a machine or a formula for the production of an article. A trade secret is not always so restricted; and, as the comment states, it may include "a list of specialized customers."

It is apparent, therefore, that a customer list *per se* does not fall squarely within the category of trade secrets. It is impossible to say generically that all customer lists are so protected. Rather, it is apparent that the general rule is that customer lists are not protected, and it is in the unusual case that such lists will be afforded the status of a trade secret. The difficulty in making this determination is capsulized in Alexander, *Commercial Torts*, sec. 3.4, p. 216 (1973), when he states:

"Perhaps more than any other area of trade-secret law, customer lists present problems of extreme commercial importance and of a close balancing of the interest of the employer [***9] and employee."

The balancing of interests is dependent, to a large degree, upon the philosophical approach of a court to the concept of restraint of trade. The enforcement of a concept that one may not use trade secrets can only be justified as an unusual exception to the common law policy against restraint of trade.

It is apparent that what Van Zeeland seeks in this action is the restraint of competition, and it seeks to prevent Sandas from offering similar services to customers [*210] on the list which have previously been afforded musical booking services by Van Zeeland. The question basically, then, is whether such special protection contrary to the old and well established concepts of the common law should be afforded to Van Zeeland under the circumstances of this case. See, Restatement (Second) of Contracts, at 102 (Tent. Draft No. 12, 1977).

A general statement of the relevant balancing factors which may be applied in determining whether a customer list should be protected under the trade secrets concept is contained in *Developments in the Law -- Competitive Torts*, 77 Harv. L. Rev. 888, 955-56 (1964):

"The use of customer lists and contacts by ex-employees stands [***10] on the periphery of trade secret law. Written customer lists generally have been regarded as trade secrets when the nature of the industry permits the list to be kept secret and the list cannot readily be duplicated by independent means. The size of the list and the type of information it contains about the customers may be relevant to the latter determination, as may the amount of time and effort which went into its composition.

"Some economic considerations militate against protecting customer lists. Most are developed in the normal course of business and probably would be produced whether or not protected. The customer benefits from their promulgation, for more firms then compete for his order. Also, once someone has discovered a customer with particular preferences, it is wasted effort for other firms to have to discover him again. Incentive to compile lists may be strengthened by legal protection in a few cases; and without protection businesses will guard lists more closely, with resulting inefficiency and diversion of resources into industrial security. However, economic arguments for protecting customer lists are at best marginal and the case for protection rests almost [***11] entirely on the need to deter employee disloyalty." (footnotes omitted)

[**247] The philosophical position of this court has been set forth in two recent cases, *Abbott Laboratories v. Norse* [*211] *Chemical Corp.*, 33 Wis.2d 445, 147 N.W.2d 529 (1967), and *American Welding & Engineering Co., Inc. v. Luebke*, 37 Wis.2d 697, 155 N.W.2d 576, 28 A.L.R.3d 1 (1968). In both *Abbott* and *American Welding*, we considered the six factors mentioned in Restatement of Torts, sec. 757, comment b at 6 (1939), as being relevant in determining whether the material sought to be protected is a trade secret. That comment states:

"Some factors to be considered in determining whether given information is one's trade secret are: (1) the extent to which the information is known outside of his business; (2) the extent to which it is known by employees and others involved in his business; (3) the extent of measures taken by him to guard the secrecy of the information; (4) the value of the information to him and to his competitors; (5) the amount of effort or money expended by him in developing the information; (6) the ease or difficulty with which the information could be properly acquired [***12] or duplicated by others."

If the material is not a trade secret under those considerations or others that this court deems relevant, the rules that the plaintiff urges should be applied in the protection of trade secrets are immaterial.

In applying those general standards in *Abbott*, we held that the customer list was not a trade secret. The list there consisted of the names and addresses of customers and, in addition, the name of the key individual to be contacted at the customer's establishment. We rested the conclusion that the list was not a trade secret upon the fact that the bare bones listing of customers contained no complicated marketing data which attempted to project the marketing needs of a customer or the customer's marketing habits.

It is apparent that this rationale of *Abbott* would mandate that the Van Zeeland customer list is even less deserving of protection. The Van Zeeland list was completely [*212] silent in respect to key personnel to be contacted and failed even to include street addresses. There was, indeed, complicated marketing data which was compiled by Van Zeeland which was included in its ordinary business records, which reflected the [***13] musical placements with individual customers, the individual dealt with, and the credit record of the customer. There is nothing in the record, however, to show that any attempt was made to keep this information secret, and such information was not taken by Sandas.

In *Abbott*, we pointed out that a customer list for artificial sweeteners was a matter of common knowledge and was available through trade journals throughout the industry. In the instant case, the evidence revealed that the customers for musical entertainment could be located easily through telephone directories, calls to chambers of commerce, and newspaper advertising. It is quite apparent then that the information contained on the list was readily available to anyone within or without the Van Zeeland business who wished to go through the routine of making inquiries from established sources. No special knowledge or expertise was required to gather this information. Moreover, the information on the list was only of marginal value to anyone. Van Zeeland's own testimony acknowledged that information merely in respect to the names and locations of the clubs was insufficient. Van Zeeland's testimony was capsulized [***14] in the plaintiff counsel's synopsis of testimony, "One must know the nature of each particular club with whom one deals. I procure this information by calling clubs."

It is apparent that the type of information which Van Zeeland considered important could not be contained in any listing or summary of club names and state and city addresses.

American Welding followed the rationale of *Abbott*. In that case, also, this court found the customer list [*213] not to be a trade secret. There was evidence in *American Welding* to show that the employee in question brought at least a portion of the list to his work and, in addition, there was evidence to show that another employee had [**248] been permitted to take the customer list with him when he left *American Welding*. Nevertheless, *American Welding* based a portion of its rationale on the fact that the customer list did not contain particularized information. We said in *American Welding* at 702-03:

". . . the cards do not contain information concerning the particular types of orders of plaintiff's customers; special methods of fabrication utilized to fill orders; the costs of fabrication; past or future [***15] profits involved in such orders; the methods which particular customers use in their operations; the value of repeat business; the type of order or terms thereof; bidding factors; customer standards or specifications; or the potential of the individual accounts."

While *American Welding* was a manufacturing company and the customer information would obviously be of a different character, it is apparent that bare bones customer lists, under *American Welding*, will not be afforded the status of trade secrets. In addition, the court pointed out the ease with which the list could be compiled by anyone having the experience of the departing employee. The court stated at 703:

"Most any person possessing Luebke's experience, contacts and knowledge of the industry, could have compiled a similar file without undue difficulty, by recalling his past experiences and by reference to telephone and trade manual directories. Many of the cards listed only the customer's name, address and telephone number."

The same thing could have been done by Sandas in the present case. The list was readily reproducible. The tenor of the Van Zeeland brief on this appeal reveals that [*214] much [***16] of Van Zeeland's concern is not over the utility of the customer list to Sandas or over the deprivation of the exclusive use of that list by Van Zeeland, but rather the concern that Sandas, in the course of his employment, had acquired such expertise and know-how in the placement of musical groups as to make him a significant competitor. Much of the Van Zeeland brief is concerned with the fact that Sandas came to Van Zeeland as a twenty-one-year-old impoverished cookware salesman but has now left the organization after having been trained by Van Zeeland to such an extent that he is an expert in talent placement. The law, however, does not protect against that type of unfairness, if unfairness it be. Rather, it encourages the mobility of workers; and so long as a departing employee takes with him no more than his experience and intellectual development that has ensued while being trained by another, and no trade secrets or processes are wrongfully appropriated, the law affords no recourse. *Abbott, supra*, 33 Wis.2d at 463; Annot., 28 A.L.R.3d 7, sec. 4 (1969).

Another facet of this court's rationale in *Abbott* has been urged here by Van Zeeland. In *Abbott*, we referred [***17] to the route-nonroute customer distinction. We pointed out there:

"A nonroute customer is one whose demand varies, and who is likely to purchase from several suppliers. Courts have been less prone to give relief in this area because there is no particular relationship developed between a customer and a salesman which is enduring. Thus, a contact of a customer by a former employee is not as unfair as in the area of a route salesman whom customers know and have come to depend on." (at 467)

Van Zeeland has attempted to liken Sandas' situation to one in which a salesman who has served a route takes over the furnishing of goods or services on his own behalf, rather than on behalf of his former employer. [*215] Despite the urgings of Van Zeeland on this appeal, it is apparent that the trial court correctly found that, to the extent the route-nonroute distinction is at all applicable here, the customers of Van Zeeland were of the nonroute type. The evidence is clear that none of the customers on the list was dependent exclusively upon Van Zeeland for booking services. All of the clubs relied on numerous booking agents, and none of the clubs had any special [**249] or contractual [***18] relationship with Van Zeeland.

The typical and classical case of a route customer is the relationship between a householder and a milk delivery salesman. In that situation, the householder, during the course of the relationship, typically buys exclusively from the particular salesman; and it is assumed that, therefore, a special personal relationship will develop which will continue even though the salesman should commence his own enterprise or switch employers.

Van Zeeland nevertheless attempts to liken the situation here to that of a route customer because, it argues, the particular agent dealing with the clubs has developed a personal drawing power which may be exercised to the detriment of his former employer.

There are indeed types of professions or occupations which may be considered to be covered by the route sales rationale even though they are not route salesmen in the accepted milkman's sense. Included in this category are such persons as dentists, doctors, lawyers, and accountants. *See, Trade Secrets, Customer Contacts and the Employer-Employee Relationship*, 37 Ind. L.J. 218, 230 (1961-62). What makes them fit the category as route sales persons is the fact that [***19] the customer or consumer of their services typically does not purchase from several suppliers. That rationale, however, does not conform to the indisputable facts of the instant case. It is apparent that the clubs were completely independent of the agents [*216] and did not rely on any one talent agency exclusively, but rather relied on whatever suppliers filled their need at the moment.

In addition, the record indicates that Sandas was but one of 10 or 12 agents employed by Van Zeeland, and the facts show that a single agent only had contacts with approximately 125-150 of the clubs on the customer list.

We accordingly conclude, applying the general standards developed in *Abbott* and *American Welding* and the basic considerations of the Restatement of Torts, sec. 757, that the Van Zeeland customer list did not constitute a trade secret. The information on the list was known outside the Van Zeeland business and the list could be readily reproduced. The information was available to all the employees of the firm, and much of the information that was available was far more pertinent to matching clubs with talent than the skeletal customer list. As we have stated, Van [***20] Zeeland himself conceded that the information on the customer list in itself had little value, because the information there did not enable the matching of talent to the needs of a particular entertainment facility. The customer list was not a trade secret and was not entitled to legal protection on that basis.

Van Zeeland further contends that Sandas is estopped from denying that the club list is a trade secret, because, at the time of his employment, he signed an agreement which included paragraph 7, set forth in full *supra*. That portion of the agreement embodies the phrase:

"The Employee recognizes and acknowledges that the list of the Employer's customers, as it may exist from time to time, is a valuable, special, and unique asset of the Employer's business."

As a matter of public policy, we conclude that estoppel is not appropriate in a restraint-of-trade situation. As [*217] stated above, it is the public policy of the common law that there be unrestrained competition to further the welfare of the consumer and society in general. Matters of trade practices or information in respect to manufacturing processes will be afforded the status of trade secrets only when [***21] to do so furthers public policy.

Restatement of Torts, in the introductory portions to sec. 757, discusses the rationale of trade secret protection, and it analogizes, to a degree, trade secrets to patents and copyrights. Matters will be given the status of trade secrets for the same reason that patents and copyrights are afforded special protection, because it is the public policy assumption that, by giving special protection to inventors, authors, and [**250] composers, an incentive will be afforded to creativity and that the benefits will inure to the general public. Basically, then, it is contrary to public policy to afford special protection to a restraint-of-trade mechanism where to do so does not give a special incentive for creativity that will inure to the benefit of the public at large. Accordingly, it is contrary to public policy to afford protection to material which is generated in the ordinary course of a business.

We said in *Abbott* that the customer list there was merely the outgrowth of its normal marketing endeavors and was nothing unique or confidential that should be protected in order to prevent competition. The above rationale is applicable to the [***22] instant case. While a declaration that the customer list is of value may have some persuasiveness in showing that the employer attempted to keep the list a secret, it is the public's right to have reasonable competition, irrespective of what self-serving declarations the employer may insist upon. Merely stating or having the employee acknowledge that a customer list is secret does not make it a trade secret entitled to be protected by the law in derogation of freedom of commerce [*218] and trade. It would be contrary to public policy to permit the doctrine of estoppel to be applied in this case.

We also point out that paragraph 7 in its entirety constitutes an unreasonable restraint of trade. That paragraph provides that the employee will never, without time limitation, disclose the list of customers to any person. Even were this customer list a trade secret, subject to protection within a reasonable geographic area and for a reasonable period of time, this provision, which sets no limits with respect to either, is unreasonable and void. The unreasonable strictures upon the right of disclosure vitiate the entire agreement in accordance with the legislative policy of sec. [***23] 103.465, Stats., which provides in part:

″Any such restrictive covenant imposing an unreasonable restraint is illegal, void and unenforceable even as to so much of the covenant or performance as would be a reasonable restraint.″

An additional factor should be noted. Where a restraint of trade is tolerated, it is permitted only to the extent absolutely necessary to afford reasonable protection. As indicated above, restraints may be unreasonable by a limitation that is overbroad in terms of geographic area or time. A facet of the time limitation which must be considered in determining its reasonableness is the extent to which the information is permanently valuable to the employer. Restatement (Second) of Contracts, sec. 330, comment d at 115 (Tent. Draft No. 12, 1977), provides in part:

″And if the restraint is to last longer than is required in light of those interests, taking account of such factors as the permanent or transitory nature of technology and information, it is unreasonable.″

[*219] Van Zeeland's customer list was at best of only transitory value. Like the customer list in *American Welding*, it was probably partially obsolete at the time it came into Sandas' [***24] possession. The information contained in the Van Zeeland customer list is now, less than three years after Sandas left the employment, already of greatly diminished value. Exhibit 3, incorporated in the record, lists 1200 clubs. Of the 30 clubs listed in Milwaukee, only 16 are currently listed in the Milwaukee telephone directory, and of the 23 listed in Madison, only 11 are currently listed in the Madison telephone directory. It is apparent that this information was of only transitory significance, and any covenant in an employment agreement which would restrain the disclosure of this information for all time is patently unreasonable.

We also point out the close scrutiny that restraint-of-trade restrictions in employment contracts must sustain if they are to pass legal muster as being reasonable. The argument put forth in the brief on this appeal exemplifies the very reason that such contracts are *prima facie* suspect. Counsel for Van Zeeland in his brief states:

″Would Sandas have obtained the job with Van Zeeland Talent, if he would [**251] have asserted his 'right' to Van Zeeland's club list at the time of hiring? Of course not!!″

Of course, no claim is made that [***25] Sandas did not have the right to a list of clubs during his employment. The issue is the post-employment restraint. Restatement of Contracts (Second), *supra*, comment g, at 119, states:

″Post-employment restraints are scrutinized with particular care because they are often the product of unequal bargaining power and because the employee is likely to give scant attention to the hardship he may later suffer through the loss of his livelihood.″

[*220] The argument of Van Zeeland demonstrates the unequal bargaining power of Sandas and Van Zeeland at the time of hiring.

We take notice of paragraph 11 of the agreement which bound Sandas for a time period of five years and a radius of 300 miles from Van Zeeland's place of business not to operate or in any way be employed by or be connected with any business similar to Van Zeeland's. It is noteworthy also that, although Sandas' conduct clearly comes within the prohibitions of paragraph 11, no reliance is placed upon it. It is undoubtedly wise that Van Zeeland does not base its cause of action upon that restrictive covenant for, on its face, it appears to be an unreasonable restraint of trade. We call attention to paragraph [***26] 11 not because it poses a specific issue important in the decision of this appeal, but rather it demonstrates that the contract upon which Van Zeeland relies to estop Sandas is shot through with provisions that are contrary to public policy. Estoppel cannot be based upon a contract of that nature.

Van Zeeland asserts that, even if the customer list does not constitute a trade secret, nevertheless, it is protected by the misappropriation doctrine. The misappropriation doctrine was recently discussed in *Mercury Record Pronational News*

Service v. Associated Press, 248 U.S. 215 163, 218 N.W.2d 705 (1974). Therein, referring to *International News Service v. Associated Press*, 248 U.S. 215 (1918), we said:

"The elements of the misappropriation cause of action developed in I.N.S. are: (1) time, labor, and money expended in the creation of the thing misappropriated; (2) competition; and (3) commercial damage to the plaintiff." (at 174)

The customer list was, indeed, physically taken or misappropriated without the consent of Van Zeeland. It is also undisputed that Sandas promptly thereafter went [*221] into competition with Van Zeeland; and it is alleged and not disputed that [***27] Van Zeeland was commercially damaged by Sandas. [1] Nevertheless, we conclude that the misappropriation doctrine is not applicable to the taking of customer lists.

The only case cited for the proposition that the misappropriation doctrine applies to customer lists is *Boylston Coal Co. v. Rautenbush and Crowe*, 237 Ill. App. 550 (1925). That case, however, under no reasonable reading supports the position of Van Zeeland that *Boylston* was a case based on the misappropriation doctrine. That case involved a list of over 8,000 names, which had been winnowed from a total of 250,000 named agents. The court in *Boylston* held that it was a list of peculiar character and required more confidence and security protections than the ordinary list of customers. It said it was "in the nature of a trade or business secret." (at 558) Hence, the case upon which Van Zeeland [***28] relies was decided not under the misappropriation doctrine at all, but rather is one of the unusual cases where, because of unique facts and circumstances, a customer list constituted a trade secret.

The *I.N.S.* case is cited in *Boylston*, not for the application of the misappropriation doctrine, but rather for the boilerplate proposition that equity courts will protect property rights. *Boylston* is irrelevant to [**252] the application of the misappropriation doctrine to the present case.

We see no conceptual justification for extending the protection of the misappropriation doctrine to customer lists, and no reasonable justification has been urged by Van Zeeland. As we have noted above, relying upon *Abbott*, customer lists are at the very periphery of the law of unfair competition, because legal protection does not provide incentives to compile lists, because they are [*222] developed in the normal course of business anyway. The entire rationale of providing protection to a customer list depends upon the basic philosophy that social welfare is enhanced by placing restraints on trade that will encourage the creativity by which processes and products will [***29] ultimately inure to the general welfare. While the prevention of employee disloyalty is a worthwhile social objective, because of the countervailing policy against restraint of trade, the loyalty of an employee will be enforced by law only under the unusual circumstance where a "trade secret" is involved. As set forth above and as noted in *Abbott* and *American Welding*, customer lists will be entitled to protection only in exceptional cases, because such protection would otherwise be contrary to public policy. It would be incongruous to depart from that public policy by the mere *ipsi dixit* of applying the skeletal requirements of the misappropriation doctrine. To do so in that context would defeat the very purposes of placing strict limitations on what will be protected as a trade secret.

It is also important to note that none of the cases which apply the misappropriation doctrine appear reasonable where a customer list is sought to be protected. For example, in *I.N.S.*, that news agency simply appropriated the Associated Press reports from early editions of newspapers and used them as its own. In *Mercury Record*, the original recording companies went to great [***30] expense to make quality recordings of its artists, but the pirate company simply made bootleg recordings and sold them as its own. In each case, misappropriation from the true owner gave the misappropriator the fruits of the final product that had resulted from the creator's costly and time-consuming news-gathering or artist-recording process. The effect in those cases upon the original creator of the product was immediate and direct. The misappropriation took a thing of great value from the organization that created the product.

[*223] While it may be that no sharp line can always be drawn between "direct" and "indirect" effect on the creator of the product, it is clear that the taking of a customer list has only an indirect effect. The list is far removed from the status of an end product. In the instant case, the list of customers, which was not unique and could be duplicated in the

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[1] There is some evidence of record that would seem to indicate that Van Zeeland's business increased substantially subsequent to Sandas' departure.

identical form from other sources, constituted only a feeble step in a competitive war against the original compiler of the list. Once the defendant Sandas secured the list, he was still obliged to solicit the customers and to match their tastes with the bands he could produce. He was obliged [***31] to produce the talent which could be placed in the clubs at the appropriate time. As we have said in this opinion, Van Zeeland himself acknowledged that merely securing the customer list was not sufficient, because it did not contain within itself all that was necessary to enable Sandas to forthwith place appropriate talent in the clubs listed.

It would appear that the misappropriation doctrine, even if it were applicable, would afford less protection to a customer list which was truly a trade secret than the trade-secret doctrine itself. For example, the route customer list may be protected because damage is more direct and imminent. In such cases the trade secret law provides ample protection, and the misappropriation doctrine is unnecessary.

We conclude that the misappropriation doctrine has no place in the protection of customer lists.

We conclude that the customer list in this case was not a trade secret, that as a matter of public policy Sandas is not estopped by the unreasonable employment contract to assert that the customer list is not a trade secret, and that the misappropriation [**253] doctrine is inapplicable. Summary judgment was properly granted.

By the [***32] *Court*. -- Judgment affirmed.

AMENDMENTS

2005—Pub. L. 109–8, title I, § 106(e)(2), title II, § 233(b), Apr. 20, 2005, 119 Stat. 41, 74, added items 111 and 112.

1994—Pub. L. 103–394, title III, § 308(b), Oct. 22, 1994, 108 Stat. 4137, added item 110.

§ 101. Definitions

In this title the following definitions shall apply:

(1) The term ''accountant'' means accountant authorized under applicable law to practice public accounting, and includes professional accounting association, corporation, or partnership, if so authorized.

(2) The term ''affiliate'' means—

(A) entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of the debtor, other than an entity that holds such securities—

(i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or

(ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;

(B) corporation 20 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the debtor, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of the debtor, other than an entity that holds such securities—

(i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or

(ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;

(C) person whose business is operated under a lease or operating agreement by a debtor, or person substantially all of whose property is operated under an operating agreement with the debtor; or

(D) entity that operates the business or substantially all of the property of the debtor under a lease or operating agreement.

(3) The term ''assisted person'' means any person whose debts consist primarily of consumer debts and the value of whose nonexempt property is less than $150,000.

(4) The term ''attorney'' means attorney, professional law association, corporation, or partnership, authorized under applicable law to practice law.

(4A) The term ''bankruptcy assistance'' means any goods or services sold or otherwise provided to an assisted person with the express or implied purpose of providing information, advice, counsel, document preparation, or filing, or attendance at a creditors' meeting or appearing in a case or proceeding on behalf of another or providing legal representation with respect to a case or proceeding under this title.

(5) The term ''claim'' means—

(A) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or

(B) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

(6) The term ''commodity broker'' means futures commission merchant, foreign futures commission merchant, clearing organization, leverage transaction merchant, or commodity options dealer, as defined in section 761 of this title, with respect to which there is a customer, as defined in section 761 of this title.

(7) The term ''community claim'' means claim that arose before the commencement of the case concerning the debtor for which property of the kind specified in section 541(a)(2) of this title is liable, whether or not there is any such property at the time of the commencement of the case.

(7A) The term ''commercial fishing operation'' means—

(A) the catching or harvesting of fish, shrimp, lobsters, urchins, seaweed, shellfish, or other aquatic species or products of such species; or

(B) for purposes of section 109 and chapter 12, aquaculture activities consisting of raising for market any species or product described in subparagraph (A).

(7B) The term ''commercial fishing vessel'' means a vessel used by a family fisherman to carry out a commercial fishing operation.

(8) The term ''consumer debt'' means debt incurred by an individual primarily for a personal, family, or household purpose.

(9) The term ''corporation''—

(A) includes—

(i) association having a power or privilege that a private corporation, but not an individual or a partnership, possesses;

(ii) partnership association organized under a law that makes only the capital subscribed responsible for the debts of such association;

(iii) joint-stock company;

(iv) unincorporated company or association; or

(v) business trust; but

(B) does not include limited partnership.

(10) The term ''creditor'' means—

(A) entity that has a claim against the debtor that arose at the time of or before the order for relief concerning the debtor;

(B) entity that has a claim against the estate of a kind specified in section 348(d), 502(f), 502(g), 502(h) or 502(i) of this title; or

(C) entity that has a community claim.

(10A) The term ''current monthly income''—

(A) means the average monthly income from all sources that the debtor receives (or in a joint case the debtor and the debtor's spouse receive) without regard to whether such income is taxable income, derived during the 6-month period ending on—

(i) the last day of the calendar month immediately preceding the date of the commencement of the case if the debtor files the schedule of current income required by section 521(a)(1)(B)(ii); or

(ii) the date on which current income is determined by the court for purposes of this title if the debtor does not file the schedule of current income required by section 521(a)(1)(B)(ii); and

(B) includes any amount paid by any entity other than the debtor (or in a joint case the debtor and the debtor's spouse), on a regular basis for the household expenses of the debtor or the debtor's dependents (and in a joint case the debtor's spouse if not otherwise a dependent), but excludes benefits received under the Social Security Act, payments to victims of war crimes or crimes against humanity on account of their status as victims of such crimes, and payments to victims of international terrorism (as defined in section 2331 of title 18) or domestic terrorism (as defined in section 2331 of title 18) on account of their status as victims of such terrorism.

(11) The term ''custodian'' means—

(A) receiver or trustee of any of the property of the debtor, appointed in a case or proceeding not under this title;

(B) assignee under a general assignment for the benefit of the debtor's creditors; or

(C) trustee, receiver, or agent under applicable law, or under a contract, that is appointed or authorized to take charge of property of the debtor for the purpose of enforcing a lien against such property, or for the purpose of general administration of such property for the benefit of the debtor's creditors.

(12) The term ''debt'' means liability on a claim.

(12A) The term ''debt relief agency'' means any person who provides any bankruptcy assistance to an assisted person in return for the payment of money or other valuable consideration, or who is a bankruptcy petition preparer under section 110, but does not include—

(A) any person who is an officer, director, employee, or agent of a person who provides such assistance or of the bankruptcy petition preparer;

(B) a nonprofit organization that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986;

(C) a creditor of such assisted person, to the extent that the creditor is assisting such assisted person to restructure any debt owed by such assisted person to the creditor;

(D) a depository institution (as defined in section 3 of the Federal Deposit Insurance Act) or any Federal credit union or State credit union (as those terms are defined in section 101 of the Federal Credit Union Act), or any affiliate or subsidiary of such depository institution or credit union; or

(E) an author, publisher, distributor, or seller of works subject to copyright protection under title 17, when acting in such capacity.

(13) The term ''debtor'' means person or municipality concerning which a case under this title has been commenced.

(13A) The term ''debtor's principal residence''—

(A) means a residential structure if used as the principal residence by the debtor, including incidental property, without regard to whether that structure is attached to real property; and

(B) includes an individual condominium or cooperative unit, a mobile or manufactured home, or trailer if used as the principal residence by the debtor.

(14) The term ''disinterested person'' means a person that—

(A) is not a creditor, an equity security holder, or an insider;

(B) is not and was not, within 2 years before the date of the filing of the petition, a director, officer, or employee of the debtor; and

(C) does not have an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the debtor, or for any other reason.

(14A) The term ''domestic support obligation'' means a debt that accrues before, on, or after the date of the order for relief in a case under this title, including interest that accrues on that debt as provided under applicable nonbankruptcy law notwithstanding any other provision of this title, that is—

(A) owed to or recoverable by—

(i) a spouse, former spouse, or child of the debtor or such child's parent, legal guardian, or responsible relative; or

(ii) a governmental unit;

(B) in the nature of alimony, maintenance, or support (including assistance provided by a governmental unit) of such spouse, former spouse, or child of the debtor or such child's parent, without regard to whether such debt is expressly so designated;

(C) established or subject to establishment before, on, or after the date of the order for relief in a case under this title, by reason of applicable provisions of—

(i) a separation agreement, divorce decree, or property settlement agreement;

(ii) an order of a court of record; or

(iii) a determination made in accordance with applicable nonbankruptcy law by a governmental unit; and

(D) not assigned to a nongovernmental entity, unless that obligation is assigned voluntarily by the spouse, former spouse, child of the debtor, or such child's parent, legal guardian, or responsible relative for the purpose of collecting the debt.

(15) The term ''entity'' includes person, estate, trust, governmental unit, and United States trustee.

(16) The term ''equity security'' means—

(A) share in a corporation, whether or not transferable or denominated ''stock'', or similar security;

(B) interest of a limited partner in a limited partnership; or

(C) warrant or right, other than a right to convert, to purchase, sell, or subscribe to a share, security, or interest of a kind specified in subparagraph (A) or (B) of this paragraph.

(17) The term ''equity security holder'' means holder of an equity security of the debtor.

(18) The term ''family farmer'' means—

(A) individual or individual and spouse engaged in a farming operation whose aggregate debts do not exceed $3,237,000 and not less than 50 percent of whose aggregate noncontingent, liquidated debts (excluding a debt for the principal residence of such individual or such individual and spouse unless such debt arises out of a farming operation), on the date the case is filed, arise out of a farming operation owned or operated by such individual or such individual and spouse, and such individual or such individual and spouse receive from such farming operation more than 50 percent of such individual's or such individual and spouse's gross income for—

(i) the taxable year preceding; or

(ii) each of the 2d and 3d taxable years preceding;

the taxable year in which the case concerning such individual or such individual and spouse was filed; or

(B) corporation or partnership in which more than 50 percent of the outstanding stock or equity is held by one family, or by one family and the relatives of the members of such family, and such family or such relatives conduct the farming operation, and

(i) more than 80 percent of the value of its assets consists of assets related to the farming operation;

(ii) its aggregate debts do not exceed $3,237,000 and not less than 50 percent of its aggregate noncontingent, liquidated debts (excluding a debt for one dwelling which is owned by such corporation or partnership and which a shareholder or partner maintains as a principal residence, unless such debt arises out of a farming operation), on the date the case is filed, arise out of the farming operation owned or operated by such corporation or such partnership; and

(iii) if such corporation issues stock, such stock is not publicly traded.

(19) The term ''family farmer with regular annual income'' means family farmer whose annual income is sufficiently stable and regular to enable such family farmer to make payments under a plan under chapter 12 of this title.

(19A) The term ''family fisherman'' means—

(A) an individual or individual and spouse engaged in a commercial fishing operation—

(i) whose aggregate debts do not exceed $1,500,000 and not less than 80 percent of whose aggregate noncontingent, liquidated debts (excluding a debt for the principal residence of such individual or such individual and spouse, unless such debt arises out of a commercial fishing operation), on the date the case is filed, arise out of a commercial fishing operation owned or operated by such individual or such individual and spouse; and

(ii) who receive from such commercial fishing operation more than 50 percent of such individual's or such individual's and spouse's gross income for the taxable year preceding the taxable year in which the case concerning such individual or such individual and spouse was filed; or

(B) a corporation or partnership—

(i) in which more than 50 percent of the outstanding stock or equity is held by—

(I) 1 family that conducts the commercial fishing operation; or

(II) 1 family and the relatives of the members of such family, and such family or such relatives conduct the commercial fishing operation; and

(ii)(I) more than 80 percent of the value of its assets consists of assets related to the commercial fishing operation;

(II) its aggregate debts do not exceed $1,500,000 and not less than 80 percent of its aggregate noncontingent, liquidated debts (excluding a debt for 1 dwelling which is owned by such corporation or partnership and which a shareholder or partner maintains as a principal residence, unless such debt arises out of a commercial fishing operation), on the date the case is filed, arise out of a commercial fishing operation owned or operated by such corporation or such partnership; and

(III) if such corporation issues stock, such stock is not publicly traded.

(19B) The term ''family fisherman with regular annual income'' means a family fisherman whose annual income is sufficiently stable and regular to enable such family fisherman to make payments under a plan under chapter 12 of this title.

(20) The term ''farmer'' means (except when such term appears in the term ''family farmer'') person that received more than 80 percent of such person's gross income during the taxable year of such person immediately preceding the taxable year of such person during which the case under this title concerning such person was commenced from a farming operation owned or operated by such person.

(21) The term ''farming operation'' includes farming, tillage of the soil, dairy farming, ranching, production or raising of crops, poultry, or livestock, and production of poultry or livestock products in an unmanufactured state.

(21A) The term ''farmout agreement'' means a written agreement in which—

(A) the owner of a right to drill, produce, or operate liquid or gaseous hydrocarbons on property agrees or has agreed to transfer or assign all or a part of such right to another entity; and

(B) such other entity (either directly or through its agents or its assigns), as consideration, agrees to perform drilling, reworking, recompleting, testing, or similar or related operations, to develop or produce liquid or gaseous hydrocarbons on the property.

(21B) The term ''Federal depository institutions regulatory agency'' means—

(A) with respect to an insured depository institution (as defined in section 3(c)(2) of the Federal Deposit Insurance Act) for which no conservator or receiver has been appointed, the appropriate Federal banking agency (as defined in section 3(q) of such Act);

(B) with respect to an insured credit union (including an insured credit union for which the National Credit Union Administration has been appointed conservator or liquidating agent), the National Credit Union Administration;

(C) with respect to any insured depository institution for which the Resolution Trust Corporation has been appointed conservator or receiver, the Resolution Trust Corporation; and

(D) with respect to any insured depository institution for which the Federal Deposit Insurance Corporation has been appointed conservator or receiver, the Federal Deposit Insurance Corporation.

(22) The term ''financial institution'' means—

(A) a Federal reserve bank, or an entity that is a commercial or savings bank, industrial savings bank, savings and loan association, trust company, federally-insured credit union, or receiver, liquidating agent, or conservator for such entity and, when any such Federal reserve bank, receiver, liquidating agent, conservator or entity is acting as agent or custodian for a customer (whether or not a ''customer'', as defined in section 741) in connection with a securities contract (as defined in section 741) such customer; or

(B) in connection with a securities contract (as defined in section 741) an investment company registered under the Investment Company Act of 1940.

(22A) The term ''financial participant'' means—

(A) an entity that, at the time it enters into a securities contract, commodity contract, swap agreement, repurchase agreement, or forward contract, or at the time of the date of the filing of the petition, has one or more agreements or transactions described in paragraph (1), (2), (3), (4), (5), or (6) of section 561(a) with the debtor or any other entity (other than an affiliate) of a total gross dollar value of not less than $1,000,000,000 in notional or actual principal amount outstanding (aggregated across counterparties) at such time or on any day during the 15-month period preceding the date of the filing of the petition, or has gross mark-to-market positions of not less than $100,000,000 (aggregated across counterparties) in one or more such agreements or transactions with the debtor or any other entity (other than an affiliate) at such time or on any day during the 15-month period preceding the date of the filing of the petition; or

(B) a clearing organization (as defined in section 402 of the Federal Deposit Insurance Corporation Improvement Act of 1991).

(23) The term ''foreign proceeding'' means a collective judicial or administrative proceeding in a foreign country, including an interim proceeding, under a law relating to insolvency or adjustment of debt in which proceeding the assets and affairs of the debtor are subject to control or supervision by a foreign court, for the purpose of reorganization or liquidation.

(24) The term ''foreign representative'' means a person or body, including a person or body appointed on an interim basis, authorized in a foreign proceeding to administer the reorganization or the liquidation of the debtor's assets or affairs or to act as a representative of such foreign proceeding.

(25) The term ''forward contract'' means—

(A) a contract (other than a commodity contract, as defined in section 761) for the purchase, sale, or transfer of a commodity, as defined in section 761(8) of this title, or any similar good, article, service, right, or interest which is presently or in the future becomes the subject of dealing in the forward contract trade, or product or byproduct thereof, with a maturity date more than two days after the date the contract is entered into, including, but not limited to, a repurchase or reverse repurchase transaction (whether or not such repurchase or reverse repurchase transaction is a ''repurchase agreement'', as defined in this section)[1] consignment, lease, swap, hedge transaction, deposit, loan, option, allocated transaction, unallocated transaction, or any other similar agreement;

(B) any combination of agreements or transactions referred to in subparagraphs (A) and (C);

(C) any option to enter into an agreement or transaction referred to in subparagraph (A) or (B);

(D) a master agreement that provides for an agreement or transaction referred to in subparagraph (A), (B), or (C), together with all supplements to any such master agreement, without regard to whether such master agreement provides for an agreement or transaction that is not a forward contract under this paragraph, except that such master agreement shall be considered to be a forward contract under this paragraph only with respect to each agreement or transaction under such master agreement that is referred to in subparagraph (A), (B), or (C); or

[1] So in original. Probably should be followed by a comma.

(E) any security agreement or arrangement, or other credit enhancement related to any agreement or transaction referred to in subparagraph (A), (B), (C), or (D), including any guarantee or reimbursement obligation by or to a forward contract merchant or financial participant in connection with any agreement or transaction referred to in any such subparagraph, but not to exceed the damages in connection with any such agreement or transaction, measured in accordance with section 562.

(26) The term ''forward contract merchant'' means a Federal reserve bank, or an entity the business of which consists in whole or in part of entering into forward contracts as or with merchants in a commodity (as defined in section 761) or any similar good, article, service, right, or interest which is presently or in the future becomes the subject of dealing in the forward contract trade.

(27) The term ''governmental unit'' means United States; State; Commonwealth; District; Territory; municipality; foreign state; department, agency, or instrumentality of the United States (but not a United States trustee while serving as a trustee in a case under this title), a State, a Commonwealth, a District, a Territory, a municipality, or a foreign state; or other foreign or domestic government.

(27A) The term ''health care business''—

(A) means any public or private entity (without regard to whether that entity is organized for profit or not for profit) that is primarily engaged in offering to the general public facilities and services for—

(i) the diagnosis or treatment of injury, deformity, or disease; and

(ii) surgical, drug treatment, psychiatric, or obstetric care; and

(B) includes—

(i) any—

(I) general or specialized hospital;

(II) ancillary ambulatory, emergency, or surgical treatment facility;

(III) hospice;

(IV) home health agency; and

(V) other health care institution that is similar to an entity referred to in subclause (I), (II), (III), or (IV); and

(ii) any long-term care facility, including any—

(I) skilled nursing facility;

(II) intermediate care facility;

(III) assisted living facility;

(IV) home for the aged;

(V) domiciliary care facility; and

(VI) health care institution that is related to a facility referred to in subclause (I), (II), (III), (IV), or (V), if that institution is primarily engaged in offering room, board, laundry, or personal assistance with activities of daily living and incidentals to activities of daily living.

(27B) The term ''incidental property'' means, with respect to a debtor's principal residence—

(A) property commonly conveyed with a principal residence in the area where the real property is located;

(B) all easements, rights, appurtenances, fixtures, rents, royalties, mineral rights, oil or gas rights or profits, water rights, escrow funds, or insurance proceeds; and

(C) all replacements or additions.

(28) The term ''indenture'' means mortgage, deed of trust, or indenture, under which there is outstanding a security, other than a voting-trust certificate, constituting a claim against the debtor, a claim secured by a lien on any of the debtor's property, or an equity security of the debtor.

(29) The term ''indenture trustee'' means trustee under an indenture.

(30) The term ''individual with regular income'' means individual whose income is sufficiently stable and regular to enable such individual to make payments under a plan under chapter 13 of this title, other than a stockbroker or a commodity broker.

(31) The term ''insider'' includes—

(A) if the debtor is an individual—

(i) relative of the debtor or of a general partner of the debtor;

(ii) partnership in which the debtor is a general partner;

(iii) general partner of the debtor; or

(iv) corporation of which the debtor is a director, officer, or person in control;

(B) if the debtor is a corporation—

(i) director of the debtor;

(ii) officer of the debtor;

(iii) person in control of the debtor;

(iv) partnership in which the debtor is a general partner;

(v) general partner of the debtor; or

(vi) relative of a general partner, director, officer, or person in control of the debtor;

(C) if the debtor is a partnership—

(i) general partner in the debtor;

(ii) relative of a general partner in, general partner of, or person in control of the debtor;

(iii) partnership in which the debtor is a general partner;

(iv) general partner of the debtor; or

(v) person in control of the debtor;

(D) if the debtor is a municipality, elected official of the debtor or relative of an elected official of the debtor;

(E) affiliate, or insider of an affiliate as if such affiliate were the debtor; and

(F) managing agent of the debtor.

(32) The term ''insolvent'' means—

(A) with reference to an entity other than a partnership and a municipality, financial condition such that the sum of such entity's debts is greater than all of such entity's property, at a fair valuation, exclusive of—

(i) property transferred, concealed, or removed with intent to hinder, delay, or defraud such entity's creditors; and

(ii) property that may be exempted from property of the estate under section 522 of this title;

(B) with reference to a partnership, financial condition such that the sum of such partnership's debts is greater than the aggregate of, at a fair valuation—

(i) all of such partnership's property, exclusive of property of the kind specified in subparagraph (A)(i) of this paragraph; and

(ii) the sum of the excess of the value of each general partner's nonpartnership property, exclusive of property of the kind specified in subparagraph (A) of this paragraph, over such partner's nonpartnership debts; and

(C) with reference to a municipality, financial condition such that the municipality is—

(i) generally not paying its debts as they become due unless such debts are the subject of a bona fide dispute; or

(ii) unable to pay its debts as they become due.

(33) The term ''institution-affiliated party''—

(A) with respect to an insured depository institution (as defined in section 3(c)(2) of the Federal Deposit Insurance Act), has the meaning given it in section 3(u) of the Federal Deposit Insurance Act; and

(B) with respect to an insured credit union, has the meaning given it in section 206(r) of the Federal Credit Union Act.

(34) The term ''insured credit union'' has the meaning given it in section 101(7) of the Federal Credit Union Act.

(35) The term ''insured depository institution''—

(A) has the meaning given it in section 3(c)(2) of the Federal Deposit Insurance Act; and

(B) includes an insured credit union (except in the case of paragraphs (21B) and (33)(A) of this subsection).

(35A) The term ''intellectual property'' means—

(A) trade secret;

(B) invention, process, design, or plant protected under title 35;

(C) patent application;

(D) plant variety;

(E) work of authorship protected under title 17; or

(F) mask work protected under chapter 9 of title 17;

to the extent protected by applicable nonbankruptcy law.

(36) The term ''judicial lien'' means lien obtained by judgment, levy, sequestration, or other legal or equitable process or proceeding.

(37) The term ''lien'' means charge against or interest in property to secure payment of a debt or performance of an obligation.

(38) The term ''margin payment'' means, for purposes of the forward contract provisions of this title, payment or deposit of cash, a security or other property, that is commonly known in the forward contract trade as original margin, initial margin, maintenance margin, or variation margin, including mark-to-market payments, or variation payments.

(38A) The term ''master netting agreement''—

(A) means an agreement providing for the exercise of rights, including rights of netting, setoff, liquidation, termination, acceleration, or close out, under or in connection with one or more contracts that are described in any one or more of paragraphs (1) through (5) of section 561(a), or any security agreement or arrangement or other credit enhancement related to one or more of the foregoing, including any guarantee or reimbursement obligation related to 1 or more of the foregoing; and

(B) if the agreement contains provisions relating to agreements or transactions that are not contracts described in paragraphs (1) through (5) of section 561(a), shall be deemed to be a master netting agreement only with respect to those agreements or transactions that are described in any one or more of paragraphs (1) through (5) of section 561(a).

(38B) The term ''master netting agreement participant'' means an entity that, at any time before the date of the filing of the petition, is a party to an outstanding master netting agreement with the debtor.

(39) The term ''mask work'' has the meaning given it in section 901(a)(2) of title 17.

(39A) The term ''median family income'' means for any year—

(A) the median family income both calculated and reported by the Bureau of the Census in the then most recent year; and

(B) if not so calculated and reported in the then current year, adjusted annually after such most recent year until the next year in which median family income is both calculated and reported by the Bureau of the Census, to reflect the percentage change in the Consumer Price Index for All Urban Consumers during the period of years occurring after such most recent year and before such current year.

(40) The term ''municipality'' means political subdivision or public agency or instrumentality of a State.

(40A) The term ''patient'' means any individual who obtains or receives services from a health care business.

(40B) The term ''patient records'' means any record relating to a patient, including a written document or a record recorded in a magnetic, optical, or other form of electronic medium.

(41) The term ''person'' includes individual, partnership, and corporation, but does not include governmental unit, except that a governmental unit that—

(A) acquires an asset from a person—

(i) as a result of the operation of a loan guarantee agreement; or

(ii) as receiver or liquidating agent of a person;

(B) is a guarantor of a pension benefit payable by or on behalf of the debtor or an affiliate of the debtor; or

(C) is the legal or beneficial owner of an asset of—

(i) an employee pension benefit plan that is a governmental plan, as defined in section 414(d) of the Internal Revenue Code of 1986; or

(ii) an eligible deferred compensation plan, as defined in section 457(b) of the Internal Revenue Code of 1986;

shall be considered, for purposes of section 1102 of this title, to be a person with respect to such asset or such benefit.

(41A) The term ''personally identifiable information'' means—

(A) if provided by an individual to the debtor in connection with obtaining a product or a service from the debtor primarily for personal, family, or household purposes—

(i) the first name (or initial) and last name of such individual, whether given at birth or time of adoption, or resulting from a lawful change of name;

(ii) the geographical address of a physical place of residence of such individual;

(iii) an electronic address (including an e-mail address) of such individual;

(iv) a telephone number dedicated to contacting such individual at such physical place of residence;

(v) a social security account number issued to such individual; or

(vi) the account number of a credit card issued to such individual; or

(B) if identified in connection with 1 or more of the items of information specified in subparagraph (A)—

(i) a birth date, the number of a certificate of birth or adoption, or a place of birth; or

(ii) any other information concerning an identified individual that, if disclosed, will result in contacting or identifying such individual physically or electronically.

(42) The term ''petition'' means petition filed under section 301, 302, 303 and [2] 1504 of this title, as the case may be, commencing a case under this title.

(42A) The term ''production payment'' means a term overriding royalty satisfiable in cash or in kind—

(A) contingent on the production of a liquid or gaseous hydrocarbon from particular real property; and

(B) from a specified volume, or a specified value, from the liquid or gaseous hydrocarbon produced from such property, and determined without regard to production costs.

(43) The term ''purchaser'' means transferee of a voluntary transfer, and includes immediate or mediate transferee of such a transferee.

(44) The term ''railroad'' means common carrier by railroad engaged in the transportation of individuals or property or owner of trackage facilities leased by such a common carrier.

(45) The term ''relative'' means individual related by affinity or consanguinity within the third degree as determined by the common law, or individual in a step or adoptive relationship within such third degree.

(46) The term ''repo participant'' means an entity that, at any time before the filing of the petition, has an outstanding repurchase agreement with the debtor.

(47) The term ''repurchase agreement'' (which definition also applies to a reverse repurchase agreement)—

(A) means—

(i) an agreement, including related terms, which provides for the transfer of one or more certificates of deposit, mortgage related securities (as defined in section 3 of the Securities Exchange Act of 1934), mortgage loans, interests in mortgage related securities or mortgage loans, eligible bankers' acceptances, qualified foreign government securities (defined as a security that is a direct obligation of, or that is fully guaranteed by, the central government of a member of the Organization for Economic Cooperation and Development), or securities that are direct obligations of, or that are fully guaranteed by, the United States or any agency of the United States against the transfer of funds by the transferee of such certificates of deposit, eligible bankers' acceptances, securities, mortgage loans, or interests, with a simultaneous agreement by such transferee to transfer to the transferor thereof certificates of deposit, eligible bankers' acceptance, securities, mortgage loans, or interests of the kind described in this clause, at a date certain not later than 1 year after such transfer or on demand, against the transfer of funds;

(ii) any combination of agreements or transactions referred to in clauses (i) and (iii);

(iii) an option to enter into an agreement or transaction referred to in clause (i) or (ii);

(iv) a master agreement that provides for an agreement or transaction referred to in clause (i), (ii), or (iii), together with all supplements to any such master agreement, without regard to whether such master agreement provides for an agreement or transaction that is not a repurchase agreement under this paragraph, except that such master agreement shall be considered to be a repurchase agreement under this paragraph only with respect to each agreement or transaction under the master agreement that is referred to in clause (i), (ii), or (iii); or

(v) any security agreement or arrangement or other credit enhancement related to any agreement or transaction referred to in clause (i), (ii), (iii), or (iv), including any guarantee or reimbursement obligation by or to a repo participant or financial participant in connection with any agreement or transaction referred to in any such clause, but not to exceed the damages in connection with any such agreement or transaction, measured in accordance with section 562 of this title; and

(B) does not include a repurchase obligation under a participation in a commercial mortgage loan.

(48) The term ''securities clearing agency'' means person that is registered as a clearing

[2] So in original. Probably should be ''or''. See 2010 Amendment note below.

agency under section 17A of the Securities Exchange Act of 1934, or exempt from such registration under such section pursuant to an order of the Securities and Exchange Commission, or whose business is confined to the performance of functions of a clearing agency with respect to exempted securities, as defined in section 3(a)(12) of such Act for the purposes of such section 17A.

(48A) The term ''securities self regulatory organization'' means either a securities association registered with the Securities and Exchange Commission under section 15A of the Securities Exchange Act of 1934 or a national securities exchange registered with the Securities and Exchange Commission under section 6 of the Securities Exchange Act of 1934.

(49) The term ''security''—

(A) includes—

(i) note;

(ii) stock;

(iii) treasury stock;

(iv) bond;

(v) debenture;

(vi) collateral trust certificate;

(vii) pre-organization certificate or subscription;

(viii) transferable share;

(ix) voting-trust certificate;

(x) certificate of deposit;

(xi) certificate of deposit for security;

(xii) investment contract or certificate of interest or participation in a profit-sharing agreement or in an oil, gas, or mineral royalty or lease, if such contract or interest is required to be the subject of a registration statement filed with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, or is exempt under section 3(b) of such Act from the requirement to file such a statement;

(xiii) interest of a limited partner in a limited partnership;

(xiv) other claim or interest commonly known as ''security''; and

(xv) certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase or sell, a security; but

(B) does not include—

(i) currency, check, draft, bill of exchange, or bank letter of credit;

(ii) leverage transaction, as defined in section 761 of this title;

(iii) commodity futures contract or forward contract;

(iv) option, warrant, or right to subscribe to or purchase or sell a commodity futures contract;

(v) option to purchase or sell a commodity;

(vi) contract or certificate of a kind specified in subparagraph (A)(xii) of this paragraph that is not required to be the subject of a registration statement filed with the Securities and Exchange Commission and is not exempt under section 3(b) of the Securities Act of 1933 from the requirement to file such a statement; or

(vii) debt or evidence of indebtedness for goods sold and delivered or services rendered.

(50) The term ''security agreement'' means agreement that creates or provides for a security interest.

(51) The term ''security interest'' means lien created by an agreement.

(51A) The term ''settlement payment'' means, for purposes of the forward contract provisions of this title, a preliminary settlement payment, a partial settlement payment, an interim settlement payment, a settlement payment on account, a final settlement payment, a net settlement payment, or any other similar payment commonly used in the forward contract trade.

(51B) The term ''single asset real estate'' means real property constituting a single property or project, other than residential real property with fewer than 4 residential units, which generates substantially all of the gross income of a debtor who is not a family farmer and on which no substantial business is being conducted by a debtor other than the business of operating the real property and activities incidental thereto.

(51C) The term ''small business case'' means a case filed under chapter 11 of this title in which the debtor is a small business debtor.

(51D) The term ''small business debtor''—

(A) subject to subparagraph (B), means a person engaged in commercial or business activities (including any affiliate of such person that is also a debtor under this title and excluding a person whose primary activity is the business of owning or operating real property or activities incidental thereto) that has aggregate noncontingent liquidated secured and unsecured debts as of the date of the filing of the petition or the date of the order for relief in an amount not more than $2,000,000 (excluding debts owed to 1 or more affiliates or insiders) for a case in which the United States trustee has not appointed under section 1102(a)(1) a committee of unsecured creditors or where the court has determined that the committee of unsecured creditors is not sufficiently active and representative to provide effective oversight of the debtor; and

(B) does not include any member of a group of affiliated debtors that has aggregate noncontingent liquidated secured and unsecured debts in an amount greater than $2,000,000 (excluding debt owed to 1 or more affiliates or insiders).

(52) The term ''State'' includes the District of Columbia and Puerto Rico, except for the purpose of defining who may be a debtor under chapter 9 of this title.

(53) The term ''statutory lien'' means lien arising solely by force of a statute on specified circumstances or conditions, or lien of distress for rent, whether or not statutory, but does not include security interest or judicial lien, whether or not such interest or lien is provided by or is dependent on a statute and whether or not such interest or lien is made fully effective by statute.

(53A) The term ''stockbroker'' means person—

(A) with respect to which there is a customer, as defined in section 741 of this title; and

(B) that is engaged in the business of effecting transactions in securities—

(i) for the account of others; or

(ii) with members of the general public, from or for such person's own account.

(53B) The term ''swap agreement''—

(A) means—

(i) any agreement, including the terms and conditions incorporated by reference in such agreement, which is—

(I) an interest rate swap, option, future, or forward agreement, including a rate floor, rate cap, rate collar, cross-currency rate swap, and basis swap;

(II) a spot, same day-tomorrow, tomorrow-next, forward, or other foreign exchange, precious metals, or other commodity agreement;

(III) a currency swap, option, future, or forward agreement;

(IV) an equity index or equity swap, option, future, or forward agreement;

(V) a debt index or debt swap, option, future, or forward agreement;

(VI) a total return, credit spread or credit swap, option, future, or forward agreement;

(VII) a commodity index or a commodity swap, option, future, or forward agreement;

(VIII) a weather swap, option, future, or forward agreement;

(IX) an emissions swap, option, future, or forward agreement; or

(X) an inflation swap, option, future, or forward agreement;

(ii) any agreement or transaction that is similar to any other agreement or transaction referred to in this paragraph and that—

(I) is of a type that has been, is presently, or in the future becomes, the subject of recurrent dealings in the swap or other derivatives markets (including terms and conditions incorporated by reference therein); and

(II) is a forward, swap, future, option, or spot transaction on one or more rates, currencies, commodities, equity securities, or other equity instruments, debt securities or other debt instruments, quantitative measures associated with an occurrence, extent of an occurrence, or contingency associated with a financial, commercial, or economic consequence, or economic or financial indices or measures of economic or financial risk or value;

(iii) any combination of agreements or transactions referred to in this subparagraph;

(iv) any option to enter into an agreement or transaction referred to in this subparagraph;

(v) a master agreement that provides for an agreement or transaction referred to in clause (i), (ii), (iii), or (iv), together with all supplements to any such master agreement, and without regard to whether the master agreement contains an agreement or transaction that is not a swap agreement under this paragraph, except that the master agreement shall be considered to be a swap agreement under this paragraph only with respect to each agreement or transaction under the master agreement that is referred to in clause (i), (ii), (iii), or (iv); or

(vi) any security agreement or arrangement or other credit enhancement related to any agreements or transactions referred to in clause (i) through (v), including any guarantee or reimbursement obligation by or to a swap participant or financial participant in connection with any agreement or transaction referred to in any such clause, but not to exceed the damages in connection with any such agreement or transaction, measured in accordance with section 562; and

(B) is applicable for purposes of this title only, and shall not be construed or applied so as to challenge or affect the characterization, definition, or treatment of any swap agreement under any other statute, regulation, or rule, including the Gramm-Leach-Bliley Act, the Legal Certainty for Bank Products Act of 2000, the securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934) and the Commodity Exchange Act.

(53C) The term ''swap participant'' means an entity that, at any time before the filing of the petition, has an outstanding swap agreement with the debtor.

(56A)[3] The term ''term overriding royalty'' means an interest in liquid or gaseous hydrocarbons in place or to be produced from particular real property that entitles the owner thereof to a share of production, or the value thereof, for a term limited by time, quantity, or value realized.

(53D) The term ''timeshare plan'' means and shall include that interest purchased in any arrangement, plan, scheme, or similar device, but not including exchange programs, whether by membership, agreement, tenancy in common, sale, lease, deed, rental agreement, license, right to use agreement, or by any other means, whereby a purchaser, in exchange for consideration, receives a right to use accommodations, facilities, or recreational sites, whether improved or unimproved, for a specific period of time less than a full year during any given year, but not necessarily for consecutive years, and which extends for a period of more than three years. A ''timeshare interest'' is that interest purchased in a timeshare plan which grants the purchaser the right to use and occupy accommodations, facilities, or recreational sites, whether improved or unimproved, pursuant to a timeshare plan.

(54) The term ''transfer'' means—

(A) the creation of a lien;

[3] So in original.

(B) the retention of title as a security interest;

(C) the foreclosure of a debtor's equity of redemption; or

(D) each mode, direct or indirect, absolute or conditional, voluntary or involuntary, of disposing of or parting with—

(i) property; or

(ii) an interest in property.

(54A) The term ''uninsured State member bank'' means a State member bank (as defined in section 3 of the Federal Deposit Insurance Act) the deposits of which are not insured by the Federal Deposit Insurance Corporation.

(55) The term ''United States'', when used in a geographical sense, includes all locations where the judicial jurisdiction of the United States extends, including territories and possessions of the United States.

(Pub. L. 95–598, Nov. 6, 1978, 92 Stat. 2549; Pub. L. 97–222, §1, July 27, 1982, 96 Stat. 235; Pub. L. 98–353, title III, §§391, 401, 421, July 10, 1984, 98 Stat. 364, 366, 367; Pub. L. 99–554, title II, §§201, 251, 283(a), Oct. 27, 1986, 100 Stat. 3097, 3104, 3116; Pub. L. 100–506, §1(a), Oct. 18, 1988, 102 Stat. 2538; Pub. L. 100–597, §1, Nov. 3, 1988, 102 Stat. 3028; Pub. L. 101–311, title I, §101, title II, §201, June 25, 1990, 104 Stat. 267, 268; Pub. L. 101–647, title XXV, §2522(e), Nov. 29, 1990, 104 Stat. 4867; Pub. L. 102–486, title XXX, §3017(a), Oct. 24, 1992, 106 Stat. 3130; Pub. L. 103–394, title I, §106, title II, §§208(a), 215, 217(a), 218(a), title III, §304(a), title V, §501(a), (b)(1), (d)(1), Oct. 22, 1994, 108 Stat. 4111, 4124, 4126–4128, 4132, 4141–4143; Pub. L. 106–554, §1(a)(5) [title I, §112(c)(3), (4)], Dec. 21, 2000, 114 Stat. 2763, 2763A–393, 2763A–394; Pub. L. 109–8, title I, §102(b), (k), title II, §§211, 226(a), 231(b), title III, §306(c), title IV, §§401(a), 414, 432(a), title VIII, §802(b), title IX, §907(a)(1), (b), (c), title X, §§1004, 1005, 1007(a), title XI, §1101(a), (b), title XII, §1201, Apr. 20, 2005, 119 Stat. 32, 35, 50, 66, 73, 80, 104, 107, 110, 145, 170, 175, 186, 187, 189, 192; Pub. L. 109–390, §5(a)(1), Dec. 12, 2006, 120 Stat. 2695; Pub. L. 111–327, §2(a)(1), Dec. 22, 2010, 124 Stat. 3557.)

Adjustment of Dollar Amounts

For adjustment of certain dollar amounts specified in this section, that is not reflected in text, see Adjustment of Dollar Amounts note below.

Historical and Revision Notes

legislative statements

Section 101(2) defines ''affiliate.'' The House amendment contains a provision that is a compromise between the definition in the House-passed version of H.R. 8200 and the Senate amendment in the nature of a substitute to H.R. 8200. Subparagraphs (A) and (B) are derived from the Senate amendment and subparagraph (D) is taken from the House bill, while subparagraph (C) represents a compromise, taking the House position with respect to a person whose business is operated under a lease or an operating agreement by the debtor and with respect to a person substantially all of whose property is operated under an operating agreement by the debtor and with respect to a person substantially all of whose property is operated under an operating agreement by the debtor and the Senate position on leased property. Thus, the definition of ''affiliate'' excludes persons substantially all of whose property is operated under a lease agreement by a debtor, such as a small company which owns equipment all of which is leased to a larger nonrelated company.

Section 101(4)(B) represents a modification of the House-passed bill to include the definition of ''claim'' a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment. This is intended to cause the liquidation or estimation of contingent rights of payment for which there may be an alternative equitable remedy with the result that the equitable remedy will be susceptible to being discharged in bankruptcy. For example, in some States, a judgment for specific performance may be satisfied by an alternative right to payment, in the event performance is refused; in that event, the creditor entitled to specific performance would have a ''claim'' for purposes of a proceeding under title 11.

On the other hand, rights to an equitable remedy for a breach of performance with respect to which such breach does not give rise to a right to payment are not ''claims'' and would therefore not be susceptible to discharge in bankruptcy.

In a case under chapter 9 to title 11, ''claim'' does not include a right to payment under an industrial development bond issued by a municipality as a matter of convenience for a third party.

Municipalities are authorized, under section 103(c) of the Internal Revenue Code of 1954, as amended [title 26], to issue tax-exempt industrial development revenue bonds to provide for the financing of certain projects for privately owned companies. The bonds are sold on the basis of the credit of the company on whose behalf they are issued, and the principal, interest, and premium, if any, are payable solely from payments made by the company to the trustee under the bond indenture and do not constitute claims on the tax revenues or other funds of the issuing municipalities. The municipality merely acts as the vehicle to enable the bonds to be issued on a tax-exempt basis. Claims that arise by virtue of these bonds are not among the claims defined by this paragraph and amounts owed by private companies to the holders of industrial development revenue bonds are not to be included among the assets of the municipality that would be affected by the plan.

Section 101(6) defines ''community claim'' as provided by the Senate amendment in order to indicate that a community claim exists whether or not there is community property in the estate as of the commencement of the case.

Section 101(7) of the House amendment contains a definition of consumer debt identical to the definition in the House bill and Senate amendment. A consumer debt does not include a debt to any extent the debt is secured by real property.

Section 101(9) of the Senate amendment contained a definition of ''court.'' The House amendment deletes the provision as unnecessary in light of the pervasive jurisdiction of a bankruptcy court under all chapters of title 11 as indicated in title II of the House amendment to H.R. 8200.

Section 101(11) defines ''debt'' to mean liability on a claim, as was contained in the House-passed version of H.R. 8200. The Senate amendment contained language indicating that ''debt'' does not include a policy loan made by a life insurance company to the debtor. That language is deleted in the House amendment as unnecessary since a life insurance company clearly has no right to have a policy loan repaid by the debtor, although such company does have a right of offset with respect to such policy loan. Clearly, then, a ''debt'' does not include a policy loan made by a life insurance company. Inclusion of the language contained in the Senate amendment would have required elaboration of other legal relationships not arising by a liability on a claim. Further the language would have required clarification that interest on a policy loan made by a life insurance company is a debt, and that the insurance company does have right to payment to that interest.

Section 101(14) adopts the definition of ''entity'' contained in the Senate-passed version of H.R. 8200. Since the Senate amendment to H.R. 8200 deleted the U.S.

trustee, a corresponding definitional change is made in chapter 15 of the House amendment for U.S. trustees under the pilot program. Adoption by the House amendment of a pilot program for U.S. trustees under chapter 15 requires insertion of ''United States trustee'' in many sections. Several provisions in chapter 15 of the House amendment that relate to the U.S. trustee were not contained in the Senate amendment in the nature of a substitute.

Section 101(17) defines ''farmer,'' as in the Senate amendment with an income limitation percentage of 80 percent instead of 75 percent.

Section 101(18) contains a new definition of ''farming operation'' derived from present law and the definition of ''farmer'' in the Senate amendment. This definition gives a broad construction to the term ''farming operation''.

Section 101(20) contains a definition of ''foreign representative''. It clarifies the House bill and Senate amendment by indicating that a foreign representative must be duly selected in a foreign proceeding.

Section 101(35) defines ''security'' as contained in the Senate amendment. H.R. 8200 as adopted by the House excluded certain commercial notes from the definition of ''security'', and that exclusion is deleted.

Section 101(40) defines ''transfer'' as in the Senate amendment. The definition contained in H.R. 8200 as passed by the House included ''setoff'' in the definition of ''transfer''. Inclusion of ''setoff'' is deleted. The effect is that a ''setoff'' is not subject to being set aside as a preferential ''transfer'' but will be subject to special rules.

SENATE REPORT NO. 95–989

Section 101 of title 11 contains 40 definitions:

Paragraph (1) defines ''accountant'' as an accountant authorized under applicable law to practice accounting. The term includes a professional accounting association, corporation, or partnership if applicable law authorizes such a unit to practice accounting.

Paragraph (2) defines ''affiliate.'' An affiliate is an entity with a close relationship to the debtor. It includes a 20 percent parent or subsidiary of the debtor, whether a corporate, partnership, individual, or estate parent.

The use of ''directly or indirectly'' in subparagraphs (A) and (B) is intended to cover situations in which there is an opportunity to control, and where the existence of that opportunity operates as indirect control.

''Affiliate'' is defined primarily for use in the definition of insider, infra, and for use in the chapter 11 reorganization cases. The definition of ''affiliate'' does not include an entity acting in a fiduciary or agency capacity if the entity does not have the sole discretionary power to vote 20 percent of the voting securities but hold them solely as security and have not exercised the power to vote. This restriction applies to a corporate affiliate under subparagraph (B) of paragraph (2).

Subsections (C) and (D) of paragraph (2) define affiliate also as those persons and entities whose business or substantially all of whose property is operated under a lease or operating agreement by a debtor and whose business or property is more than 50 percent under the control of the debtor.

The definition of ''attorney'' in paragraph (3) is similar to the definition of accountant.

Paragraph (4) defines ''claim.'' The effect of the definition is a significant departure from present law. Under present law, ''claim'' is not defined in straight bankruptcy. Instead it is simply used, along with the concept of provability in section 63 of the Bankruptcy Act [section 103 of former title 11], to limit the kinds of obligations that are payable in a bankruptcy case. The term is defined in the debtor rehabilitation chapters of present law far more broadly. The definition in paragraph (4) adopts an even broader definition of claim than is found in the present debtor rehabilitation chapters. The definition is any right to payment, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured. The definition also includes as a claim an equitable right to performance that does not give rise to a right to payment. By this broadest possible definition and by the use of the term throughout the title 11, especially in subchapter I of chapter 5, the bill contemplates that all legal obligations of the debtor, no matter how remote or contingent, will be able to be dealt with in the bankruptcy case. It permits the broadest possible relief in the bankruptcy court.

Paragraph (5) defines ''commodity broker'' by reference to various terms used and defined in subchapter IV of chapter 7, Commodity Broker Liquidation. The terms are described in connection with section 761, infra.

Paragraph (6) defines ''community claim'' for those eight States that have community property laws. The definition is keyed to the liability of the debtor's property for a claim against either the debtor or the debtor's spouse. If the debtor's property is liable for a claim against either, that claim is a community claim.

Paragraph (7) defines ''consumer debt''. The definition is adapted from the definition used in various consumer protection laws. It encompasses only a debt incurred by an individual primarily for a personal, family, or household purpose.

The definition of ''corporation'' in paragraph (8) is similar to the definition in current law, section 1(8) [section 1(8) of former title 11]. The term encompasses any association having the power or privilege that a private corporation, but not an individual or partnership, has; partnership associations organized under a law that makes only the capital subscribed responsible for the debts of the partnership; joint-stock company; unincorporated company or association; and business trust. ''Unincorporated association'' is intended specifically to include a labor union, as well as other bodies that come under that phrase as used under current law. The exclusion of limited partnerships is explicit, and not left to the case law.

Paragraph (9) defines ''court'' as the bankruptcy judge in the district in which the case is pending except in municipal adjustment and railroad reorganization cases, where ''court'' means the Federal district judge.

Paragraph (10) [enacted as (9)] defines ''creditor'' to include holders of prepetition claims against the debtor. However, it also encompasses certain holders of claims that are deemed to arise before the date of the filing of the petition, such as those injured by the rejection of an executory contract or unexpired lease, certain investment tax credit recapture claim holders, ''involuntary gap'' creditors, and certain holders of the right of setoff. The term also includes the holder of a prepetition community claim. A guarantor of or surety for a claim against the debtor is also a creditor, because he holds a contingent claim against the debtor that becomes fixed when he pays the creditor whose claim he has guaranteed or insured.

Paragraph (11) [enacted as (10)] defines ''custodian.'' There is no similar definition in current law. It is defined to facilitate drafting, and means a prepetition liquidator of the debtor's property, such as an assignee for the benefit of creditors, a receiver of the debtor's property, or administrator of the debtor's property. The definition of custodian to include a receiver or trustee is descriptive, and not meant to be limited to court officers with those titles. The definition is intended to include other officers of the court if their functions are substantially similar to those of a receiver or trustee.

''Debt'' is defined in paragraph (12) [enacted as (11)] as a liability on a claim. The terms ''debt'' and ''claim'' are coextensive: a creditor has a ''claim'' against the debtor; the debtor owes a ''debt'' to the creditor. This definition of ''debt'' and the definition of ''claim'' on which it is based, proposed 11 U.S.C. 101(4), does not include a transaction such as a policy loan on an insurance policy. Under that kind of transaction, the debtor is not liable to the insurance company for repayment; the amount owed is merely available to the company for setoff against any benefits that become payable under the policy. As such, the loan is not a claim (it is not a right to payment) that the company can assert against the estate; nor is the debtor's obligation a debt (a liability on a claim) that will be discharged under proposed 11 U.S.C. 523 or 524.

Paragraph (13) [enacted as (12)] defines ''debtor.'' Debtor means person or municipality concerning which a case under title II has been commenced. This is a change in terminology from present law, which identifies the person by or against whom a petition is filed in a straight bankruptcy liquidation case as the ''bankrupt'', and a person or municipality that is proceeding under a debtor rehabilitation chapter (chapters VIII through XIII of the Bankruptcy Act) [chapters 8 through 13 of former title 11] as a ''debtor.'' The term ''debtor'' is used for both kinds of cases in this bill, for ease of reference in chapters 1, 3, and 5 (which apply to straight bankruptcy and reorganization cases).

Paragraph (14) [enacted as (13)] defines ''disinterested person.'' The definition is adapted from section 158 of chapter X of current law [section 558 of former title 11], though it is expanded and modified in some respects. A person is a disinterested person if the person is not a creditor, equity security holder, or insider; is not and was not an investment banker of the debtor for any outstanding security of the debtor (the change from underwriter in current law to investment banker is to make the term more descriptive and to avoid conflict with the definition of underwriter in section 2(11) of the Securities Act of 1933 (15 U.S.C. 77b(11)); has not been an investment banker for a security of the debtor within 3 years before the date of the filing of the petition (the change from five years to three years here conforms the definition with the statute of limitations in the Securities Act of 1933) [15 U.S.C. 77m], or an attorney for such an investment banker; is not an insider of the debtor or of such an investment banker; and does not have an interest materially adverse to the estate.

''Entity'' is defined, for convenience, in paragraph (15) [enacted as (14)], to include person, estate, trust, and governmental unit. It is the most inclusive of the various defined terms relating to bodies or units.

Paragraph (16) defines ''equity security.'' The term includes a share or stock in a corporation, a limited partner's interest in a limited partnership, and a warrant or right to subscribe to an equity security. The term does not include a security, such as a convertible debenture, that is convertible into equity security, but has not been converted.

Paragraph (17) [enacted as (15)] defines ''equity security holder'' for convenience as the holder of an equity securing of the debtor.

Paragraph (18) [enacted as (17)] defines ''farmer''. It encompasses only those persons for whom farming operations contribute 75 percent or more of their total income.

Paragraphs (19) and (20) define ''foreign proceeding'' and ''foreign representative''. A foreign proceeding is a proceeding in another country in which the debtor has some substantial connection for the purpose of liquidating the estate of the debtor or the purpose of financial rehabilitation of the debtor. A foreign representative is the representative of the estate in a foreign proceeding, such as a trustee or administrator.

Paragraph (21) defines ''governmental unit'' in the broadest sense. The definition encompasses the United States, a State, Commonwealth, District, Territory, municipality, or foreign state, and a department, agency, or instrumentality of any of those entities. ''Department, agency, or instrumentality'' does not include an entity that owes its existence to State action, such as the granting of a charter or a license but that has no other connection with a State or local government or the Federal Government. The relationship must be an active one in which the department, agency, or instrumentality is actually carrying out some governmental function.

Paragraph (22) defines ''indenture.'' It is similar to the definition of indenture in the Trust Indenture Act of 1939 [15 U.S.C. 77ccc(7)]. An indenture is the instrument under which securities, either debt or equity, of the debtor are outstanding.

Paragraph (23) defines ''indenture trustee'' as the trustee under an indenture.

Paragraph (24) defines ''individual with regular income.'' The effect of this definition, and of its use in section 109(e), is to expand substantially the kinds of individuals that are eligible for relief under chapter 13, Adjustment of Debts of an Individual with Regular Income. Chapter XIII [chapter 13 of former title 11] is now available only for wage earners. The definition encompasses all individuals with incomes that are sufficiently stable and regular to enable them to make payments under a chapter 13 plan. Thus, individuals on welfare, social security, fixed pension incomes, or who live on investment incomes, will be able to work out repayment plans with their creditors rather than being forced into straight bankruptcy. Also, self-employed individuals will be eligible to use chapter 13 if they have regular incomes.

However, the definition excludes certain stockbrokers and commodity brokers, in order to prohibit them from proceeding under chapter 13 and avoiding the customer protection provisions of chapter 7.

''Insider'', defined in paragraph (25), is a new term. An insider is one who has a sufficiently close relationship with the debtor that his conduct is made subject to closer scrutiny than those dealing at arms length with the debtor. If the debtor is an individual, then a relative of the debtor, a partnership in which the debtor is a general partner, a general partner of the debtor, and a corporation controlled by the debtor are all insiders. If the debtor is a corporation, then a controlling person, a relative of a controlling person, a partnership in which the debtor is a general partner, and a general partner of the debtor are all insiders. If the debtor is a partnership, then a general partner of or in the debtor, a relative of a general partner in the debtor, and a person in control are all insiders. If the debtor is a municipality, then an elected official of the debtor is an insider. In addition, affiliates of the debtor and managing agents are insiders.

The definition of ''insolvent'' in paragraph (26) is adopted from section 1(19) of current law [section 1(19) of former title 11]. An entity is insolvent if its debts are greater than its assets, at a fair valuation, exclusive of property exempted or fraudulently transferred. It is the traditional bankruptcy balance sheet test of insolvency. For a partnership, the definition is modified to account for the liability of a general partner for the partnership's debts. The difference in this definition from that in current law is in the exclusion of exempt property for all purposes in the definition of insolvent.

Paragraph (27) defines ''judicial lien.'' It is one of three kinds of liens defined in this section. A judicial lien is a lien obtained by judgment, levy, sequestration, or other legal or equitable process or proceeding.

Paragraph (28) defines ''lien.'' The definition is new and is very broad. A lien is defined as a charge against or interest in property to secure payment of a debt or performance of an obligation. It includes inchoate liens. In general, the concept of lien is divided into three kinds of liens: judicial liens, security interests, and statutory liens. Those three categories are mutually exclusive and are exhaustive except for certain common law liens.

Paragraph (29) defines ''municipality.'' The definition is adapted from the terms used in the chapter IX (municipal bankruptcy) [chapter 9 of former title 11] amendment to the Bankruptcy Act enacted in 1976 (Pub. L. 94–260). That amendment spoke in terms of ''political subdivision or public agency or instrumentality of a State''. Bankruptcy Act Sec. 84 [section 404 of former title 11]. The term municipality is defined by those three terms for convenience. It does not include the District of Columbia or any territories of the United States.

''Person'' is defined in paragraph (30). The definition is a change in wording, but not in substance, from the definition in section 1(23) of the Bankruptcy Act [section 1(23) of former title 11]. The definition is also similar to the one contained in 1 U.S.C. sec. 1, but is repeated here for convenience and ease of reference. Person includes individual partnership, and corporation. The exclusion of governmental units is made explicit in order to avoid any confusion that may arise if, for example, a municipality is incorporated and thus is legally a corporation as well as governmental unit. The definition does not include an estate or a trust, which are included only in the definition of ''entity'' in proposed 11 U.S.C. 101(14).

''Petition'' is defined for convenience in paragraph (31). Petition is a petition under section 301, 302, 303, or 304 of the bankruptcy code—that is, a petition that commences a case under title 11.

Paragraph (32) defines purchaser as a transferee of a voluntary transfer, such as a sale or gift, and includes an immediate or mediate transferee of a purchaser.

The definition of ''railroad'' in paragraph (33) is derived from section 77 of the Bankruptcy Act [section 205 of former title 11]. A railroad is a common carrier by railroad engaged in the transportation of individuals or property, or an owner of trackage facilities leased by such a common carrier. The effect of the definition and the use of the term in section 109(d) is to eliminate the limitation now found in section 77 of the Bankruptcy Act that only railroads engaged in interstate commerce may proceed under the railroad reorganization provisions. The limitation may have been inserted because of a doubt that the commerce power could not reach intrastate railroads. Be that as it may, this bill is enacted under the bankruptcy power.

Paragraph (34) defines ''relative'' as an individual related by affinity or consanguinity within the third degree as determined by the common law, and includes individuals in a step or adoptive relationship. The definition is similar to current law, but adds the latter phrase. This definition should be applied as of the time when the transaction that it concerns took place. Thus, a former spouse is not a relative, but if, for example, for purposes of the preference section, proposed 11 U.S.C. 547(b)(4)(B), the transferee was a spouse of the debtor at the time of the transfer sought to be avoided, then the transferee would be relative and subject to the insider rules, even if the transferee was no longer married to the debtor at the time of the commencement of the case or at the time of the commencement of the preference recovery proceeding.

Paragraph (35) defines ''security.'' The definition is new and is modeled on the most recent draft of the American Law Institute's proposed securities code, with some exceptions. The interest of a limited partner in a limited partnership is included in order to make sure that everything that is defined as an equity security is also a ''security.'' The definition, as with the definition of ''entity'', ''insider'', and ''person'', is open-ended because the term is not susceptible of precise specification. Thus the courts will be able to use the characterization provided in this definition to treat with new kinds of documents on a flexible basis.

Paragraphs (36) and (37) defined ''security agreement'' and ''security interest.'' A security interest is one of the kinds of liens. It is a lien created by an agreement. Security agreement is defined as the agreement creating the security interest. Though these terms are similar to the same terms in the Uniform Commercial Code, article IX, they are broader. For example, the U.C.C. does not cover real property mortgages. Under this definition, such a mortgage is included, as are all other liens created by agreement, even though not covered by the U.C.C. All U.C.C. security interests and security agreements are, however, security interests and security agreements under this definition. Whether a consignment or a lease constitutes a security interest under the bankruptcy code will depend on whether it constitutes a security interest under applicable State or local law.

Paragraph (38) defines another kind of lien, ''statutory lien.'' The definition, derived from current law, states that a statutory lien is a lien arising solely by force of statute on specified circumstances or conditions and includes a lien of distress for rent (whether statutory, common law, or otherwise). The definition excludes judicial liens and security interests, whether or not they are provided for or are dependent on a statute, and whether or not they are made fully effective by statute. A statutory lien is only one that arises automatically, and is not based on an agreement to give a lien or on judicial action. Mechanics', materialmen's, and warehousemen's liens are examples. Tax liens are also included in the definition of statutory lien.

''Stockbroker'' is defined in paragraph (39) as a person engaged in the business of effecting transactions in securities for the account of others or with members of the general public from or for such person's own account, if the person has a customer, as defined. Thus, the definition, derived from a combination of the definitions of ''broker'' and ''dealer'' in the Securities Exchange Act of 1934 [15 U.S.C. 78c], encompasses both brokers and dealers. The definition is used in section 109 and in subchapter III of chapter 7, Stockholder Liquidation. The term does not encompass an employee who acts for a principal that ''effects'' transaction or deals with the public, because such an employee will not have a ''customer''.

Paragraph (40) defines ''transfer.'' It is derived and adapted, with stylistic changes, from section 1(30) of the Bankruptcy Act [section 1(30) of former title 11]. A transfer is a disposition of an interest in property. The definition of transfer is as broad as possible. Many of the potentially limiting words in current law are deleted, and the language is simplified. Under this definition, any transfer of an interest in property is a transfer, including a transfer of possession, custody, or control even if there is no transfer of title, because possession, custody, and control are interests in property. A deposit in a bank account or similar account is a transfer.

REFERENCES IN TEXT

The Social Security Act, referred to in par. (10A)(B), is act Aug. 14, 1935, ch. 531, 49 Stat. 620, which is classified generally to chapter 7 (§ 301 et seq.) of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see section 1305 of Title 42 and Tables.

The Internal Revenue Code of 1986, referred to in pars. (12A)(B) and (41)(C), is classified generally to Title 26, Internal Revenue Code.

Section 3 of the Federal Deposit Insurance Act, referred to in pars. (12A)(D), (21B)(A), (33)(A), (35)(A), and (54A), is classified to section 1813 of Title 12, Banks and Banking.

Sections 101 and 206(r) of the Federal Credit Union Act, referred to in pars. (12A)(D), (33)(B), and (34), are classified to sections 1752 and 1786(r), respectively, of Title 12, Banks and Banking.

The Investment Company Act of 1940, referred to in par. (22)(B), is title I of act Aug. 22, 1940, ch. 686, 54 Stat. 789, which is classified generally to subchapter I (§ 80a–1 et seq.) of chapter 2D of Title 15, Commerce and Trade. For complete classification of this Act to the Code, see section 80a–51 of Title 15 and Tables.

Section 402 of the Federal Deposit Insurance Corporation Improvement Act of 1991, referred to in par. (22A)(B), is classified to section 4402 of Title 12, Banks and Banking.

The Securities Exchange Act of 1934, referred to in pars. (47)(A)(i), (48), (48A), and (53B)(B), is act June 6, 1934, ch. 404, 48 Stat. 881, which is classified principally to chapter 2B (§ 78a et seq.) of Title 15, Commerce and Trade. Sections 3, 6, 15A, and 17A of the Act are classified to sections 78c, 78f, 78*o*–3 and 78q–1, respectively, of Title 15. For complete classification of this Act to the Code, see section 78a of Title 15 and Tables.

The Securities Act of 1933, referred to in par. (49)(A)(xii), is act May 27, 1933, ch. 38, title I, 48 Stat. 74, which is classified generally to subchapter I (§ 77a et seq.) of chapter 2A of Title 15, Commerce and Trade.

Section 3(b) of the Act is classified to section 77c(b) of Title 15. For complete classification of this Act to the Code, see section 77a of Title 15 and Tables.

The Gramm-Leach-Bliley Act, referred to in par. (53B)(B), is Pub. L. 106–102, Nov. 12, 1999, 113 Stat. 1338. For complete classification of this Act to the Code, see Short Title of 1999 Amendment note set out under section 1811 of Title 12, Banks and Banking, and Tables.

The Legal Certainty for Bank Products Act of 2000, referred to in par. (53B)(B), is title IV of H.R. 5660, as enacted by Pub. L. 106–554, §1(a)(5), Dec. 21, 2000, 114 Stat. 2763, 2763A–457, which is classified to sections 27 to 27f of Title 7, Agriculture. For complete classification of this Act to the Code, see Short Title of 2000 Amendment note set out under section 1 of Title 7 and Tables.

The Commodity Exchange Act, referred to in par. (53B)(B), is act Sept. 21, 1922, ch. 369, 42 Stat. 998, which is classified generally to chapter 1 (§1 et seq.) of Title 7, Agriculture. For complete classification of this Act to the Code, see section 1 of Title 7 and Tables.

AMENDMENTS

2010—Par. (13A)(A). Pub. L. 111–327, §2(a)(1)(A)(i), inserted ''if used as the principal residence by the debtor'' after ''a residential structure''.

Par. (13A)(B). Pub. L. 111–327, §2(a)(1)(A)(ii), inserted ''if used as the principal residence by the debtor'' before period at end.

Par. (35)(B). Pub. L. 111–327, §2(a)(1)(B), substituted ''paragraphs (21B) and (33)(A)'' for ''paragraphs (23) and (35)''.

Par. (40B). Pub. L. 111–327, §2(a)(1)(C), substituted ''record relating to a patient, including a written document or a'' for ''written document relating to a patient or a''.

Par. (42). Pub. L. 111–327, §2(a)(1)(D), which directed substitution of ''303 and 1504'' for ''303, and 304'', was executed by making the substitution for ''303, or 304'' to reflect the probable intent of Congress.

Par. (51B). Pub. L. 111–327, §2(a)(1)(E), inserted ''thereto'' before period at end.

Par. (51D)(A). Pub. L. 111–327, §2(a)(1)(F), inserted ''of the filing'' after ''as of the date''.

2006—Par. (22)(A). Pub. L. 109–390, §5(a)(1)(A), struck out ''(domestic or foreign)'' after ''an entity'' and inserted ''(whether or not a 'customer', as defined in section 741)'' after ''custodian for a customer''.

Par. (22A)(A). Pub. L. 109–390, §5(a)(1)(B), inserted ''(aggregated across counterparties)'' after ''principal amount outstanding'' and substituted ''at such time or on any day during the 15-month period preceding the date of the filing of the petition'' for ''on any day during the previous 15-month period'' in two places.

Par. (25)(A). Pub. L. 109–390, §5(a)(1)(C), inserted '', as defined in section 761'' after ''commodity contract'' and substituted ''repurchase or reverse repurchase transaction (whether or not such repurchase or reverse repurchase transaction is a 'repurchase agreement', as defined in this section)'' for ''repurchase transaction, reverse repurchase transaction,''.

Par. (53B)(A)(i)(II). Pub. L. 109–390, §5(a)(1)(D)(i)(I), substituted '', precious metals, or other commodity'' for ''or precious metals''.

Par. (53B)(A)(i)(VIII). Pub. L. 109–390, §5(a)(1)(D)(i)(III), substituted ''option, future, or forward agreement'' for ''weather derivative, or weather option''.

Par. (53B)(A)(i)(IX), (X). Pub. L. 109–390, §5(a)(1)(D)(i)(II), (IV), added subcls. (IX) and (X).

Par. (53B)(A)(ii). Pub. L. 109–390, §5(a)(1)(D)(ii), inserted ''or other derivatives'' after ''dealings in the swap'' in subcl. (I) and substituted ''future, option, or spot transaction'' for ''future, or option'' in subcl. (II).

Par. (53B)(B). Pub. L. 109–390, §5(a)(1)(E), substituted ''the Gramm-Leach-Bliley Act, the Legal Certainty for Bank Products Act of 2000, the securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934) and the Commodity Exchange Act'' for ''the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, the Investment Advisers Act of 1940, the Securities Investor Protection Act of 1970, the Commodity Exchange Act, the Gramm-Leach-Bliley Act, and the Legal Certainty for Bank Products Act of 2000''.

2005—Pub. L. 109–8, §1201(1), substituted ''In this title the following definitions shall apply:'' for ''In this title—'' in introductory provisions.

Pars. (1), (2). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (3). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, §226(a)(1), added par. (3).

Par. (4). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (4A). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, §226(a)(2), added par. (4A).

Pars. (5) to (7). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pars. (7A), (7B). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, §1007(a)(1), added pars. (7A) and (7B).

Pars. (8) to (10). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (10A). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, §102(b), added par. (10A).

Pars. (11), (12). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (12A). Pub. L. 109–8, §1201(8), which directed the substitution of a period for a semicolon at end, could not be executed because par. (12A) ended in a period after amendment by Pub. L. 109–8, §226(a)(3). See below.

Pub. L. 109–8, §1201(2), inserted ''The term'' after par. designation.

Pub. L. 109–8, §§211(1), 226(a)(3), added par. (12A) and struck out former par. (12A) which read as follows: '' 'debt for child support' means a debt of a kind specified in section 523(a)(5) of this title for maintenance or support of a child of the debtor;''.

Par. (13). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (13A). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, §306(c)(1), added par. (13A).

Par. (14). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, §414, amended par. (14) generally. Prior to amendment, par. (14) consisted of subpars. (A) to (E) defining ''disinterested person''.

Par. (14A). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, §211(2), added par. (14A).

Pars. (15) to (17). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (18). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (18)(A). Pub. L. 109–8, §1005, substituted ''for—

''(i) the taxable year preceding; or

''(ii) each of the 2d and 3d taxable years preceding; the taxable year'' for ''for the taxable year preceding the taxable year''.

Pub. L. 109–8, § 1004(1), substituted ''$3,237,000'' for ''$1,500,000'' and ''not less than 50 percent'' for ''not less than 80 percent''.

Par. (18)(B)(ii). Pub. L. 109–8, § 1004(2), substituted ''$3,237,000'' for ''$1,500,000'' and ''50 percent'' for ''80 percent''.

Par. (19). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pars. (19A), (19B). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 1007(a)(2), added pars. (19A) and (19B).

Pars. (20) to (21B). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (22). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 907(b)(1), added par. (22) and struck out former par. (22) which consisted of introductory provisions and subpars. (A) and (B) defining ''financial institution''.

Par. (22A). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 907(b)(2), added par. (22A).

Pars. (23), (24). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 802(b), added pars. (23) and (24) and struck out former pars. (23) and (24) which read as follows:

''(23) 'foreign proceeding' means proceeding, whether judicial or administrative and whether or not under bankruptcy law, in a foreign country in which the debtor's domicile, residence, principal place of business, or principal assets were located at the commencement of such proceeding, for the purpose of liquidating an estate, adjusting debts by composition, extension, or discharge, or effecting a reorganization;

''(24) 'foreign representative' means duly selected trustee, administrator, or other representative of an estate in a foreign proceeding;''.

Par. (25). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 907(a)(1)(A), substituted ''means—'' for ''means'', designated subsequent provisions as subpar. (A), substituted '', or any other similar agreement'' for '', or any combination thereof or option thereon'', and added subpars. (B) to (E).

Par. (26). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 907(b)(3), added par. (26) and struck out former par. (26) which read as follows: '' 'forward contract merchant' means a person whose business consists in whole or in part of entering into forward contracts as or with merchants in a commodity, as defined in section 761(8) of this title, or any similar good, article, service, right, or interest which is presently or in the future becomes the subject of dealing in the forward contract trade;''.

Par. (27). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (27A). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 1101(a)(2), added par. (27A). Former par. (27A) redesignated (27B).

Pub. L. 109–8, § 306(c)(2), added par. (27A).

Par. (27B). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 1101(a)(1), redesignated par. (27A) as (27B).

Pars. (28) to (34). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (35). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (35)(B). Pub. L. 109–8, § 1201(3), substituted ''paragraphs (23) and (35)'' for ''paragraphs (21B) and (33)(A)''.

Par. (35A). Pub. L. 109–8, § 1201(2), (4), inserted ''The term'' after par. designation and substituted a period for ''; and'' at end.

Pars. (36), (37). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (38). Pub. L. 109–8, § 1201(2), (4), inserted ''The term'' after par. designation and substituted a period for ''; and'' at end.

Pars. (38A), (38B). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 907(c), added pars. (38A) and (38B).

Par. (39). Pub. L. 109–8, § 1201(2), inserted ''The term'' after par. designation.

Par. (39A). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 102(k), added par. (39A).

Par. (40). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pars. (40A), (40B). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 1101(b), added pars. (40A) and (40B).

Par. (41). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (41A). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 231(b), added par. (41A).

Pars. (42) to (45). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (46). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 907(a)(1)(B), substituted ''at any time before'' for ''on any day during the period beginning 90 days before the date of''.

Par. (47). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 907(a)(1)(C), amended par. (47) generally. Prior to amendment, par. (47) read as follows: '' 'repurchase agreement' (which definition also applies to a reverse repurchase agreement) means an agreement, including related terms, which provides for the transfer of certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or any agency of the United States against the transfer of funds by the transferee of such certificates of deposit, eligible bankers' acceptances, or securities with a simultaneous agreement by such transferee to transfer to the transferor thereof certificates of deposit, eligible bankers' acceptances, or securities as described above, at a date certain not later than one year after such transfers or on demand, against the transfer of funds;''.

Par. (48). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 907(a)(1)(D), inserted '', or exempt from such registration under such section pursuant to an order of the Securities and Exchange Commission,'' after ''1934''.

Par. (48A). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, § 401(a), added par. (48A).

Pars. (49) to (51A). Pub. L. 109–8, § 1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (51B). Pub. L. 109–8, §1201(2), (5), (8), inserted ''The term'' after par. designation and ''who is not a family farmer'' after ''income of a debtor'' and substituted a period for ''thereto having aggregate noncontingent, liquidated secured debts in an amount no more than $4,000,000;''.

Pars. (51C), (51D). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, §432(a), added pars. (51C) and (51D) and struck out former par. (51C) which read as follows: '' 'small business' means a person engaged in commercial or business activities (but does not include a person whose primary activity is the business of owning or operating real property and activities incidental thereto) whose aggregate noncontingent liquidated secured and unsecured debts as of the date of the petition do not exceed $2,000,000;''.

Pars. (52) to (53A). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (53B). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Pub. L. 109–8, §907(a)(1)(E), amended par. (53B) generally. Prior to amendment, par. (53B) consisted of introductory provisions and subpars. (A) to (C) defining ''swap agreement''.

Par. (53C). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (53D). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (54). Pub. L. 109–8, §1201(8), substituted a period for semicolon at end.

Pub. L. 109–8, §1201(6), added par. (54) and struck out former par. (54) which read as follows: ''The term 'transfer' means every mode, direct or indirect, absolute or conditional, voluntary or involuntary, of disposing of or parting with property or with an interest in property, including retention of title as a security interest and foreclosure of the debtor's equity of redemption;''.

Pub. L. 109–8, §1201(2), inserted ''The term'' after par. designation.

Par. (54A). Pub. L. 109–8, §1201(8), which directed the substitution of a period for semicolon at end, could not be executed because par. (54A) ended in a period after amendment by Pub. L. 109–8, §1201(4). See below.

Pub. L. 109–8, §1201(4), (7), substituted ''The term'' for ''the term'', realigned left margin, and substituted a period for ''; and'' at end.

Par. (55). Pub. L. 109–8, §1201(2), (8), inserted ''The term'' after par. designation and substituted a period for semicolon at end.

Par. (56A). Pub. L. 109–8, §1201(8), which directed the substitution of a period for semicolon ''in each of paragraphs (40) through (55)'' at end, was executed to par. (56A), to reflect the probable intent of Congress, because par. (56A) follows par. (53C) in text.

Pub. L. 109–8, §1201(2), inserted ''The term'' after par. designation.

2000—Par. (22). Pub. L. 106–554, §1(a)(5) [title I, §112(c)(3)], amended par. (22) generally. Prior to amendment par. (22) read as follows: '' 'financial institution' means a person that is a commercial or savings bank, industrial savings bank, savings and loan association, or trust company and, when any such person is acting as agent or custodian for a customer in connection with a securities contract, as defined in section 741 of this title, such customer;''.

Par. (54A). Pub. L. 106–554, §1(a)(5) [title I, §112(c)(4)], added par. (54A).

1994—Par. (3). Pub. L. 103–394, §501(a)(1), redesignated par. (3) as (21B) and inserted it after par. (21A).

Par. (6). Pub. L. 103–394, §501(b)(1)(A), substituted ''section 761'' for ''section 761(9)'' after ''customer, as defined in''.

Par. (12A). Pub. L. 103–394, §304(a), added par. (12A).

Par. (21B). Pub. L. 103–394, §501(a)(1), redesignated par. (3) as (21B).

Par. (22). Pub. L. 103–394, §501(b)(1)(B), substituted ''section 741'' for ''section 741(7)''.

Par. (33)(A). Pub. L. 103–394, §501(d)(1)(A)(i), struck out ''(12 U.S.C. 1813(u))'' after ''section 3(u) of the Federal Deposit Insurance Act''.

Par. (33)(B). Pub. L. 103–394, §501(d)(1)(A)(ii), struck out ''(12 U.S.C. 1786(r))'' after ''Act''.

Par. (34). Pub. L. 103–394, §501(d)(1)(B), struck out ''(12 U.S.C. 1752(7))'' after ''Act''.

Par. (35). Pub. L. 103–394, §501(b)(1)(C), (d)(1)(C), struck out ''(12 U.S.C. 1813(c)(2))'' after ''Act'' in subpar. (A) and substituted ''paragraphs (21B)'' for ''paragraphs (3)'' in subpar. (B).

Par. (35A). Pub. L. 103–394, §501(a)(4), redesignated par. (56) defining ''intellectual property'' as (35A) and inserted it after par. (35).

Par. (39). Pub. L. 103–394, §501(a)(5), redesignated par. (57) defining ''mask work'' as (39) and inserted it after par. (38). Former par. (39) redesignated (51A).

Par. (41). Pub. L. 103–394, §106, amended par. (41) generally. Prior to amendment, par. (41) read as follows: '' 'person' includes individual, partnership, and corporation, but does not include governmental unit, *Provided, however*, That any governmental unit that acquires an asset from a person as a result of operation of a loan guarantee agreement, or as receiver or liquidating agent of a person, will be considered a person for purposes of section 1102 of this title.''

Par. (42A). Pub. L. 103–394, §208(a)(1), added par. (42A).

Par. (48). Pub. L. 103–394, §501(d)(1)(D), struck out ''(15 U.S.C. 78q–1)'' after ''Act of 1934'' and ''(15 U.S.C. 78c(12))'' after ''such Act''.

Par. (49)(A)(xii). Pub. L. 103–394, §501(d)(1)(E)(i), struck out ''(15 U.S.C. 77a et seq.)'' after ''Act of 1933'' and ''(15 U.S.C. 77c(b))'' after ''such Act''.

Par. (49)(B). Pub. L. 103–394, §501(b)(1)(D), (d)(1)(E)(ii), substituted ''section 761'' for ''section 761(13)'' in cl. (ii) and struck out ''(15 U.S.C. 77c(b))'' after ''Act of 1933'' in cl. (vi).

Par. (51A). Pub. L. 103–394, §501(a)(2), redesignated par. (39) as (51A) and inserted it after par. (51).

Par. (51B). Pub. L. 103–394, §218(a), added par. (51B).

Par. (51C). Pub. L. 103–394, §217(a), added par. (51C).

Par. (53A). Pub. L. 103–394, §501(a)(3), (b)(1)(E), redesignated par. (54) defining ''stockbroker'' as (53A) and substituted ''section 741'' for ''section 741(2)'' in subpar. (A).

Par. (53B). Pub. L. 103–394, §501(a)(3), redesignated par. (55) defining ''swap agreement'' as (53B).

Par. (53C). Pub. L. 103–394, §501(a)(3), redesignated par. (56) defining ''swap participant'' as (53C).

Par. (53D). Pub. L. 103–394, §501(a)(3), (d)(1)(F), redesignated par. (57) defining ''timeshare plan'' as (53D) and substituted semicolon for period at end.

Par. (54). Pub. L. 103–394, §501(a)(3), redesignated par. (54) defining ''stockbroker'' as (53A).

Par. (55). Pub. L. 103–394, §501(a)(3), redesignated par. (55) defining ''swap agreement'' as (53B).

Pub. L. 103–394, §215, inserted ''spot foreign exchange agreement,'' after ''forward foreign exchange agreement,''.

Par. (56). Pub. L. 103–394, §501(a)(3), redesignated par. (56) defining ''swap participant'' as (53C).

Pub. L. 103–394, §501(a)(4), redesignated par. (56) defining ''intellectual property'' as (35A) and inserted it after par. (35).

Par. (56A). Pub. L. 103–394, §208(a)(2), added par. (56A) and inserted it after par. defining ''swap participant''.

Par. (57). Pub. L. 103–394, §501(a)(3), redesignated par. (57) defining ''timeshare plan'' as (53D).

Pub. L. 103–394, §501(a)(5), redesignated par. (57) defining ''mask work'' as (39) and inserted it after par. (38).

1992—Par. (21A). Pub. L. 102–486 added par. (21A).

1990—Par. (3). Pub. L. 101–647, §2522(e)(4), added par. (3). Former par. (3) redesignated (4).

Pars. (4) to (23). Pub. L. 101–647, §2522(e)(3), redesignated pars. (3) to (22) as (4) to (23), respectively. Former par. (23) redesignated (24).

Par. (24). Pub. L. 101–647, § 2522(e)(3), redesignated par. (23) as (24). Former par. (24) redesignated (25).

Pub. L. 101–311, § 201(1), inserted ''as defined in section 761(8) of this title, or any similar good, article, service, right, or interest which is presently or in the future becomes the subject of dealing in the forward contract trade,'' after ''transfer of commodity,'' and '', including, but not limited to, a repurchase transaction, reverse repurchase transaction, consignment, lease, swap, hedge transaction, deposit, loan, option, allocated transaction, unallocated transaction, or any combination thereof or option thereon'' after ''entered into''.

Par. (25). Pub. L. 101–647, § 2522(e)(3), redesignated par. (24) as (25). Former par. (25) redesignated (26).

Pub. L. 101–311, § 201(2), substituted ''a commodity, as defined in section 761(8) of this title, or any similar good, article, service, right, or interest which is presently or in the future becomes the subject of dealing in the forward contract trade'' for ''commodities''.

Pars. (26) to (32). Pub. L. 101–647, § 2522(e)(3), redesignated pars. (25) to (31) as (26) to (32), respectively. Former par. (32) redesignated (36).

Par. (33). Pub. L. 101–647, § 2522(e)(2), added par. (33). Former par. (33) redesignated (37).

Par. (34). Pub. L. 101–647, § 2522(e)(2), added par. (34). Former par. (34) redesignated (38).

Pub. L. 101–311, § 201(4), added par. (34). Former par. (34) redesignated (36).

Par. (35). Pub. L. 101–647, § 2522(e)(2), added par. (35). Former par. (35) redesignated (39).

Pub. L. 101–311, § 201(4), added par. (35). Former par. (35) redesignated (37).

Par. (36). Pub. L. 101–647, § 2522(e)(1), redesignated par. (32) as (36). Former par. (36) redesignated (40).

Pub. L. 101–311, § 201(3), redesignated par. (34) as (36). Former par. (36) redesignated (38).

Pars. (37) to (48). Pub. L. 101–647, § 2522(e)(1), redesignated pars. (33) to (44) as (37) to (48), respectively. Former pars. (45) to (48) redesignated (49) to (52), respectively.

Pub. L. 101–311, § 201(3), redesignated pars. (35) to (46) as (37) to (48), respectively. Former pars. (47) and (48) redesignated (49) and (50), respectively.

Pars. (49), (50). Pub. L. 101–647, § 2522(e)(1), redesignated pars. (45) and (46) as (49) and (50), respectively. Former pars. (49) and (50) redesignated (53) and (54) defining ''stockbroker'', respectively.

Pub. L. 101–311, § 201(3), redesignated pars. (47) and (48) as (49) and (50), respectively. Former pars. (49) and (50) redesignated (51) and (52), respectively.

Pub. L. 101–311, § 101(2), added pars. (49) and (50). Former pars. (49) and (50) redesignated (51) and (52), respectively.

Par. (51). Pub. L. 101–647, § 2522(e)(1), redesignated par. (47) as (51). Former par. (51) redesignated (55) defining ''swap agreement''.

Pub. L. 101–311, § 201(3), redesignated par. (49) as (51). Former par. (51) redesignated (53).

Pub. L. 101–311, § 101(1), redesignated par. (49) as (51). Former par. (51) redesignated (53).

Par. (52). Pub. L. 101–647, § 2522(e)(1), redesignated par. (48) as (52). Former par. (52) redesignated (56) defining ''swap participant''.

Pub. L. 101–311, § 201(3), redesignated par. (50) as (52). Former par. (52) redesignated (54) defining ''transfer''.

Pub. L. 101–311, § 101(1), redesignated par. (50) as (52). Former par. (52) redesignated (54).

Par. (53). Pub. L. 101–647, § 2522(e)(1), redesignated par. (49) as (53). Former par. (53) redesignated (57) defining ''timeshare plan''.

Pub. L. 101–311, § 201(3), redesignated par. (51) as (53). Former par. (53) redesignated (55) defining ''United States''.

Pub. L. 101–311, § 101(1), redesignated par. (51) as (53). Former par. (53) redesignated (55).

Par. (54). Pub. L. 101–647, § 2522(e)(1), redesignated par. (50) as (54) defining ''stockbroker''.

Pub. L. 101–311, § 201(3), redesignated par. (52) as (54) defining ''transfer''. Former par. (54) redesignated (56) defining ''intellectual property''.

Pub. L. 101–311, § 101(1), redesignated par. (52) as (54).

Par. (55). Pub. L. 101–647, § 2522(e)(1), redesignated par. (51) as (55) defining ''swap agreement''.

Pub. L. 101–311, § 201(3), redesignated par. (53) as (55) defining ''United States''. Former par. (55) redesignated (57) defining ''mask work''.

Pub. L. 101–311, § 101(1), redesignated par. (53) as (55).

Par. (56). Pub. L. 101–647, § 2522(e)(1), redesignated par. (52) as (56) defining ''swap participant''.

Pub. L. 101–311, § 201(3), redesignated par. (54) as (56) defining ''intellectual property''.

Par. (57). Pub. L. 101–647, § 2522(e)(1), redesignated par. (53) as (57) defining ''timeshare plan''.

Pub. L. 101–311, § 201(3), redesignated par. (55) as (57) defining ''mask work''.

1988—Par. (31). Pub. L. 100–597 inserted ''and a municipality'' after ''partnership'' in subpar. (A) and added subpar. (C).

Pars. (52), (53). Pub. L. 100–506 added pars. (52) and (53).

1986—Par. (14). Pub. L. 99–554, § 201(1), substituted ''governmental unit, and United States trustee'' for ''and governmental unit''.

Pars. (17), (18). Pub. L. 99–554, § 251(2), (3), added pars. (17) and (18) and redesignated former pars. (17) and (18) as (19) and (20), respectively.

Par. (19). Pub. L. 99–554, § 251(1), (2), redesignated former par. (17) as (19) and inserted ''(except when such term appears in the term 'family farmer')''. Former par. (19) redesignated (21).

Pars. (20) to (25). Pub. L. 99–554, § 251(2), redesignated former pars. (18) to (23) as (20) to (25), respectively. Former pars. (24) and (25) redesignated (26) and (27), respectively.

Par. (26). Pub. L. 99–554, § 201(2), inserted ''(but not a United States trustee while serving as a trustee in a case under this title)''.

Pub. L. 99–554, § 251(2), redesignated former par. (24) as (26). Former par. (26) redesignated (28).

Pars. (27) to (42). Pub. L. 99–554, § 251(2), redesignated former pars. (25) to (40) as (27) to (42), respectively. Former pars. (41) and (42) redesignated (43) and (44), respectively.

Par. (43). Pub. L. 99–554, § 251(2), redesignated former par. (41) as (43). Former par. (43) redesignated (45).

Par. (43)(A)(xv). Pub. L. 99–554, § 283(a)(1), substituted ''security'' for ''secuity''.

Pars. (44) to (50). Pub. L. 99–554, § 251(2), redesignated former pars. (42) to (48) as (44) to (50), respectively. Former par. (49) redesignated (51).

Par. (51). Pub. L. 99–554, § 283(a)(2), substituted a period for the semicolon at the end thereof.

Pub. L. 99–554, § 251(2), redesignated former par. (49) as (51).

1984—Par. (2)(D). Pub. L. 98–353, § 421(a), struck out ''or all'' after ''business''.

Par. (8)(B). Pub. L. 98–353, § 421(b), substituted a semicolon for the colon at end of subpar. (B).

Par. (9)(B). Pub. L. 98–353, § 421(c), inserted reference to section 348(d).

Par. (14). Pub. L. 98–353, § 421(d), inserted ''and'' after ''trust,''.

Pars. (19) to (21). Pub. L. 98–353, § 421(j)(3), (4), added par. (19) and redesignated former pars. (19), (20), and (21) as (20), (21), and (24), respectively.

Pars. (22), (23). Pub. L. 98–353, § 421(j)(2), (5), added pars. (22) and (23) and redesignated former pars. (22) and (23) as (25) and (26), respectively.

Pars. (24) to (26). Pub. L. 98–353, § 421(j)(2), redesignated former pars. (21) to (23) as (24) to (26), respectively. Former pars. (24) to (26) redesignated (27) to (29), respectively.

Par. (27). Pub. L. 98–353, § 421(e), (j)(2), redesignated former par. (24) as (27) and substituted ''stockbroker'' for ''stock broker''. Former par. (27) redesignated (30).

Par. (28). Pub. L. 98–353, § 421(j)(2), redesignated former par. (25) as (28). Former par. (28) redesignated (31).

Par. (29). Pub. L. 98–353, § 421(f), (j)(2), redesignated former par. (26) as (29) and, in subpar. (B)(ii), substituted ''nonpartnership'' and ''(A)'' for ''separate'' and ''(A)(ii)'', respectively, wherever appearing. Former par. (29) redesignated (32).

Pars. (30) to (32). Pub. L. 98–353, §421(j)(2), redesignated former pars. (27) to (29) as (30) to (32), respectively. Former pars. (30) to (32) redesignated (33) to (35), respectively.

Par. (33). Pub. L. 98–353, §421(g), (j)(2), redesignated former par. (30) as (33) and amended definition of ''person'' generally, thereby inserting proviso relating to consideration of certain governmental units as persons for purposes of section 1102 of this title. Former par. (33) redesignated (36).

Par. (34). Pub. L. 98–353, §421(j)(2), redesignated former par. (31) as (34). Former par. (34) redesignated (37).

Pars. (35), (36). Pub. L. 98–353, §421(j)(2), redesignated former pars. (32) and (33) as (35) and (36), respectively. Former pars. (35) and (36), as added by Pub. L. 98–353, §391(2), redesignated (38) and (39), respectively.

Pub. L. 98–353, §391, added pars. (35) and (36), and redesignated former pars. (35) and (36) as (37) and (38) which were again redesignated as (40) and (41), respectively.

Par. (37). Pub. L. 98–353, §421(j)(2), redesignated former par. (34) as (37). Former par. (37) redesignated successively as (39) and again as (42).

Par. (38). Pub. L. 98–353, §§391(2), 421(j)(2), added par. (35) and redesignated such par. (35) as (38). Former par. (38) redesignated successively as (40) and again as (43).

Par. (39). Pub. L. 98–353, §§391(2), 421(j)(2), added par. (36) and redesignated such par. (36) as (39). Former par. (39) redesignated successively as (41) and again as (45).

Par. (40). Pub. L. 98–353, §§391(1), 421(j)(2), redesignated successively former par. (35) as (37) and again as (40). Former par. (40) redesignated successively as (42) and again as (46).

Par. (41). Pub. L. 98–353, §§391(1), 401(1), 421(h), (j)(2), redesignated successively former par. (36) as (38) and again as (41), and, in subpar. (B)(vi), substituted ''certificate of a kind specified in subparagraph (A)(xii)'' for ''certificate specified in clause (xii) of subparagraph (A)'' and substituted ''required to be the subject of a registration statement'' for ''the subject of such registration statement''. Former par. (41) redesignated successively as (43), again as (44), and again as (48).

Par. (42). Pub. L. 98–353, §§391(1), 421(j)(2), redesignated successively former par. (37) as (39) and again as (42).

Par. (43). Pub. L. 98–353, §§391(1), 421(j)(2), redesignated successively former par. (38) as (40) and again as (43).

Pub. L. 98–353, §401, redesignated former par. (43), originally par. (41), as (44), and added another par. (43) which was redesignated (47).

Par. (44). Pub. L. 98–353, §421(j)(6), added par. (44). Former par. (44) originally was par. (41) and was redesignated successively as (43), again as (44), and again as (48).

Pars. (45), (46). Pub. L. 98–353, §§391(1), 421(j)(1), redesignated successively former pars. (39) and (40) as (41) and (42), and again as (45) and (46), respectively.

Par. (47). Pub. L. 98–353, §§401(2), 421(j)(1), added par. (43) and redesignated such par. (43) as (47).

Par. (48). Pub. L. 98–353, §§391(1), 401(1), 421(i), (j)(1), redesignated successively former par. (41) as (43), again as (44), and again as (48), and substituted ''and foreclosure of the debtor's equity of redemption; and'' for the period at the end.

Par. (49). Pub. L. 98–353, §421(j)(7), added par. (49).

1982—Par. (35). Pub. L. 97–222, §1(a)(2), added par. (35). Former par. (35) redesignated (36).

Par. (36). Pub. L. 97–222, §1(a)(1), (b), (c), redesignated par. (35) as (36) and substituted ''is required to be the subject of a registration statement'' for ''is the subject of a registration statement'' in subpar. (A)(xii) and substituted ''forward contract'' for ''forward commodity contract'' in subpar. (B)(iii). Former par. (36) redesignated (37).

Pars. (37) to (39). Pub. L. 97–222, §1(a)(1), redesignated pars. (36) to (38) as (37) to (39), respectively. Former par. (39) redesignated (40).

Pars. (40), (41). Pub. L. 97–222, §1(a)(1), (d), redesignated former par. (39) as (40) and restructured its provisions by dividing the former introductory provisions into subpars. (A) and (B) and by redesignating former subpars. (A) and (B) as cls. (i) and (ii), respectively, of subpar. (B). Former par. (40) redesignated (41).

Effective Date of 2006 Amendment

Pub. L. 109–390, §7, Dec. 12, 2006, 120 Stat. 2700, provided that: ''The amendments made by this Act [see Short Title of 2006 Amendment note set out under this section] shall not apply to any cases commenced under title 11, United States Code, or appointments made under any Federal or State law, before the date of the enactment of this Act [Dec. 12, 2006].''

Effective Date of 2005 Amendment

Pub. L. 109–8, title XV, §1501, Apr. 20, 2005, 119 Stat. 216, provided that:

''(a) Effective Date.—Except as otherwise provided in this Act, this Act [see Tables for classification] and the amendments made by this Act shall take effect 180 days after the date of enactment of this Act [Apr. 20, 2005].

''(b) Application of Amendments.—

''(1) In general.—Except as otherwise provided in this Act and paragraph (2), the amendments made by this Act shall not apply with respect to cases commenced under title 11, United States Code, before the effective date of this Act.

''(2) Certain limitations applicable to debtors.—The amendments made by sections 308, 322, and 330 [amending sections 104, 522, 727, 1141, 1228, and 1328 of this title] shall apply with respect to cases commenced under title 11, United States Code, on or after the date of the enactment of this Act [Apr. 20, 2005].''

Effective Date of 1994 Amendment

Pub. L. 103–394, title VII, §702, Oct. 22, 1994, 108 Stat. 4150, provided that:

''(a) Effective Date.—Except as provided in subsection (b), this Act [see Tables for classification] shall take effect on the date of the enactment of this Act [Oct. 22, 1994].

''(b) Application of Amendments.—(1) Except as provided in paragraph (2), the amendments made by this Act shall not apply with respect to cases commenced under title 11 of the United States Code before the date of the enactment of this Act.

''(2)(A) Paragraph (1) shall not apply with respect to the amendment made by section 111 [amending section 524 of this title].

''(B) The amendments made by sections 113 and 117 [amending sections 106 and 330 of this title] shall apply with respect to cases commenced under title 11 of the United States Code before, on, and after the date of the enactment of this Act.

''(C) Section 1110 of title 11, United States Code, as amended by section 201 of this Act, shall apply with respect to any lease, as defined in such section 1110(c) as so amended, entered into in connection with a settlement of any proceeding in any case pending under title 11 of the United States Code on the date of the enactment of this Act.

''(D) The amendments made by section 305 [amending sections 1123, 1222, and 1322 of this title] shall apply only to agreements entered into after the date of enactment of this Act.''

Effective Date of 1992 Amendment

Pub. L. 102–486, title XXX, §3017(c), Oct. 24, 1992, 106 Stat. 3131, provided that:

''(1) Except as provided in paragraph (2), the amendments made by this section [amending this section and section 541 of this title] shall take effect on the date of the enactment of this Act [Oct. 24, 1992].

''(2) The amendments made by this section shall not apply with respect to cases commenced under title 11 of the United States Code before the date of the enactment of this Act.''

EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 100–597, §12, Nov. 3, 1988, 102 Stat. 3030, provided that:

''(a) EFFECTIVE DATE.—Except as provided in subsection (b), this Act and the amendments made by this Act [enacting sections 927 to 929 of this title, amending this section and sections 109, 901, 902, 922, 926, and 943 of this title, and renumbering section 927 of this title as 930] shall take effect on the date of the enactment of this Act [Nov. 3, 1988].

''(b) APPLICATION OF AMENDMENTS.—The amendments made by this Act shall not apply with respect to cases commenced under title 11 of the United States Code before the date of the enactment of this Act [Nov. 3, 1988].''

Pub. L. 100–506, §2, Oct. 18, 1988, 102 Stat. 2539, provided that:

''(a) EFFECTIVE DATE.—Except as provided in subsection (b), this Act and the amendments made by this Act [amending this section and section 365 of this title] shall take effect on the date of the enactment of this Act [Oct. 18, 1988].

''(b) APPLICATION OF AMENDMENTS.—The amendments made by this Act shall not apply with respect to any case commenced under title 11 of the United States Code before the date of the enactment of this Act [Oct. 18, 1988].''

EFFECTIVE DATE OF 1986 AMENDMENT

Effective date and applicability of amendment by section 201 of Pub. L. 99–554 dependent upon the judicial district involved, see section 302(d), (e) of Pub. L. 99–554, set out as a note under section 581 of Title 28, Judiciary and Judicial Procedure.

Amendment by section 251 of Pub. L. 99–554 effective 30 days after Oct. 27, 1986, but not applicable to cases commenced under this title before that date, see section 302(a), (c)(1) of Pub. L. 99–554.

Amendment by section 283 of Pub. L. 99–554 effective 30 days after Oct. 27, 1986, see section 302(a) of Pub. L. 99–554.

EFFECTIVE DATE OF 1984 AMENDMENT

Pub. L. 98–353, title III, §552, formerly §553, July 10, 1984, 98 Stat. 392, as renumbered by Pub. L. 98–531, §1(2), Oct. 19, 1984, 98 Stat. 2704, provided that:

''(a) Except as otherwise provided in this section the amendments made by this title [see Tables for classification] shall become effective to cases filed 90 days after the date of enactment of this Act [July 10, 1984].

''(b) The amendments made by section 426(b) [amending section 303 of this title] shall become effective upon the date of enactment of this Act.

''(c) The amendments made by subtitle J [enacting section 1113 of this title], shall become effective as provided in section 541(c) [set out as an Effective Date note under section 1113 of this title].''

SHORT TITLE OF 2011 AMENDMENT

Pub. L. 112–64, §1, Dec. 13, 2011, 125 Stat. 766, provided that: ''This Act [amending provisions set out as a note under section 707 of this title] may be cited as the 'National Guard and Reservist Debt Relief Extension Act of 2011'.''

SHORT TITLE OF 2010 AMENDMENT

Pub. L. 111–327, §1, Dec. 22, 2010, 124 Stat. 3557, provided that: ''This Act [amending this section, sections 103, 105 to 107, 109 to 111, 303, 308, 348, 362, 363, 505, 507, 521 to 524, 526, 527, 541, 554, 704, 707, 723, 724, 726, 901, 1104, 1106, 1111, 1112, 1127, 1129, 1141, 1145, 1202, 1302, 1304, 1307, 1308, 1322, 1325, 1511, 1519, 1521, and 1529 of this title, section 157 of Title 18, Crimes and Criminal Procedure, sections 158, 159, and 586 of Title 28, Judiciary and Judicial Procedure, and provisions set out as a note under section 507 of this title] may be cited as the 'Bankruptcy Technical Corrections Act of 2010'.''

SHORT TITLE OF 2009 AMENDMENT

Pub. L. 111–16, §1, May 7, 2009, 123 Stat. 1607, provided that: ''This Act [amending sections 109, 322, 332, 342, 521, 704, 749, and 764 of this title, sections 983, 1514, 1963, 2252A, 2339B, 3060, 3432, 3509, and 3771 of Title 18, Crimes and Criminal Procedure, section 7 of the Classified Information Procedures Act set out in the Appendix to Title 18, section 853 of Title 21, Food and Drugs, and sections 636, 1453, and 2107 of Title 28, Judiciary and Judicial Procedure, and enacting provisions set out as a note under section 109 of this title] may be cited as the 'Statutory Time-Periods Technical Amendments Act of 2009'.''

SHORT TITLE OF 2008 AMENDMENT

Pub. L. 110–438, §1, Oct. 20, 2008, 122 Stat. 5000, provided that: ''This Act [amending section 707 of this title and enacting provisions set out as a note under section 707 of this title] may be cited as the 'National Guard and Reservists Debt Relief Act of 2008'.''

SHORT TITLE OF 2006 AMENDMENT

Pub. L. 109–439, §1, Dec. 20, 2006, 120 Stat. 3285, provided that: ''This Act [amending section 1325 of this title] may be cited as the 'Religious Liberty and Charitable Donation Clarification Act of 2006'.''

Pub. L. 109–390, §1, Dec. 12, 2006, 120 Stat. 2692, provided that: ''This Act [amending this section, sections 362, 546, and 741 of this title, sections 1787, 1821, 4403, and 4404 of Title 12, Banks and Banking, and section 78eee of Title 15, Commerce and Trade, and enacting provisions set out as notes under this section] may be cited as the 'Financial Netting Improvements Act of 2006'.''

SHORT TITLE OF 2005 AMENDMENT

Pub. L. 109–8, §1(a), Apr. 20, 2005, 119 Stat. 23, provided that: ''This Act [see Tables for classification] may be cited as the 'Bankruptcy Abuse Prevention and Consumer Protection Act of 2005'.''

Pub. L. 109–8, title III, §332(a), Apr. 20, 2005, 119 Stat. 103, provided that: ''This section [amending section 303 of this title and section 157 of Title 18, Crimes and Criminal Procedure] may be cited as the 'Involuntary Bankruptcy Improvement Act of 2005'.''

SHORT TITLE OF 2004 AMENDMENT

Pub. L. 108–369, §1, Oct. 25, 2004, 118 Stat. 1749, provided that: ''This Act [amending sections 1201 to 1208 and 1221 to 1231 of this title and enacting and amending provisions set out as notes under section 1201 of this title] may be cited as the 'Family Farmer Bankruptcy Relief Act of 2004'.''

SHORT TITLE OF 2003 AMENDMENT

Pub. L. 108–73, §1, Aug. 15, 2003, 117 Stat. 891, provided that: ''This Act [amending sections 1201 to 1208 and 1221 to 1231 of this title and enacting and amending provisions set out as notes under section 1201 of this title] may be cited as the 'Family Farmer Bankruptcy Relief Act of 2003'.''

SHORT TITLE OF 2002 AMENDMENT

Pub. L. 107–377, §1, Dec. 19, 2002, 116 Stat. 3115, provided that: ''This Act [amending sections 1201 to 1208 and 1221 to 1231 of this title, and enacting and amending provisions set out as notes under section 1201 of this title] may be cited as the 'Protection of Family Farmers Act of 2002'.''

SHORT TITLE OF 1998 AMENDMENT

Pub. L. 105–183, §1, June 19, 1998, 112 Stat. 517, provided that: ''This Act [amending sections 544, 546, 548, 707, and 1325 of this title and enacting provisions set out as notes under section 544 of this title] may be cited as the 'Religious Liberty and Charitable Donation Protection Act of 1998'.''

SHORT TITLE OF 1994 AMENDMENT

Pub. L. 103–394, §1(a), Oct. 22, 1994, 108 Stat. 4106, provided that: ''This Act [see Tables for classification] may be cited as the 'Bankruptcy Reform Act of 1994'.''

SHORT TITLE OF 1990 AMENDMENT

Pub. L. 101–581, §1, Nov. 15, 1990, 104 Stat. 2865, and Pub. L. 101–647, title XXXI, §3101, Nov. 29, 1990, 104 Stat. 4916, provided respectively that such Act and such title [amending sections 523 and 1328 of this title and enacting provisions set out as a note under section 523 of this title] may be cited as the ''Criminal Victims Protection Act of 1990''.

SHORT TITLE OF 1988 AMENDMENT

Pub. L. 100–334, §1, June 16, 1988, 102 Stat. 610, provided that: ''This Act [enacting section 1114 of this title, amending section 1129 of this title, enacting provisions set out as a note under section 1114 of this title, and amending and repealing provisions set out as notes under section 1106 of this title] may be cited as the 'Retiree Benefits Bankruptcy Protection Act of 1988'.''

SHORT TITLE OF 1984 AMENDMENT

Pub. L. 98–353, title III, §361, July 10, 1984, 98 Stat. 361, provided that: ''This subtitle [subtitle C (§§361–363) of title III of Pub. L. 98–353, amending sections 362, 365, and 541 of this title] may be cited as the 'Leasehold Management Bankruptcy Amendments Act of 1983'.''

SAVINGS PROVISION

Pub. L. 109–8, title IX, §912, as added Pub. L. 109–390, §5(d), Dec. 12, 2006, 120 Stat. 2698, provided that: ''The meanings of terms used in this title [see Tables for classification] are applicable for the purposes of this title only, and shall not be construed or applied so as to challenge or affect the characterization, definition, or treatment of any similar terms under any other statute, regulation, or rule, including the Gramm-Leach-Bliley Act [Pub. L. 106–102, see Short Title of 1999 Amendment note set out under section 1811 of Title 12, Banks and Banking], the Legal Certainty for Bank Products Act of 2000 [7 U.S.C. 27 to 27f], the securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934 [15 U.S.C. 78c(a)(47)]), and the Commodity Exchange Act [7 U.S.C. 1 et seq.].''

SEPARABILITY

Pub. L. 103–394, title VII, §701, Oct. 22, 1994, 108 Stat. 4150, provided that: ''If any provision of this Act [see Tables for classification] or amendment made by this Act or the application of such provision or amendment to any person or circumstance is held to be unconstitutional, the remaining provisions of and amendments made by this Act and the application of such other provisions and amendments to any person or circumstance shall not be affected thereby.''

Pub. L. 98–353, title III, §551, July 10, 1984, 98 Stat. 391, provided that: ''If any provision of this title [title III (§§301–553) of Pub. L. 98–353, see Tables for classification] or any amendment made by this title, or the application thereof to any person or circumstance is held invalid, the provisions of every other part, and their application shall not be affected thereby.''

CONSTRUCTION

Pub. L. 109–8, title X, §1007(e), Apr. 20, 2005, 119 Stat. 188, provided that: ''Nothing in this section [amending this section and sections 109, 1203, and 1206 of this title] shall change, affect, or amend the Fishery Conservation and Management Act of 1976 (16 U.S.C. 1801 et seq.).''

Pub. L. 109–8, title XI, §1101(c), Apr. 20, 2005, 119 Stat. 189, provided that: ''The amendments made by subsection (a) of this section [amending this section] shall not affect the interpretation of section 109(b) of title 11, United States Code.''

NONLIMITATION OF INFORMATION

Pub. L. 109–8, title I, §102(e), Apr. 20, 2005, 119 Stat. 33, provided that: ''Nothing in this title [see Tables for classification] shall limit the ability of a creditor to provide information to a judge (except for information communicated ex parte, unless otherwise permitted by applicable law), United States trustee (or bankruptcy administrator, if any), or trustee.''

JUDICIAL EDUCATION

Pub. L. 109–8, title XII, §1226, Apr. 20, 2005, 119 Stat. 199, provided that: ''The Director of the Federal Judicial Center, in consultation with the Director of the Executive Office for United States Trustees, shall develop materials and conduct such training as may be useful to courts in implementing this Act [see Short Title of 2005 Amendment note above] and the amendments made by this Act, including the requirements relating to the means test under section 707(b), and reaffirmation agreements under section 524, of title 11 of the United States Code, as amended by this Act.''

ADJUSTMENT OF DOLLAR AMOUNTS

The dollar amounts specified in this section were adjusted by notices of the Judicial Conference of the United States pursuant to section 104 of this title as follows:

By notice dated Feb. 12, 2013, 78 F.R. 12089, effective Apr. 1, 2013, in par. (3), dollar amount ''175,750'' was adjusted to ''186,825''; in par. (18), dollar amount ''3,792,650'' was adjusted to ''4,031,575'' each time it appeared; in par. (19A), dollar amount ''1,757,475'' was adjusted to ''1,868,200'' each time it appeared; and, in par. (51D), dollar amount ''2,343,300'' was adjusted to ''2,490,925'' each time it appeared. See notice of the Judicial Conference of the United States set out as a note under section 104 of this title.

By notice dated Feb. 19, 2010, 75 F.R. 8747, effective Apr. 1, 2010, in par. (3), dollar amount ''164,250'' was adjusted to ''175,750''; in par. (18)(A), (B)(ii), dollar amount ''3,544,525'' was adjusted to ''3,792,650'' each time it appeared; in par. (19A)(A)(i), (B)(ii)(II), dollar amount ''1,642,500'' was adjusted to ''1,757,475'' each time it appeared; and, in par. (51D)(A), (B), dollar amount ''2,190,000'' was adjusted to ''2,343,300'' each time it appeared.

By notice dated Feb. 7, 2007, 72 F.R. 7082, effective Apr. 1, 2007, in par. (3), dollar amount ''150,000'' was adjusted to ''164,250''; in par. (18), dollar amount ''3,237,000'' was adjusted to ''3,544,525'' each time it appeared; in par. (19A), dollar amount ''1,500,000'' was adjusted to ''1,642,500'' each time it appeared; and, in par. (51D), dollar amount ''2,000,000'' was adjusted to ''2,190,000'' each time it appeared.

§ 102. Rules of construction

In this title—

(1) ''after notice and a hearing'', or a similar phrase—

(A) means after such notice as is appropriate in the particular circumstances, and such opportunity for a hearing as is appropriate in the particular circumstances; but

(B) authorizes an act without an actual hearing if such notice is given properly and if—

(i) such a hearing is not requested timely by a party in interest; or

(ii) there is insufficient time for a hearing to be commenced before such act must be done, and the court authorizes such act;

(2) ''claim against the debtor'' includes claim against property of the debtor;

(3) ''includes'' and ''including'' are not limiting;

(4) ''may not'' is prohibitive, and not permissive;

(5) ''or'' is not exclusive;

(6) ''order for relief'' means entry of an order for relief;

(b) 1. If, after a reasonable attempt to repair, the nonconformity is not repaired, the manufacturer shall carry out the requirement under subd. 2. or 3., whichever is appropriate.

2. At the direction of a consumer described under sub. (1) (b) 1., 2. or 3., do one of the following:

a. Accept return of the motorized wheelchair and replace the motorized wheelchair with a comparable new motorized wheelchair and refund any collateral costs.

b. Accept return of the motorized wheelchair and refund to the consumer and to any holder of a perfected security interest in the consumer's motorized wheelchair, as their interest may appear, the full purchase price plus any finance charge, amount paid by the consumer at the point of sale and collateral costs, less a reasonable allowance for use. Under this subd. 2. b., a reasonable allowance for use may not exceed the amount obtained by multiplying the full purchase price of the motorized wheelchair by a fraction, the denominator of which is 1,825 and the numerator of which is the number of days that the motorized wheelchair was driven before the consumer first reported the nonconformity to the motorized wheelchair dealer.

3. a. With respect to a consumer described in sub. (1) (b) 4., accept return of the motorized wheelchair, refund to the motorized wheelchair lessor and to any holder of a perfected security interest in the motorized wheelchair, as their interest may appear, the current value of the written lease and refund to the consumer the amount that the consumer paid under the written lease plus any collateral costs, less a reasonable allowance for use.

b. Under this subdivision, the current value of the written lease equals the total amount for which that lease obligates the consumer during the period of the lease remaining after its early termination, plus the motorized wheelchair dealer's early termination costs and the value of the motorized wheelchair at the lease expiration date if the lease sets forth that value, less the motorized wheelchair lessor's early termination savings.

c. Under this subdivision, a reasonable allowance for use may not exceed the amount obtained by multiplying the total amount for which the written lease obligates the consumer by a fraction, the denominator of which is 1,825 and the numerator of which is the number of days that the consumer drove the motorized wheelchair before first reporting the nonconformity to the manufacturer, motorized wheelchair lessor or motorized wheelchair dealer.

(c) To receive a comparable new motorized wheelchair or a refund due under par. (b) 1. or 2., a consumer described under sub. (1) (b) 1., 2. or 3. shall offer to the manufacturer of the motorized wheelchair having the nonconformity to transfer possession of that motorized wheelchair to that manufacturer. No later than 30 days after that offer, the manufacturer shall provide the consumer with the comparable new motorized wheelchair or refund. When the manufacturer provides the new motorized wheelchair or refund, the consumer shall return the motorized wheelchair having the nonconformity to the manufacturer, along with any endorsements necessary to transfer real possession to the manufacturer.

(d) 1. To receive a refund due under par. (b) 3., a consumer described under sub. (1) (b) 4. shall offer to return the motorized wheelchair having the nonconformity to its manufacturer. No later than 30 days after that offer, the manufacturer shall provide the refund to the consumer. When the manufacturer provides the refund, the consumer shall return to the manufacturer the motorized wheelchair having the nonconformity.

2. To receive a refund due under par. (b) 3., a motorized wheelchair lessor shall offer to transfer possession of the motorized wheelchair having the nonconformity to its manufacturer. No later than 30 days after that offer, the manufacturer shall provide the refund to the motorized wheelchair lessor. When the manufacturer provides the refund, the motorized wheelchair lessor shall provide to the manufacturer any endorsements necessary to transfer legal possession to the manufacturer.

3. No person may enforce the lease against the consumer after the consumer receives a refund due under par. (b) 3.

(e) No motorized wheelchair returned by a consumer or motorized wheelchair lessor in this state under par. (b), or by a consumer or motorized wheelchair lessor in another state under a similar law of that state, may be sold or leased again in this state unless full disclosure of the reasons for return is made to any prospective buyer or lessee.

(4) This section does not limit rights or remedies available to a consumer under any other law.

(5) Any waiver by a consumer of rights under this section is void.

(6) In addition to pursuing any other remedy, a consumer may bring an action to recover for any damages caused by a violation of this section. The court shall award a consumer who prevails in such an action twice the amount of any pecuniary loss, together with costs, disbursements and reasonable attorney fees, and any equitable relief that the court determines is appropriate.

History: 1991 a. 222.

134.90 Uniform trade secrets act. (1) DEFINITIONS. In this section:

(a) "Improper means" includes espionage, theft, bribery, misrepresentation and breach or inducement of a breach of duty to maintain secrecy.

(b) "Readily ascertainable" information does not include information accessible through a license agreement or by an employee under a confidentiality agreement with his or her employer.

(c) "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique or process to which all of the following apply:

1. The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

2. The information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

(2) MISAPPROPRIATION. No person, including the state, may misappropriate or threaten to misappropriate a trade secret by doing any of the following:

(a) Acquiring the trade secret of another by means which the person knows or has reason to know constitute improper means.

(b) Disclosing or using without express or implied consent a trade secret of another if the person did any of the following:

1. Used improper means to acquire knowledge of the trade secret.

2. At the time of disclosure or use, knew or had reason to know that he or she obtained knowledge of the trade secret through any of the following means:

a. Deriving it from or through a person who utilized improper means to acquire it.

b. Acquiring it under circumstances giving rise to a duty to maintain its secrecy or limit its use.

c. Deriving it from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use.

d. Acquiring it by accident or mistake.

(3) INJUNCTIVE RELIEF. (a) 1. A court may grant an injunction against a person who violates sub. (2). Chapter 813 governs any temporary or interlocutory injunction or ex parte restraining order in an action under this section, except that no court may issue such an injunction or restraining order unless the complainant makes an application which includes a description of each alleged trade secret in sufficient detail to inform the party to be enjoined or restrained of the nature of the complaint against that party or, if the court so orders, includes written disclosure of the trade secret. The complainant shall serve this application upon the party to be enjoined or restrained at the time the motion for the injunction is made or the restraining order is served, whichever is earlier.

2. Except as provided in subd. 3., upon application to the court, the court shall terminate an injunction when a trade secret ceases to exist.

3. The court may continue an injunction for a reasonable period of time to eliminate commercial advantage which the person who violated sub. (2) otherwise would derive from the violation.

(b) In exceptional circumstances, an injunction granted under par. (a) may condition future use of a trade secret by the person who violated sub. (2) upon payment of a reasonable royalty by that person to the owner of the trade secret for no longer than the period of time for which the court may enjoin or restrain the use of the trade secret under par. (a). Exceptional circumstances include a material and prejudicial change of position, prior to acquiring knowledge or reason to know of a violation of sub. (2), that renders an injunction inequitable.

(c) In appropriate circumstances, the court may order affirmative acts to protect a trade secret.

(4) DAMAGES. (a) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of a violation of sub. (2) renders a monetary recovery inequitable, a court may award damages to the complainant for a violation of sub. (2). A court may award damages in addition to, or in lieu of, injunctive relief under sub. (3). Damages may include both the actual loss caused by the violation and unjust enrichment caused by the violation that is not taken into account in computing actual loss. Damages may be measured exclusively by the imposition of liability for a reasonable royalty for a violation of sub. (2) if the complainant cannot by any other method of measurement prove an amount of damages which exceeds the reasonable royalty.

(b) If a violation of sub. (2) is willful and malicious, the court may award punitive damages in an amount not exceeding twice any award under par. (a).

(c) If a claim that sub. (2) has been violated is made in bad faith, a motion to terminate an injunction is made or resisted in bad faith, or a violation of sub. (2) is willful and deliberate, the court may award reasonable attorney fees to the prevailing party.

(5) PRESERVATION OF SECRECY. In an action under this section, a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include granting a protective order in a discovery proceeding, holding an in−camera hearing, sealing the record of the action and ordering any person involved in the action not to disclose an alleged trade secret without prior court approval.

(6) EFFECT ON OTHER LAWS. (a) Except as provided in par. (b), this section displaces conflicting tort law, restitutionary law and any other law of this state providing a civil remedy for misappropriation of a trade secret.

(b) This section does not affect any of the following:

1. Any contractual remedy, whether or not based upon misappropriation of a trade secret.

2. Any civil remedy not based upon misappropriation of a trade secret.

3. Any criminal remedy, whether or not based upon misappropriation of a trade secret.

(7) UNIFORMITY OF APPLICATION AND CONSTRUCTION. This section shall be applied and construed to make uniform the law relating to misappropriation of trade secrets among states enacting substantially identical laws.

History: 1985 a. 236.

NOTE: 1985 Wis. Act 236, which created this section, contains extensive notes describing this section and other sections affected by Act 236.

Some factors to be considered in determining whether given information is one's trade secret are: 1) the extent to which the information is known outside of his or her business; 2) the extent to which it is known by employees and others involved in his or her business; 3) the extent of measures taken by him or her to guard the secrecy of the information; 4) the value of the information to him or her and to his competitors; 5) the amount of effort or money expended by him or her in developing the information; 6) the ease or difficulty with which the information could be properly acquired or duplicated by others. Minuteman, Inc. v. Alexander, 147 Wis. 2d 842, 434 N.W.2d 773 (1989).

A party asserting a trade secret need not spell out details that would destroy what the party seeks to protect, but the party must include with some specificity the nature of the trade secret that is more than a generalized allegation that there is a trade secret. ECT International, Inc. v. Zwerlein, 228 Wis. 2d 343, 597 N.W.2d 479 (Ct. App. 1999), 98−2041.

By limiting the period in which an employee agrees not to divulge trade secrets, an employer manifests its intent that there is no need to maintain the secrecy after the specified period. ECT International, Inc. v. Zwerlein, 228 Wis. 2d 343, 597 N.W.2d 479 (Ct. App. 1999), 98−2041.

Under sub. (4), "actual loss caused by the violation" may include losses that result when a misappropriator uses a trade secret unsuccessfully and produces and sells a defective product that causes the plaintiff's business to suffer. World Wide Prosthetic Supply, Inc. v. Mikulsky, 2002 WI 26, 251 Wis. 2d 45, 640 N.W.2d 764, 00−1751.

Subs. (6) (a) and (b) 2. together do the following: 1) replace all pre−existing definitions of trade secret and remedies for tort claims dependent solely on the existence of a specific class of information statutorily defined as trade secrets; and 2) leave available all other types of civil actions that do not depend on information that meets the statutory definition of a trade secret. Therefore, any civil tort claim not grounded in a trade secret, as defined in the statute, remains available. Burbank Grease Services, LLC v. Sokolowski, 2006 WI 103, 294 Wis. 2d 274, 717 N.W.2d 781, 04−0468.

Although a court may grant injunctive relief against a person who misappropriated a trade secret, the injunction should only be for a period reasonable to eliminate commercial advantage that the person who misappropriated the secret would otherwise derive from the violation. Once the defendant would have discovered the trade secret without the misappropriation, any lost profits from that time forward are not caused by the defendant's wrongful act. Minnesota Mining and Manufacturing Company v. Pribyl, 259 F.3d 587 (2001).

Nondisclosure agreements under sub. (6) between suppliers and users of intellectual property are not subject to rules that govern noncompete agreements between employers and employees. A much greater scope of restraint is allowed in contracts between vendors and vendees than between employers and employees. IDX Systems Corp. v. Epic Systems Corp. 285 F.3d 581 (2002).

An independent contractor presumptively owns his or her work product. In the absence of an agreement, non−exclusivity is the norm. The law of trade secrets follows the same approach to ownership. Wisconsin does not require an express, written contract of confidentiality. An independent contractor does not acquire any rights in his or client's trade−secret data just because he or she used those data in the performance of his or her duties. Breach of an implicit promise to hold information for the client's sole benefit in turn violates sub. (2) (a). Hicklin Engineering, L.C. v. Bartell, 439 F.3d 346 (2006).

Revisions to the law of trade secrets. Whitesel and Sklansky. WBB Aug. 1986.

134.93 Payment of commissions to independent sales representatives. (1) DEFINITIONS. In this section:

(a) "Commission" means compensation accruing to an independent sales representative for payment by a principal, the rate of which is expressed as a percentage of the dollar amount of orders or sales made by the independent sales representative or as a percentage of the dollar amount of profits generated by the independent sales representative.

(b) "Independent sales representative" means a person, other than an insurance agent or broker, who contracts with a principal to solicit wholesale orders and who is compensated, in whole or in part, by commission. "Independent sales representative" does not include any of the following:

1. A person who places orders or purchases products for the person's own account for resale.

2. A person who is an employee of the principal and whose wages must be paid as required under s. 109.03.

(c) "Principal" means a sole proprietorship, partnership, joint venture, corporation or other business entity, whether or not having a permanent or fixed place of business in this state, that does all of the following:

1. Manufactures, produces, imports or distributes a product for wholesale.

2. Contracts with an independent sales representative to solicit orders for the product.

3. Compensates the independent sales representative, in whole or in part, by commission.

(2) COMMISSIONS; WHEN DUE. (a) Subject to pars. (b) and (c), a commission becomes due as provided in the contract between the principal and the independent sales representative.

(b) If there is no written contract between the principal and the independent sales representative, or if the written contract does not provide for when a commission becomes due, or if the written contract is ambiguous or unclear as to when a commission becomes due, a commission becomes due according to the past practice used by the principal and the independent sales representative.

(c) If it cannot be determined under par. (a) or (b) when a commission becomes due, a commission becomes due according to the custom and usage prevalent in this state for the particular industry of the principal and independent sales representative.

(3) NOTICE OF TERMINATION OR CHANGE IN CONTRACT. Unless otherwise provided in a written contract between a principal and an independent sales representative, a principal shall provide an independent sales representative with at least 90 days' prior written notice of any termination, cancellation, nonrenewal or substantial change in the competitive circumstances of the contract between the principal and the independent sales representative.

(4) COMMISSIONS DUE; PAYMENT ON TERMINATION OF CONTRACT. A principal shall pay an independent sales representative all commissions that are due to the independent sales representative at the time of termination, cancellation or nonrenewal of the contract between the principal and the independent sales representative as required under sub. (2).

(5) CIVIL LIABILITY. Any principal that violates sub. (2) by failing to pay a commission due to an independent sales representative as required under sub. (2) is liable to the independent sales representative for the amount of the commission due and for exemplary damages of not more than 200% of the amount of the commissions due. In addition, the principal shall pay to the independent sales representative, notwithstanding the limitations specified in s. 799.25 or 814.04, all actual costs, including reasonable actual attorney fees, incurred by the independent sales representative in bringing an action, obtaining a judgment and collecting on a judgment under this subsection.

History: 1997 a. 71.

"Person" in this section is subject to the definition in s. 990.01 (26), which includes not only natural persons, but also partnerships, associations, and bodies corporate and politic. Industry to Industry, Inc. v. Hillsman Modular Molding, Inc. 2002 WI 51, 252 Wis. 2d 544, 644 N.W.2d 236, 00−2180.

134.95 Violations against elderly or disabled persons. **(1)** DEFINITIONS. In this section:

(a) "Disabled person" means a person who has an impairment of a physical, mental or emotional nature that substantially limits at least one major life activity.

(b) "Elderly person" means a person who is at least 62 years of age.

(c) "Major life activity" means self−care, walking, seeing, hearing, speaking, breathing, learning, performing manual tasks or being able to be gainfully employed.

(2) SUPPLEMENTAL FORFEITURE. If a fine or a forfeiture is imposed on a person for a violation under s. 100.171, 100.173, 100.174, 100.175, 100.177, 134.71, 134.72, 134.73, or 134.87 or ch. 136 or a rule promulgated under these sections or that chapter, the person shall be subject to a supplemental forfeiture not to exceed $10,000 for that violation if the conduct by the defendant, for which the fine or forfeiture was imposed, was perpetrated against an elderly person or disabled person and if any of the factors under s. 100.264 (2) (a), (b), or (c) is present.

(3) PRIORITY FOR RESTITUTION. If the court orders restitution under s. 100.171 (8), 100.173 (4) (a), 100.174 (7), 100.175 (7), 100.177 (15) or 134.87 (6) for a pecuniary or monetary loss suffered by a person, the court shall require that the restitution be paid by the defendant before the defendant pays any forfeiture imposed under this section.

History: 1995 a. 382; 1997 a. 111; 2001 a. 16.

134.96 Use of lodging establishments. **(1)** In this section:

(a) "Alcohol beverages" has the meaning given in s. 125.02 (1).

(b) "Controlled substance" has the meaning given in s. 961.01 (4).

(bd) "Controlled substance analog" has the meaning given in s. 961.01 (4m).

(c) "Lodging establishment" has the meaning given in s. 106.52 (1) (d).

(d) "Underage person" has the meaning given in s. 125.02 (20m).

(2) Any person who procures lodging in a lodging establishment and permits or fails to take action to prevent any of the following activities from occurring in the lodging establishment is subject to the penalties provided in sub. (5):

(a) Consumption of an alcohol beverage by any underage person not accompanied by his or her parent, guardian or spouse who has attained the legal drinking age.

(b) Illegal use of a controlled substance or controlled substance analog.

(3) An owner or employee of a lodging establishment may deny lodging to an adult if the owner or employee reasonably believes that consumption of an alcohol beverage by an underage person not accompanied by his or her parent, guardian or spouse who has attained the legal drinking age, or illegal use of a controlled substance or controlled substance analog, may occur in the area of the lodging establishment procured.

(4) An owner or employee of a lodging establishment may require a cash deposit or use of a credit card at the time of application for lodging.

(5) A person who violates sub. (2) or a local ordinance which strictly conforms to sub. (2) shall forfeit:

(a) Not more than $500 if the person has not committed a previous violation within 12 months of the violation; or

(b) Not less than $200 nor more than $500 if the person has committed a previous violation within 12 months of the violation.

History: 1989 a. 94; 1991 a. 295; 1995 a. 27, 448; 1999 a. 82; 2005 a. 155 s. 41; Stats. 2005 s. 134.96.

134.97 Disposal of records containing personal information. **(1)** DEFINITIONS. In this section:

(a) "Credit card" has the meaning given in s. 421.301 (15).

(am) "Dispose" does not include a sale of a record or the transfer of a record for value.

(b) "Financial institution" means any bank, savings bank, savings and loan association or credit union that is authorized to do business under state or federal laws relating to financial institutions, any issuer of a credit card or any investment company.

(c) "Investment company" has the meaning given in s. 180.0103 (11e).

(d) "Medical business" means any organization or enterprise operated for profit or not for profit, including a sole proprietorship, partnership, firm, business trust, joint venture, syndicate, corporation, limited liability company or association, that possesses information, other than personnel records, relating to a person's physical or mental health, medical history or medical treatment.

(e) "Personal information" means any of the following:

1. Personally identifiable data about an individual's medical condition, if the data are not generally considered to be public knowledge.

2. Personally identifiable data that contain an individual's account or customer number, account balance, balance owing, credit balance or credit limit, if the data relate to an individual's account or transaction with a financial institution.

3. Personally identifiable data provided by an individual to a financial institution upon opening an account or applying for a loan or credit.

4. Personally identifiable data about an individual's federal, state or local tax returns.

(f) "Personally identifiable" means capable of being associated with a particular individual through one or more identifiers or other information or circumstances.

(g) "Record" means any material on which written, drawn, printed, spoken, visual or electromagnetic information is recorded or preserved, regardless of physical form or characteristics.

(h) "Tax preparation business" means any organization or enterprise operated for profit, including a sole proprietorship, partnership, firm, business trust, joint venture, syndicate, corporation, limited liability company or association, that for a fee prepares an individual's federal, state or local tax returns or counsels an individual regarding the individual's federal, state or local tax returns.

(2) DISPOSAL OF RECORDS CONTAINING PERSONAL INFORMATION. A financial institution, medical business or tax preparation business may not dispose of a record containing personal information unless the financial institution, medical business, tax preparation business or other person under contract with the financial institution, medical business or tax preparation business does any of the following:

(a) Shreds the record before the disposal of the record.

(b) Erases the personal information contained in the record before the disposal of the record.

(c) Modifies the record to make the personal information unreadable before the disposal of the record.

(d) Takes actions that it reasonably believes will ensure that no unauthorized person will have access to the personal information contained in the record for the period between the record's disposal and the record's destruction.

(3) CIVIL LIABILITY; DISPOSAL AND USE. (a) A financial institution, medical business or tax preparation business is liable to a person whose personal information is disposed of in violation of sub. (2) for the amount of damages resulting from the violation.

(b) Any person who, for any purpose, uses personal information contained in a record that was disposed of by a financial institution, medical business or tax preparation business is liable to an individual who is the subject of the information and to the financial institution, medical business or tax preparation business that disposed of the record for the amount of damages resulting from the person's use of the information. This paragraph does not apply to a person who uses personal information with the authorization or consent of the individual who is the subject of the information.

(4) PENALTIES; DISPOSAL AND USE. (a) A financial institution, medical business or tax preparation business that violates sub. (2) may be required to forfeit not more than $1,000. Acts arising out of the same incident or occurrence shall be a single violation.

(b) Any person who possesses a record that was disposed of by a financial institution, medical business or tax preparation business and who intends to use, for any purpose, personal information contained in the record may be fined not more than $1,000 or imprisoned for not more than 90 days or both. This paragraph does not apply to a person who possesses a record with the authorization or consent of the individual whose personal information is contained in the record.

History: 1999 a. 9; 2005 a. 155 s. 52; Stats. 2005 s. 134.97.
Disposing Medical, Financial Records. Franklin. Wis.Law. Dec. 1999.

134.98 Notice of unauthorized acquisition of personal information.

(1) DEFINITIONS. In this section:

(a) 1. "Entity" means a person, other than an individual, that does any of the following:

a. Conducts business in this state and maintains personal information in the ordinary course of business.

b. Licenses personal information in this state.

c. Maintains for a resident of this state a depository account as defined in s. 815.18 (2) (e).

d. Lends money to a resident of this state.

2. "Entity" includes all of the following:

a. The state and any office, department, independent agency, authority, institution, association, society, or other body in state government created or authorized to be created by the constitution or any law, including the legislature and the courts.

b. A city, village, town, or county.

(am) "Name" means an individual's last name combined with the individual's first name or first initial.

(b) "Personal information" means an individual's last name and the individual's first name or first initial, in combination with and linked to any of the following elements, if the element is not publicly available information and is not encrypted, redacted, or altered in a manner that renders the element unreadable:

1. The individual's social security number.

2. The individual's driver's license number or state identification number.

3. The number of the individual's financial account number, including a credit or debit card account number, or any security code, access code, or password that would permit access to the individual's financial account.

4. The individual's deoxyribonucleic acid profile, as defined in s. 939.74 (2d) (a).

5. The individual's unique biometric data, including fingerprint, voice print, retina or iris image, or any other unique physical representation.

(c) "Publicly available information" means any information that an entity reasonably believes is one of the following:

1. Lawfully made widely available through any media.

2. Lawfully made available to the general public from federal, state, or local government records or disclosures to the general public that are required to be made by federal, state, or local law.

(2) NOTICE REQUIRED. (a) If an entity whose principal place of business is located in this state or an entity that maintains or licenses personal information in this state knows that personal information in the entity's possession has been acquired by a person whom the entity has not authorized to acquire the personal information, the entity shall make reasonable efforts to notify each subject of the personal information. The notice shall indicate that the entity knows of the unauthorized acquisition of personal information pertaining to the subject of the personal information.

(b) If an entity whose principal place of business is not located in this state knows that personal information pertaining to a resident of this state has been acquired by a person whom the entity has not authorized to acquire the personal information, the entity shall make reasonable efforts to notify each resident of this state who is the subject of the personal information. The notice shall indicate that the entity knows of the unauthorized acquisition of personal information pertaining to the resident of this state who is the subject of the personal information.

(bm) If a person, other than an individual, that stores personal information pertaining to a resident of this state, but does not own or license the personal information, knows that the personal information has been acquired by a person whom the person storing the personal information has not authorized to acquire the personal information, and the person storing the personal information has not entered into a contract with the person that owns or licenses the personal information, the person storing the personal information shall notify the person that owns or licenses the personal information of the acquisition as soon as practicable.

(br) If, as the result of a single incident, an entity is required under par. (a) or (b) to notify 1,000 or more individuals that personal information pertaining to the individuals has been acquired, the entity shall without unreasonable delay notify all consumer reporting agencies that compile and maintain files on consumers on a nationwide basis, as defined in 15 USC 1681a(p), of the timing, distribution, and content of the notices sent to the individuals.

(cm) Notwithstanding pars. (a), (b), (bm), and (br), an entity is not required to provide notice of the acquisition of personal information if any of the following applies:

1. The acquisition of personal information does not create a material risk of identity theft or fraud to the subject of the personal information.

2. The personal information was acquired in good faith by an employee or agent of the entity, if the personal information is used for a lawful purpose of the entity.

(3) TIMING AND MANNER OF NOTICE; OTHER REQUIREMENTS. (a) Subject to sub. (5), an entity shall provide the notice required under sub. (2) within a reasonable time, not to exceed 45 days after the entity learns of the acquisition of personal information. A determination as to reasonableness under this paragraph shall include consideration of the number of notices that an entity must provide and the methods of communication available to the entity.

(b) An entity shall provide the notice required under sub. (2) by mail or by a method the entity has previously employed to communicate with the subject of the personal information. If an entity cannot with reasonable diligence determine the mailing address of the subject of the personal information, and if the entity has not previously communicated with the subject of the personal information, the entity shall provide notice by a method reasonably calculated to provide actual notice to the subject of the personal information.

(c) Upon written request by a person who has received a notice under sub. (2) (a) or (b), the entity that provided the notice shall identify the personal information that was acquired.

(3m) REGULATED ENTITIES EXEMPT. This section does not apply to any of the following:

(a) An entity that is subject to, and in compliance with, the privacy and security requirements of 15 USC 6801 to 6827, or a person that has a contractual obligation to such an entity, if the entity or person has in effect a policy concerning breaches of information security.

(b) An entity that is described in 45 CFR 164.104 (a), if the entity complies with the requirements of 45 CFR part 164.

(4) EFFECT ON CIVIL CLAIMS. Failure to comply with this section is not negligence or a breach of any duty, but may be evidence of negligence or a breach of a legal duty.

(5) REQUEST BY LAW ENFORCEMENT NOT TO NOTIFY. A law enforcement agency may, in order to protect an investigation or homeland security, ask an entity not to provide a notice that is otherwise required under sub. (2) for any period of time and the notification process required under sub. (2) shall begin at the end of that time period. Notwithstanding subs. (2) and (3), if an entity receives such a request, the entity may not provide notice of or publicize an unauthorized acquisition of personal information, except as authorized by the law enforcement agency that made the request.

(6m) LOCAL ORDINANCES OR REGULATIONS PROHIBITED. No city, village, town, or county may enact or enforce an ordinance or regulation that relates to notice or disclosure of the unauthorized acquisition of personal information.

(7m) EFFECT OF FEDERAL LEGISLATION. If the joint committee on administrative rules determines that the federal government has enacted legislation that imposes notice requirements substantially similar to the requirements of this section and determines that the legislation does not preempt this section, the joint committee on administrative rules shall submit to the legislative reference bureau for publication in the Wisconsin administrative register a notice of its determination. This section does not apply after publication of a notice under this subsection.

History: 2005 a. 138; 2007 a. 20; 2007 a. 97 s. 238.

134.99 Parties to a violation. **(1)** Whoever is concerned in the commission of a violation of this chapter for which a forfeiture is imposed is a principal and may be charged with and convicted of the violation although he or she did not directly commit it and although the person who directly committed it has not been convicted of the violation.

(2) A person is concerned in the commission of the violation if the person:

(a) Directly commits the violation;

(b) Aids and abets the commission of it; or

(c) Is a party to a conspiracy with another to commit it or advises, hires or counsels or otherwise procures another to commit it.

History: 1975 c. 365; 1979 c. 62; 1997 a. 111.

make any necessary orders to restore to a person any pecuniary loss suffered by the person because of the violation.

(d) The department or a district attorney may commence an action in the name of the state to recover a forfeiture to the state of not less than $100 nor more than $10,000 for each violation of this section.

(e) A person who violates this section is subject to a fine of not less than $25 nor more than $5,000 or imprisonment not to exceed one year or both for each violation.

History: 2005 a. 458; 2007 a. 42.

100.197 Patent notifications. (1) DEFINITIONS. In this section:

(a) "Patent notification" means a letter, e−mail, or other written communication attempting in any manner to enforce or assert rights in connection with a patent or pending patent.

(b) "Target" means a person who meets at least one of the conditions described in s. 801.05 (1) (b), (c), and (d) and satisfies at least one of the following:

1. The person has received a patent notification.

2. One or more of the person's customers has received a patent notification concerning a product, service, process, or technology of the person.

(2) PATENT NOTIFICATION REQUIREMENTS. (a) A patent notification shall contain all of the following:

1. The number of each patent or patent application that is the subject of the patent notification.

2. A physical or electronic copy of each patent or pending patent.

3. The name and physical address of the owner of each patent or pending patent and all other persons having a right to enforce the patent or pending patent.

4. An identification of each claim of each patent or pending patent being asserted and the target's product, service, process, or technology to which that claim relates.

5. Factual allegations and an analysis setting forth in detail the person's theory of each claim identified under subd. 4., if any, and how that claim relates to the target's product, service, process, or technology.

6. An identification of each pending or completed court or administrative proceeding, including any proceeding before the U.S. patent and trademark office, concerning each patent or pending patent.

(b) A patent notification may not contain false, misleading, or deceptive information.

(c) 1. If a patent notification lacks any of the information required under par. (a), the target may notify the person who made the patent notification that the patent notification is incomplete.

2. Within 30 days after the date on which a target notifies a person under subd. 1., the person shall provide the target with the information required under par. (a) that is necessary to complete the patent notification.

(3) ENFORCEMENT AND REMEDIES. (a) 1. The department or the attorney general may investigate an alleged violation of sub. (2) (b) or (c) 2.

2. The attorney general may commence an action in the name of the state to restrain by temporary or permanent injunction a violation of sub. (2) (b) or to compel a person who has violated sub. (2) (c) 2. with respect to a target to provide the target with the information specified in sub. (2) (c) 2. Before entry of final judgment in an action commenced under this subdivision, the court may make any necessary orders to restore to any person any pecuniary loss the person has suffered because of the violation of sub. (2) (b) or (c) 2.

3. The attorney general may commence an action in the name of the state to recover a forfeiture to the state of not more than $50,000 for each violation of sub. (2) (b) or (c) 2.

(b) A target or other person aggrieved because of a violation of sub. (2) (b) or (c) 2. may commence an action for the following:

1. A temporary or permanent injunction restraining a violation of sub. (2) (b) or compelling a person who has violated sub. (2) (c) 2. with respect to a target to provide the target with the information specified in sub. (2) (c) 2.

2. An appropriate award of damages.

3. The person's costs and, notwithstanding the limitations under s. 814.04 (1), reasonable attorney fees.

4. An award of punitive damages not to exceed $50,000 for each violation or 3 times the aggregate amount awarded for all violations under subds. 2. and 3., whichever is greater.

(c) Each patent notification that violates sub. (2) (b) or is the subject of a violation of sub. (2) (c) 2. is a separate violation.

(4) EXEMPTIONS. Subsection (2) does not apply to any of the following:

(a) A patent notification of an institution of higher education or of a technology transfer organization that is owned, controlled, or operated by, or associated with, an institution of higher education.

(ag) A patent notification of a health care or research institution that has annual expenditures of at least $10,000,000 and that receives federal funding.

(ar) A patent notification of an organization that is owned, controlled, or operated by an institution specified in par. (ag).

(b) A patent notification attempting to enforce or assert a right in connection with a patent or pending patent on a device, or a component of that device, that is subject to approval by the federal food and drug administration or the federal department of agriculture.

(c) A patent notification attempting to enforce or assert a right arising under 35 USC 271 (e) (2) or 42 USC 262.

(5) NO LIMITATION OF RIGHTS AND REMEDIES UNDER OTHER LAW. Nothing in this section may be construed to limit rights and remedies available to the state or any person under any other law.

History: 2013 a. 339.

100.20 Methods of competition and trade practices. (1) Methods of competition in business and trade practices in business shall be fair. Unfair methods of competition in business and unfair trade practices in business are hereby prohibited.

(1m) It is an unfair trade method of competition in business to represent the retailing of merchandise to be a selling−out or closing−out sale if the merchandise is not of a bankrupt, insolvent, assignee, liquidator, adjuster, trustee, personal representative, receiver, wholesaler, jobber, manufacturer, or of any business that is in liquidation, that is closing out, closing, or disposing of its stock, that has lost its lease or has been or is being forced out of business, or that is disposing of stock on hand because of damage by fire, water, or smoke. This subsection does not apply to any "closing−out sale" of seasonal merchandise or any merchandise having a designated model year if the person conducting the sale is continuing in business.

(1n) It is an unfair method of competition or an unfair trade practice for any person to sell cigarettes to consumers in this state in violation of s. 139.345.

(1r) It is an unfair method of competition in business or an unfair trade practice for a person who sells new motor vehicles to compare new motor vehicle selling prices, including the offered prices or the actual sale prices, to the manufacturer's suggested retail price for that vehicle unless it is clearly and conspicuously disclosed that the latter price is a manufacturer's suggested retail price and may not represent actual sale prices.

(1t) It is an unfair trade practice for a person to provide any service which the person has the ability to withhold that facilitates or promotes an unfair method of competition in business, an unfair