

PATTISHALL

insights

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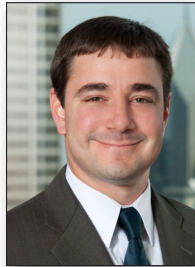
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Editor's Note

Bob Sacoff

Welcome to the Summer edition of our Firm's quarterly Newsletter. We always strive for brevity to make it an interesting and fast read, but this issue is longer than usual. With a trio of important Supreme Court decisions on trademark and copyright law in its 2022-23 term, we would be remiss not to report on them. Earlier issues of this Newsletter contained preliminary commentaries on two of the cases, the *Andy Warhol* copyright fair use case and the *Abitron* extraterritorial trademark jurisdiction case. Their respective authors, Seth Appel and Brett Manchel, review the Court's ultimate decisions below. Jeffrey Tsai also reviews the *Jack Daniel's* trademark "parody" case. We hope you find this "Supreme Court" issue interesting and useful.



Limiting the Copyright Fair Use Defense

by Seth Appel

The Supreme Court restricted the statutory copyright fair use defense in *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*, 598 US ___ (2023). Time will tell the impact of this decision on the scope of fair use.

Many artists and scholars (and at least two Justices) worry it will stifle creativity.

Lynn Goldsmith, a trailblazing rock-and-roll photographer, licensed her photograph of Prince to *Vanity Fair* in 1984 to be used "one time" as an "artistic reference." *Vanity Fair* hired another famous artist – Andy Warhol – who made a silkscreen using Goldsmith's photo that appeared alongside an article about Prince. *Vanity Fair* credited Goldsmith for the "source photograph" and paid her \$400.

In addition to the image that appeared in *Vanity Fair*, Warhol created 15 other works based on Goldsmith's photograph, in multiple colors, which became known as the "Prince Series." Following Prince's death in 2016, the Andy Warhol Foundation (AWF) licensed another one of the Warhol renditions to Conde Nast, *Vanity Fair's* parent company, for use in a commemorative Prince edition. Goldsmith subsequently wrote to AWF alleging that this unauthorized use of her photograph was copyright infringement. AWF filed an action in the U.S. District Court for the Southern District of New York seeking a declaratory judgment that its use was within the fair use defense or for other reasons did not infringe Goldsmith's copyright. Goldsmith counterclaimed for copyright infringement.

“ MANY ARTISTS AND SCHOLARS, AND AT LEAST TWO JUSTICES, WORRY THIS DECISION WILL STIFLE CREATIVITY. ”

Goldsmith's photograph and the 2016 Vanity Fair cover:



The Lower Court and Supreme Court Decisions

The district court upheld the fair use defense and granted summary judgment in favor of AWF. It noted that Warhol's works give Goldsmith's photograph a "new expression" and "can reasonably be perceived to have transformed Prince from a vulnerable, uncomfortable person to an iconic larger-than-life figure." Moreover, the district court observed, "each Prince Series work is immediately recognizable as a 'Warhol' rather than a photograph of Prince."

The Second Circuit Court of Appeals reversed. It held that AWF's use infringed Goldsmith's copyright, and was not within the fair use defense. To this court, the key question was "whether the secondary work's use of its source material is in service of a fundamentally different and new artistic purpose and character." Thus, according to the Second Circuit, "at a bare minimum," the challenged work must "comprise something more than the imposition of another's artistic style on the primary work." The Second Circuit was unmoved by the fact that each Prince Series work may be recognizable "as a Warhol," a view that it said would "create a celebrity-plagiarist privilege."

As discussed in an earlier Newsletter, the case went to the Supreme Court. A divided Court issued its decision in May of 2023, affirming the Second Circuit. It focused on the first fair use factor – the purpose and character of the alleged infringer's use - and held that AWF's use was not sufficiently "transformative" to qualify as fair use.

Copyright Fair Use

Copyright owners like Goldsmith enjoy certain exclusive rights under the Copyright Act, including the exclusive right to reproduce the work, the exclusive right to distribute copies of the work, and the exclusive right to prepare derivative works based on the work. Nonetheless, the statutory fair use defense permits unauthorized use under certain circumstances. Fair use has always required a case-by-case analysis, with few bright line rules, and is one of the most heavily contested issues in copyright litigation.

The Copyright Act lists four factors for courts to consider in assessing fair use. 17 U.S.C. § 107. The first fair use factor is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes."

With respect to this factor, the Supreme Court drew upon its prior decision in *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994), which introduced the "transformative" test into fair use analysis. That is, "whether the new work merely supersedes the objects of the original creation" or "instead adds something new, with a further purpose or different character." However, transformativeness is a "matter of degree," the Court explained, and it must be balanced against the commercial nature of the use.

"If an original work and a secondary use share the same or highly similar purposes, and the secondary use is of a commercial nature, the first factor is likely to weigh against fair use, absent some other justification for copying."

The Court cited the specific examples of fair use listed in Section 107, such as criticism, comment, news reporting, and teaching. These uses, the Court explained, do not "supersede the objects of, or supplant" the copyrighted work. In this case, however, the Court found that AWF's use was essentially a substitute for Goldsmith's photograph.

"As portraits of Prince used to depict Prince in magazine stories about Prince, the original photograph and AWF's copying use of it share substantially the same purpose."

Moreover, the Court noted, the use was commercial. Therefore, even though Warhol's work added "new expression," the first fair use factor favored Goldsmith.

The Court noted that Goldsmith licensed her Prince photographs for use in various publications (in addition to *Vanity Fair*) such as *People*, *Readers Digest*, *Guitar World*, and *Musician*. In fact, around the same time as the *Vanity Fair* commemorative issue, *People* paid Goldsmith for the right to use one of her copyrighted photos in a special collector's edition. Warhol himself sometimes paid to license photographs for some of his artistic renditions. Accordingly, the Court explained, declining to apply the fair use defense in this context is important for creators.

"Such licenses, for photographs or derivatives of them, are how photographers like Goldsmith make a living. They provide an economic incentive to create original works, which is the goal of copyright."

The Court added that protecting as fair use any work that adds something new to the original would "swallow the copyright owner's exclusive right to prepare derivative works." Indeed, many derivative works – such as film and stage adaptations, sequels, and musical arrangements – add "new expression, meaning or message, or provide new information, new aesthetics, new insights and understandings."

The Court noted that "derivative works borrowing heavily from an original" can still, under some circumstances, constitute fair use. An example is Warhol's own well-known Soup Cans series exemplified to the right.

The Court explained that although such works include the Campbell's logo, the Soup Cans series requires a different fair use analysis and illustrates a permitted transformative use:



“The purpose of Campbell’s logo is to advertise soup. Warhol’s canvases do not share that purpose. Rather, the Soup Cans series uses Campbell’s copyrighted work for an artistic commentary on consumerism, a purpose that is orthogonal to advertising soup. The use therefor does not supersede the objects of the advertising logo.”

The Court also explained that the Campbell’s logo is, “at least in part, the object of Warhol’s commentary.” By contrast, AWF’s use of Goldsmith’s photograph does not provide any commentary on the photograph.

The court emphasized that the fair use defense – and the first factor in particular – requires an analysis of the specific “use”

that is alleged to be an infringement. “The same copying may be fair when used for one purpose but not another.” The Court determined that AWF’s commercial licensing of “Orange Prince” to Conde Nast in 2016 was not fair use; but “expresses no opinion as to the creation, display or sale of any of the original Prince Series works.”

The case’s outcome, though controversial, is defensible under copyright law and generally consistent with precedent as the majority noted. Nonetheless, Justice Kagan, in an impassioned dissent joined by Chief Justice Roberts, contends that the majority’s decision will “stifle creativity of every sort,” “thwart the expression of new ideas,” and “make our world poorer.” ■



Trademarks, Parody and the First Amendment

by Jeffrey Tsai

The Supreme Court case of *Jack Daniel’s Properties v. VIP Products LLC*, 599 US _ (2023) pitted the Petitioner’s interest in protecting its famous whiskey’s brand and trade dress against the Respondent’s “free speech” interest in selling a “satirical” dog toy mimicking it. There was no dispute that the dog toy at issue, depicted here, closely and deliberately mimicked the Jack Daniel’s bottle and label:



Jack Daniel’s Whiskey Trademark and Trade Dress



VIP’s “Bad Spaniel” Dog Toy

Petitioner sued for trademark infringement. Respondent claimed First Amendment protection of its “parody” of the Jack Daniel’s product.

The case spurred passionate commentary and arguments from both sides, including an *amicus curiae* brief in the Supreme Court by 30 distinguished Trademark Law Professors. They contended that the venerable and protected literary form of parody would be imperiled by a ruling against the dog toy company’s joke product. Trademark advocates contended that a broad parody defense to trademark infringement would be an exception swallowing the rule. Two legal frameworks also seemed to be in conflict. The first was the First Amendment framework for protecting free speech, including parody. The second was the trademark infringement framework for protecting brands and the consuming public from confusion in the marketplace.

Those two legal frameworks had overlapped and come into play in earlier cases, most notably *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), over a Federico Fellini film about two fictional Italian cabaret performers who emulated the iconic dancing skills of Fred Astaire and Ginger Rogers. Ms. Rogers objected under the trademark laws to the unauthorized use of her name in the title, *Fred and Ginger*. The U.S. Court of Appeals for the Second Circuit decided the literary title should not be treated under the standard trademark analysis because the film was an “expressive work” entitled to stronger protection under the First Amendment, and its title was only an oblique reference to Ms. Rogers. So it created the subsequently-called *Rogers* test for such expressive works. Under that test, the court will proceed to the standard trademark analysis only if and when the defendant’s use of the plaintiff’s name or trademark (1) is not artistically relevant to the content of the work, (2) explicitly misleads the public about the source or content of the work. The Ninth Circuit, in the *Jack Daniel’s* case, had extended *Rogers* beyond artistic works to include commercial products, and had ruled for the dog toy company at that level. In the Supreme Court, the Respondent (and all the Law Professors) argued that under the *Rogers* test, its satirical dog toy simulation of the Petitioner’s bottle should be exempt from the trademark analysis because it was an expressive work, parodying the Petitioner’s product, and it did not explicitly mislead the public.

But the Supreme Court disagreed. On June 8, 2023, Justice Kagan delivered the Court’s unanimous decision holding that the *Rogers* test does not apply when an alleged infringer uses the plaintiff’s trademark as a designation of source for the defendant’s own goods. The traditional likelihood of confusion test guides the analysis. The parodic or expressive nature of the trademark use might play a role in the multi-factor likelihood of confusion analysis, but applying that framework is not precluded. The Court carefully stated it was addressing only when the existing *Rogers* test should or should not apply, and not the viability of the test itself, which was questioned by Justices Gorsuch, Thomas, and Barrett. As Justice Gorsuch stated, that “remains for resolution another day.”

So the Court reversed and remanded for further proceedings, to determine the application of the standard multi-factor trademark infringement test. But even so, the *Rogers* test will remain in the limelight for now. A Second Circuit case was stayed pending the outcome of *Jack Daniel's, Vans, Inc. v. MSCHF Product Studio, Inc.*, No. 22-1006 (2d Cir. May 3, 2022). There, the VANS shoe company sued the Brooklyn art collective, MSCHF, for infringing and diluting Van's trademark and trade dress by selling copycat shoes and packaging. MSCHF collaborated with rapper Tyga to launch its shoe, which MSCHF claims to be a parody of Vans' OLD SKOOL shoes. It now seems likely the Second Circuit will also find that MSCHF has used Vans' "wave-like" Sidestripe trademark and product packaging trade dress "as a designation" of source, and that it will apply the traditional likelihood of confusion analyses.

Other courts will also continue to grapple with the intersection of free speech and trademark law. Just before the *Jack Daniel's* decision, the Court granted *certiorari* for *Vidal v. Elster*, No. 22-704 (June 5, 2023), where an Applicant applied to register TRUMP TOO

SMALL (App. Ser. No. 87/749,230) as a trademark for shirts. The application was refused under Section 2(c) of the Lanham Act, prohibiting registration of marks naming a particular living individual without their written consent. The Applicant asserts that the refusal infringes his First Amendment right to criticize a political figure. The Trademark Trial and Appeal Board found no violation of the First Amendment because the mark was clearly a reference to then-President Trump, and the Section 2(c) consent requirement is viewpoint neutral. This would be in contrast to recent First Amendment cases where the Court struck the Lanham Act's long-standing prohibition against registering "offensive" trademarks in *Matal v. Tam*, 582 U.S. ___ (2017), and then the prohibition against registering "immoral" or "scandalous" trademarks in *Iancu v. Brunetti*, 588 U.S. ___ (2019) based on viewpoint discrimination. Striking an appropriate balance between free speech rights and trademark rights will continue to be thorny, but *Jack Daniel's* seems to be a step in the right direction. ■



The Not-So-Long Arm of the Trademark Law

by Brett Manchel

My earlier article in this Newsletter discussed how the Supreme Court might extend or retract the long arm of United States trademark law ("the Lanham Act") at a time when the internet and globalization have all but eliminated the physical borders between countries. *Abitron Austria GmbH v. Hetronic International, Inc.*, 600 US ___ (2023) ("Abitron") presented the issue of whether a U.S. federal court could award damages under the Lanham Act when the alleged infringing conduct took place entirely outside the country and did not cause confusion among US consumers. In a majority opinion by Justice Alito, the Court said no, the Lanham Act provides for trademark infringement damages only if the infringing mark is actually used within the United States. Now, the case returns to the Tenth Circuit Court of Appeals for further proceedings in light of the Supreme Court's decision, which centered on a general rule known as the "presumption against extraterritoriality."

To recap, Abitron (an Austrian company) originally distributed Hetronic products in Europe under a licensing agreement with Hetronic (an Oklahoma company), but after a dispute, Abitron started manufacturing and selling Hetronic-branded equipment in Europe to non-US consumers. Hetronic sued Abitron in federal court in Oklahoma for trademark infringement. A jury took all that foreign conduct into account and ultimately awarded Hetronic around \$90 million in damages, though only about 3% of that amount was derived from Abitron's activities directed at US customers. Abitron appealed to the Tenth Circuit, which upheld the verdict on the ground that Abitron's unauthorized use of Hetronic's trademark had a "substantial effect" on US commerce. The court determined this by applying a test originally set forth in *Steele v.*

Bulova Watch Co., Inc., 344 U.S. 280 (1954). Abitron appealed to the Supreme Court, arguing this case is distinguishable from *Steele*, because in that case, the defendant making unauthorized BULOVA watches in Mexico was an American citizen. In this case, by contrast, Abitron said the Tenth Circuit incorrectly applied the Lanham Act to foreign conduct beyond its reach.

The Court's opinion is a conservative application of the general "presumption against extraterritoriality", which was examined in *Morrison v. National Australia Bank Ltd.*, 561 U. S. 247, 255 (2010) – notably, some 60 years after *Steele*. Determining whether the prohibition of extraterritorial reach applies involves a two-step analysis: (1) whether Congress provided a "a clear, affirmative indication" that the relevant provisions of U.S. statutory law apply extraterritorially; and (2) identifying the focus of the pertinent law, and whether a party's conduct relevant to that focus occurred in the United States. *WesternGeco LLC v. ION Geophysical Corp.*, 585 U. S. ___, ___ (2018).

The Lanham Act applies to all "commerce" that can be regulated by Congress, such as interstate commerce and commerce between the United States and foreign countries. Hetronic argued that Congress's power to regulate all such commerce is "a clear, affirmative indication" that "commerce" includes foreign commercial activities (such as Abitron's), and thus the presumption against extraterritoriality is rebutted and the jury verdict should stand. However, the Justices unanimously disagreed with Hetronic, and found the clear expression of Congressional intent to rebut the presumption was missing. Hetronic's argument was a stretch, and the opinion rightfully does not spend too much time on it.

The case turns on step 2 of the presumption against extraterritoriality - considering the focus of the law and where the relevant conduct occurred – and required a more nuanced look at Abitron’s activities. It is no secret that the Court is deeply divided on ideological grounds, and this opinion is a clear example of Justice Alito’s conservatism. Trading arguments about the boundaries of the test with Justice Sotomayor, Justice Alito and the majority found the focus of the statutory provisions to be simply whether a mark’s “use in commerce” is domestic or international, and they would end the analysis there. Justice Sotomayor would take a broader stance. Her concurring opinion, joined by Chief Justice Roberts and Justices Kagan and Barrett, argued the analysis should consider the location of use and whether use in commerce abroad is likely to cause confusion domestically. After all, confusion of the purchasing public is what the Lanham Act exists to prevent, so failing to consider confusion in the United States is shortsighted. Furthermore, by not considering likelihood of confusion at home, U.S. trademark owners who are victims of foreign infringement are now disadvantaged in trying to enforce their marks domestically, if the only consideration is the source location of the infringement.

Justice Alito supported his conclusion by arguing that Sotomayor’s broader test, if applied, would cause international discord and effectively negate the presumption against extraterritoriality. In some theoretical scenarios this could be a legitimate worry, but instead of finding a middle ground that is more in line with today’s economic realities, Alito’s holding remains narrow and limits the extent to which US mark owners can use the US court system to recover damages for unauthorized uses of their marks abroad, even if there is evidence of US consumer confusion.

“ THE COURT’S MAJORITY CONCLUDES THAT THE PHYSICAL LOCATION OF A MARK’S USE IS THE FOCUS OF THE LANHAM ACT’S PROTECTION, AND THAT CONGRESS DID NOT INTEND FOR THE LANHAM ACT TO APPLY EXTRATERRITORIALLY. ”

Trademark law is still territorial, and this decision reinforces the wisdom of securing trademark protection in foreign countries where your trademarks will be used. However, that may not be practical for every U.S. company, and this ruling makes it more difficult for U.S. trademark owners to enforce their rights in a globalized, digital environment where physical geography is no longer an obstacle to commerce. The Court’s majority concludes that the physical location of a mark’s use is the focus of the Lanham Act’s protection, and that Congress did not intend for the Lanham Act to apply extraterritorially. Therefore, American trademark owners now have little, if any, room to argue that they suffered damages in the U.S. when their marks are used without authorization solely outside of the U.S. Unless Congress steps in (which seems unlikely), U.S. companies must be sure to think about their global brand protection strategy in order to prevent and remedy infringement. ■

firm UPDATE

APPOINTMENTS

■ Ashly Boesche



Ashly has been elected to the Board of Managers of the Intellectual Property Law Association of Chicago (IPLAC).

■ Robert Sacoff

Bob has been appointed to serve as the Chair of the Nominating Committee of the AIPPI-US Division of AIPLA, to nominate AIPPI-US Officers and Steering Committee members for 2023-2024.

■ Jonathan Jennings



The ABA Section of Intellectual Property Law appointed Jonathan the Section’s liaison to the ABA’s Forum on Franchising for 2023-2024.

■ Jeffrey Tsai



Jeffrey has been elected to the Associate Board of Lawyers for the Creative Arts. He was also appointed Chair of the Trademark State Legislation Subcommittee of the ABA Section of Intellectual Property Law’s Trademark Legislation Committee.

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PRESENTATIONS

■ Jonathan Jennings

Jonathan will speak at the Strafford webinar entitled “UDRP, URS, ACPA, and Beyond: Domain Name Enforcement, Brand Protection Strategies, Recent Decisions” on September 19.

■ Jeffrey Tsai

Jeffrey’s presentation, “Dress for Success: How to create the perfect ensemble with design patents, trade dress, and copyrights,” won Best Program of the Year in the 2022-2023 Richard Linn American Inn of Court programming year.



Jeffrey is shown with Co-Presenter Christopher Carani and Pupilage Group Chair Louise Arnott.

PUBLICATIONS

■ Thad Chaloehtiarana



Thad’s articles “[‘My’ Ruminations on the Intersection of Intellectual Property Law and Generative Artificial Intelligence](#)” and “[Understanding the ‘Dupes’ Mindset](#)” were published in *Landslide Magazine*, a publication of the ABA Section of Intellectual Property Law (March/April 2023, Vol. 15, No. 3, and June/July 2023, Vol. 15, No. 4, respectively).

■ Robert Sacoff

Bob’s case note, “GRUYERE Held Generic in the United States” was published in the May 12 *AIPPI Newsletter* ([See here](#)). GRUYERE is a protected Geographic Indication in Europe and elsewhere for cheese produced in France or Switzerland. But in the US, GIs are treated as a subset of Trademarks, and generic terms are not protected. The Fourth Circuit held GRUYERE to be a generic term for a certain type of cheese, regardless of its geographic origin.

*firm*NOTEWORTHY

Chambers USA – 2023

“Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP represents clients in a variety of industry sectors, including retail, energy, technology, and food and drink. The group brings a wealth of knowledge and experience to the areas of trademarks, copyright and unfair competition cases. Regularly engaged for trademark portfolio management needs, including registrations, clearance searches and the development of protection strategies. The Pattishall team has been extremely adept at navigating worldwide trademark issues.”

“**[David Hilliard]** has substantial experience in trademark, copyright and trade dress disputes. He provides expert advice to clients across a range of sectors.”

MANAGING IP

Pattishall McAuliffe was recognized in the Impact Cases of the Year for their work on *Nichino America, Inc. v. Valent U.S.A., LLC*, Case No. C.A. No. 20-704 (USDC D. Del); and *Nichino America Inc v. Valent USA LLC*, Case No. 21-1850 (3rd Cir). **Pattishall McAuliffe** was also recognized as the “Trademark Disputes Midwest Firm of the Year.” **Bradley Cohn** was named the Illinois Litigator of the Year.



The Legal 500 United States

Pattishall McAuliffe has again been recognized for its experience in trademark litigation and “non-contentious” trademark work. “Powered by the strength of its experienced team, Chicago IP boutique firm Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP represents major corporates such as BP, Bayer, and Eli Lilly and Company, in high-stakes trademark, false advertising, trade dress, and unfair competition lawsuits, at both state and federal levels. **Bradley Cohn** brings expertise to acting for clients across sectors ranging from food and beverages, fashion, apparel, and travel, to hospitality, entertainment, and telecoms. Other key figures include **Thad Chaloehtiarana**, who was appointed Chair of the American Bar Association Section of Intellectual Property Law for 2022-23, and **Jonathan Jennings** a specialist in the preparation of trademark-related agreements. In addition, brand protection expert **Phillip Barendolts** is a key name, as is **Ashly Boesche** who brings expertise to proceedings before the Trademark Trial and Appeal Board (TTAB). Associate **Jacquelyn Prom** is likewise noted.”

Testimonials: “Their vast experience and very thorough processes for filing and managing trademarks allow them to provide top quality service and counsel.” “Pattishall excel in their case management to ensure things run smoothly. They offer thorough, clear explanations of complex legal issues.” “**Thad Chaloehtiarana** offers practical and highly commercial strategic advice.”