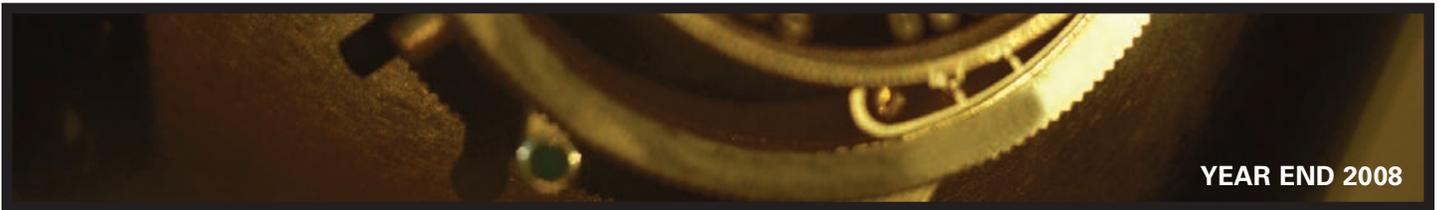




# IDEAS ON INTELLECTUAL PROPERTY LAW



YEAR END 2008

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PATTERSON | THUENTE  
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*Patent, Trademark, Copyright, Internet & Related Causes*

# Photo finish

## *Archives in copyright case ruled privileged*

It's said that a picture is worth a thousand words. That might explain why a copyright infringement dispute over the use of a freelancer's photos that appeared in *National Geographic* magazine has wended its way through the courts for more than 10 years. In the latest chapter of *Greenberg v. National Geographic Society*, a sharply divided appellate court ruled against the freelancer. The decision seems to open the door for publishers to sell their hard-copy archives when they are reproduced in digital form without the consent of freelance contributors so long as the digital form has a substantially similar context to the hard-copy archives.

### **Take a picture — it lasts longer**

Jerry Greenberg is a freelance photographer who had photos published in four issues of *National Geographic*. After their initial publication, Greenberg regained ownership of the copyrights he originally assigned to the magazine.

In 1997, the National Geographic Society produced a 30-disc CD-ROM set with each monthly issue published from 1888 to 1996. The issues appear as originally published, along with a short opening video montage and software that allows users to search the issues, zoom into

particular pages and print. The set presents two pages of an issue at a time, with the fold in the middle and page numbers and context exactly as they are in the print version. Users can flip through the pages or issues after conducting a search, preserving the original complete context of the print issues.

### **Congress intended for publishers to retain their privilege to republish a collective work as long as the republication retains contextual fidelity to the original collective work.**

Greenberg filed suit against National Geographic, alleging that the magazine had infringed his copyrights by reproducing the print issues with his photos. Lengthy litigation ensued, with the case making two stops in the district court and three in the court of appeals. In the midst of the litigation, the U.S. Supreme Court issued its 2001 landmark decision regarding the copyrights of freelancers in *New York Times Co. v. Tasini*, discussed below. The 11th Circuit eventually granted a rehearing to address the question of whether National Geographic's use of Greenberg's photos in the CD-ROM set was a privileged "collective work" under Section 201(c) of the federal Copyright Act.

### **Developing law**

The Copyright Act defines "collective work" as 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." Sec. 201(c) provides that, "[i]n the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in [a] collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work,



any revision of that collective work, and any later collective work in the same series.”

In *Tasini*, the Supreme Court observed that copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole. It found that Congress intended Sec. 201(c) to prevent publishers from revising the contribution itself or including it in a new anthology or entirely different magazine or other collective work without the freelancer’s consent.

The *Tasini* case focused on articles written by freelancers. Without the freelancers’ consent, the publisher defendants provided the articles to database companies, including LEXIS/NEXIS, which placed the articles in electronic databases. Users could only view the articles “clear of the context provided either by the original periodical editions or by any revision of those editions.” As such, the databases didn’t reproduce or distribute the freelancers’ works as “part of” either the original collective works or as a revision of those collective works.

The Supreme Court found the “crucial fact” was the databases’ ability to “store and retrieve articles separately within a vast domain of diverse texts.” The publishers had done more than create a “distinct form of something regarded by its creators or others as one work,” and the freelancers’ copyrights were infringed.

### The big picture

In *Greenberg*, the 11th Circuit deemed each individual issue of *National Geographic* magazine a “particular collective work,” with each of the Greenberg photos part of one of those collective works. Under Sec. 201(c), then, National Geographic has the privilege of reproducing the individual issues in print as often as desired. Greenberg retains his copyrights in his individual photos, while National Geographic holds the copyrights in the individual issues.

Sec. 201(c) also grants National Geographic the privilege of reproducing any revision of the collective works. But Greenberg argued that the CD-ROM set was a “new collective work” not entitled to privilege under the provision.

According to the 11th Circuit, however, legislative history shows that Congress intended for publishers to retain their privilege to republish a collective work as long as the republication retains contextual fidelity to the original collective work. “Nowhere does the legislative history suggest that publishers lose their ... privilege on account

of some novelty or ‘newness’ in the republication of a collective work.”

The introduction of some new elements in the CD-ROM set — such as the search and zoom functions — didn’t render the set a new collective work outside of Sec. 201(c) privilege. Instead, the pertinent question for the court was whether the new material altered the collective work so as to destroy its original context. In the court’s view, National Geographic’s new elements didn’t do so.



Under *Tasini*, the court ruled, “the bedrock of any Sec. 201(c) analysis is contextual fidelity to the original print publication as presented to, and perceivable by, the users of the revised version of the original publication.” Applying this analysis, the court concluded that National Geographic was privileged to reproduce and distribute Greenberg’s photos under the “revision” prong of Sec. 201(c).

### It’s not black and white

It’s worth noting that the court emphasized that converting a work to a different medium doesn’t change the work’s character for copyright purposes. It reasoned that the “principle of media neutrality is a staple of the Copyright Act.” An exact digital replica of a print magazine, therefore, isn’t a “new collective work” that falls outside of Sec. 201(c) privilege. ○

# Sweet dreams

## *Supreme Court enforces patent exhaustion doctrine*

Some patent holders just can't seem to let go, seeking to control the use of their patents long after a first authorized sale of products embodying their inventions. But a recent U.S. Supreme Court decision, *Quanta Computer, Inc. v. LG Electronics, Inc.*, reaffirms that the reach of patent rights isn't unlimited. In fact, under the doctrine of patent exhaustion, the first authorized sale of a product exhausts the patentee's rights — regardless of whether the patent covers a method or an apparatus.

### **Rude awakening**

LG Electronics (LGE) licensed several of its patents to Intel. The cross-licensing agreement permits Intel to manufacture and sell products that use the patents and authorizes Intel to sell its own products that use — or “practice” — the LGE patents.

The agreement doesn't grant a license to third parties to combine or sell the licensed products of Intel or LGE with components from a party other than Intel or LGE. The parties also entered a master agreement. That agreement required Intel to provide its customers with written notice that its license from LGE doesn't extend to any product a

customer might make by combining an Intel product with a non-Intel product.

Quanta Computer purchased products from Intel and manufactured computers combining those products with non-Intel components in ways that practiced the LGE patents. LGE brought suit against Quanta, asserting that the combination of Intel and non-Intel components infringed its patents. The case made its way through the district court and court of appeals before being argued before the Supreme Court.

### **Understanding the exhaustion doctrine A to Zzzzz**

Under the doctrine of patent exhaustion, the initial authorized sale of a patented item terminates all patent rights covering that item.

In *Quanta*, the Court reiterated that the right to sell under a patent is exhausted by a single, unconditional sale; the item sold is carried outside of the “monopoly of patent law” and freed from any patent restrictions the patent holder may attempt to impose.



Until the *Quanta* case, the Supreme Court had most recently discussed the patent exhaustion doctrine in *U.S. v. Univis*, in 1942. In *Univis*, the Supreme Court concluded that “the traditional bar on patent restrictions following the sale of an item applies when the item sufficiently embodies the patent.” The item need not completely practice the patent as long as its only and intended use is to be finished under the patent’s terms.

### Exhausting the subject

LGE argued that the patent exhaustion doctrine doesn’t apply to patents for method claims. It reasoned that, because method claims are linked to a process, instead of a tangible article, they can never be exhausted by a sale of components used in the practice of the patented method. Rather, practicing the claims of a method patent is permissible only to the extent that such rights are transferred in an assignment contract.

But the Court disagreed. It found that methods may be “embodied” in a product and the sale of that product exhausts patent rights. The Court pointed out that it has repeatedly found method patents exhausted by the sale of an item that embodied the method. The sale of a motor fuel produced under one patent, for example, also exhausted the patent for a method of using the fuel in combustion motors.

The Court went on to find that the LGE patents were indeed exhausted by the authorized sale of Intel products because there was no reasonable use for the products other than incorporating them into computer systems that practice the method claims of the patents. The Intel products can’t function until combined with non-Intel products. In fact, the Court found that the only apparent object of Intel’s sales to Quanta was to permit Quanta to incorporate Intel products into computers that practiced LGE’s patents.

## Under the doctrine of patent exhaustion, the initial authorized sale of a patented item terminates all patent rights covering that item.

In conclusion, the Court found that the Intel products substantially embodied the patents because they “constitute a material part of the patented invention and all but completely practice the patent.” All that’s needed to practice the

### Sidestepping patent exhaustion

In defending the case against it in *Quanta Computer, Inc. v. LG Electronics, Inc.*, LGE contended that no authorized sale had occurred, as required for patent exhaustion to apply, because the license didn’t permit Intel to sell its products for use in combination with non-Intel products to practice the patents. The Supreme Court addressed this argument by seeming to suggest that patentees could impose restrictions on the resale of their patented products through their licensing or other agreements.

The Court noted that nothing in the license agreement limited Intel’s ability to sell its products practicing LGE’s patents. The agreement didn’t limit Intel’s authority to sell products substantially embodying the patents, so Intel was authorized to sell its products to Quanta, triggering patent exhaustion on those products. In a footnote, however, the court explained that the authorized nature of the sale didn’t necessarily limit LGE’s other contractual rights, and noted that LGE hadn’t brought a breach-of-contract claim against Intel in this case.

Thus, a patentee can potentially include use or sale restrictions in a licensing agreement as one way of avoiding the patent exhaustion doctrine. If such use or sale restrictions are violated, the patentee would turn not to a patent infringement claim against a downstream party, but to a breach of contract action against the original licensee.

method claims of the patent is the application of common processes or addition of standard parts. The Court found that everything inventive about each patent is embodied in the Intel products.

### A sleeping giant roused

The Supreme Court’s unanimous decision continued its line of recent rulings limiting the rights of patentees. *Quanta*, in particular, could have far-reaching ramifications for the computer-making and other industries that rely on supply chains to produce their final products. Those at the end of the chains may be able to rely on the patent exhaustion doctrine to insulate themselves from claims of patent infringement by patentees who have authorized the sale of their patented items further up the chain. ○

# “Families” feud over trademark ownership

Can a party establish trademark ownership if it wasn't the first to use that mark? In *Estate of Coll-Monge v. Inner Peace Movement*, the Court of Appeals for the District of Columbia confirmed that the use of a trademark by another can inure to the benefit of the party controlling the first user.

## Peace and war

Francisco Coll founded two nonprofit corporations in the mid-1960s, the Inner Peace Movement, Inc. and the Peace Community Church, to promote his self-actualization program. He later founded three for-profit corporations, all owned by a parent holding company in which Coll was the sole shareholder.

Between 1992 and 1995, Coll registered five trademarks with the U.S. Patent and Trademark Office (PTO). After his death, Coll's estate and two of the for-profit corporations sued the nonprofit organizations, alleging that their use of the trademarks constituted infringement

because the estate is the sole owner of the trademark registrations. The nonprofits countered that they were the sole owners because Coll had registered the trademarks in his representative capacity on their behalf.

The district court concluded that Coll wasn't the owner of trademark registrations because the “related companies” doctrine didn't apply to nonprofit corporations, and because he'd intended to register the trademarks in his representative capacity, not for his individual benefit. Thus the court granted the defendants' motion for summary judgment. The estate appealed.

## The battle over control

As the appellate court noted, a party ordinarily establishes trademark ownership by being the first to use it in commerce. The Lanham Act also permits a trademark applicant

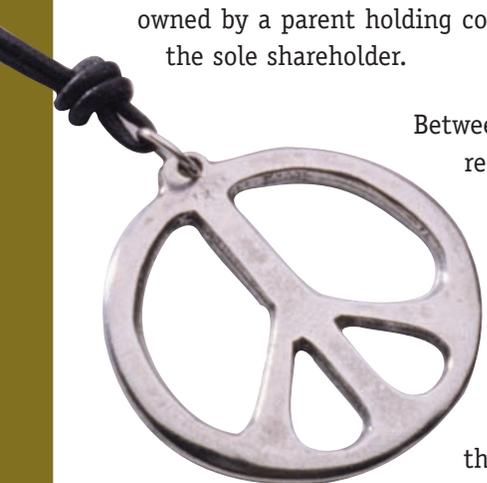
to establish ownership under the “related companies” doctrine by showing that it controlled the trademark's first user. The act defines a related company as “any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.”

The nonprofit corporations were the first users of the trademarks at issue, but the estate argued that Coll controlled their use of the trademarks. The district court disagreed, reasoning that nonprofits have no owners and are controlled solely by boards of directors. Thus, no single person could control a nonprofit organization's actions or uses of a trademark, as required by the doctrine.

The court of appeals rejected that reasoning. It found that the Lanham Act doesn't expressly require formal corporate control but only control over the trademark's use. Control might include licensing agreements and other types of oversight. The court found sufficient evidence of control exercised by Coll over the nonprofit corporations to survive summary judgment. In addition to testimony that Coll maintained complete control over the trademarks' use and the merchandising, the court cited letters from Coll to the PTO in response to requests for clarification of his trademark applications. The letters indicate he controlled the content of the materials the nonprofit corporations used under the disputed trademarks.

**The Lanham Act permits a trademark applicant to establish ownership under the “related companies” doctrine by showing that it controlled the trademark's first user.**

The appellate court also faulted the district court's finding that Coll had registered the trademarks in a representative



capacity on behalf of the nonprofits. The court declared that it wasn't dispositive that, when Coll registered the trademarks in 1993, he signed the applications as "founder" and/or "president" of the nonprofit corporations. Rather, the application forms themselves indicated that Coll had intended to register the marks in his individual capacity. He'd identified himself as "Applicant" and checked the box next to "Individual," passing over the box labeled "Corporation."

## Peace out

In the end, the court of appeals reversed summary judgment and remanded the case for further proceedings. The ultimate issue of control over the trademarks remains to be settled, but the case demonstrates the potential implications of the related companies doctrine. It also makes clear that nonprofit status doesn't preclude the doctrine's application. ○

# Generic trademark lets defendant duck injunction

If a trademarked term becomes "generic," it's no longer capable of functioning as a registerable trademark because the public understands the mark as the common name for the goods or services. In *Boston Duck Tours, L.P. v. Super Duck Tours, LLC*, the First Circuit Court of Appeals found that the term "duck tours" for sightseeing trips aboard amphibious vehicles is indeed generic.

In 1994, Boston Duck began offering land and water tours aboard renovated World War II amphibious vehicles known as DUKWs (pronounced "ducks"). It obtained a federal trademark registration for "Boston Duck Tours" for use in connection with its services.

Super Duck began offering tours on larger, custom-made amphibious vehicles in Boston in May 2007. Boston Duck brought a trademark infringement claim and sought a preliminary injunction to stop Super Duck from using the term "duck tour." The district court granted the injunction.

In reviewing the grant of the injunction, the appellate court considered whether "duck tour" is a generic term for amphibious sightseeing tours and therefore ineligible for trademark protection. Generic terms identify the nature of a good or service, rather than its source. To determine

whether the term is generic, the court focused on use of the term in the media and industry and by Boston Duck. It cited 1) various articles that used "duck tours" generically; 2) widespread use of the term by other companies offering the same service across the country; and 3) Boston Duck's own use of the term generically on its Web site and elsewhere.



In an awkward turn of events for Boston Duck's counsel, the court observed that "several articles submitted by Boston Duck ... to establish the company's fame

and recognition provide evidence of the company's generic use of the phrase 'duck tours' and an unwitting acknowledgement of the generic nature of the phrase."

Because the court found the term "duck tours" generic and incapable of functioning as a registered trademark, Boston Duck couldn't establish it was likely to succeed on its trademark infringement claim by showing a likelihood of consumer confusion over the dueling marks. The court vacated the preliminary injunction against Super Duck, allowing the feeding frenzy to continue in the Boston area market for duck tours.

Patterson, Thunte, Skaar & Christensen  
4800 IDS Center, 80 South 8th Street  
Minneapolis, MN 55402-2100  
612-349-5740 ■ 800-331-4537  
Fax: 612-349-9266

## Attorneys

Wm. Larry Alexander, Ph.D.

Tye Biasco, P.E.

Vadim Braginsky

Daidre L. Burgess

Eric H. Chadwick

Douglas J. Christensen

Aaron W. Davis

Thomas G. Dickson

Irene Eckert

Jay A. Erstling – *Of Counsel*

John P. Fonder

Michael P. Gates

J. Paul Haun

Casey A. Kniser

Matthew T. Macari

Stuart J. Olstad

Paul C. Onderick, O.D.

James H. Patterson

Brad D. Pedersen

Kyle T. Peterson

Robert E. Ray

James P. Rieke

Paul B. Savereide, Ph.D.

Randall T. Skaar – *Of Counsel*

Brian L. Stender

Ryan E. Strom

Brad J. Thorson, P.E.

John F. Thunte

Scott G. Ulbrich

Chad J. Wickman

[www.ptslaw.com](http://www.ptslaw.com)

# Protecting Brands in International Markets

The globalization of the business environment now requires companies to take steps to protect their goodwill in countries outside the United States. However, companies find that trademark protection often follows different principles in those countries, sometimes jeopardizing their investments if the proper steps are not taken with the utmost urgency. Although efforts are underway to harmonize the trademark protection policies of individual countries, especially within the European Union, the current reality is that trademark laws vary considerably from jurisdiction to jurisdiction.

A mistake that managers of U.S. companies often make is assuming that they will ultimately have rights to their trademarks in foreign countries because they were the first to use them. This misconception can have severe consequences. Unlike the United States, where priority is based on use (or intent to use), in most countries, trademark rights are granted to the first person to file for registration. Furthermore, in many countries, the first person to file a trademark application obtains trademark rights, regardless of whether or not that person has used or intends to use the mark within those borders.

The essential steps for obtaining trademark registrations in foreign countries are similar to those in the United States. It makes sense to perform a search before filing to see if the name is available. Confusing similarity is the guiding principle in all regions. However, one must be wary of peculiar local customs. In Germany, for example, vowel sequences have elevated importance, even if the marks do not sound or look alike. In addition, with well known marks in different areas of trade, one must consider that dilution principles may also apply. If, after conducting a search, a company uncovers conflicts in important trading areas, then the company must consider either purchasing the rights to the mark in those locations or adopting another mark.

In some countries, there is no official examination required for registration. Rather, almost all marks filed will automatically be registered. In these countries, parties with similar registrations are obligated to fight it out in court later to determine who filed first. Most nations, though, provide some examination followed by opposition periods. Also, as in the United States, most foreign registrations have limited terms that may be renewed indefinitely.

The international community is becoming increasingly sensitive to the headaches that regional trademark policies create for international business operations. Harmonization of national trademark laws and the introduction of international intellectual property treaties has progressed significantly, though intermittently, over the past thirty years and can be expected to continue. Although we are unlikely to see a single global treaty in which all marks are registrable and enforceable in the exact same way, national laws and regional agreements are creating a certain degree of harmony so that trademark owners can have a reasonable expectation of consistent treatment wherever they do business.

If you have questions about international trademark law, please contact Kyle Peterson at (612) 252-1554 or [peterson@ptslaw.com](mailto:peterson@ptslaw.com).