No. 02-428

IN THE

Supreme Court of the United States

DASTAR CORPORATION,

Petitioner,

v.

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

Respondents.

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

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioner's Rule 29.6 Statement was set forth at page *ii* of Petitioner's Opening Brief, and there are no amendments to that Statement.

TABLE OF CONTENTS

TABLE OF CITED AUTHORITIES

Page

STATUTES AND LEGISLATIVE MATERIALS

OTHER AUTHORITIES

INTRODUCTION

In a brief that largely concedes the law and argues the facts, respondents say that Dastar engaged in "outright lies" about the origin of its videotape series. Resp. Br. at 18; *see id.* at 9 ("outright falsehoods"). They assert that Dastar made a "nearly exact" copy of their product, *id*. at 1, added its name and "erased all references to any person or entity who had anything to do with creating" the original, *id*. at 25, then renamed and "repackag[ed]" the tapes, *id*. at 26—all in a deliberate attempt to fool consumers into buying duplicate video sets. *Id*. at 25.

Respondents' Facts. But the Court cannot rely on respondents' version of the facts. To take one example, respondents claim repeatedly that Dastar "erased" the credits identifying respondents. *Id.*; *see id.* at 26 (accusing Dastar of "deleting identifying materials") & 35 (Dastar "carefully obliterated every indication of the product's true origin"). Yet these assertions are directly contradicted by the only evidence in the record that touches on this point. The Dastar witness who actually did the editing testified that "[t]he film that I used had no credits on it at all." JA at 169a. Although they acknowledged this uncontroverted evidence below, JA at 376a-77a, respondents now deny it. Their approach is all the more remarkable because what respondents are defending is an order granting summary judgment on liability. *See Bd. of Educ. v. Earls*, 536 U.S. 822, 122 S. Ct. 2559, 2575 (2002) ("'On summary judgment the inferences to be drawn from the [evidence] must be viewed in the light most favorable to the party opposing the motion.'") (quotation omitted).

In fact, the evidence tells a far less sinister story than the one respondents have offered. Hoping to release World War II videotapes during the fiftieth anniversary of the war's end, Dastar principals were delighted to discover that the 1948 TV series was in the public domain. JA at 157a-58a. The copy that they purchased commercially had no credits, and Dastar did not know who created it. JA at 163a, 169a. In their view, the TV series gave undue emphasis to General Eisenhower's role; they thought consumers would be more interested in the story of World War II. JA at 176a. At significant cost, Dastar's producer revised the series to tell that story. JA at 329a. It titled the resulting product *WORLD WAR II* and subtitled it *Campaigns in Europe*. S. App. at 47.

Dastar's producer added screen credits that reflected the principal contributors to Dastar's product. JA at 171a-72a. He chose simple ones, claiming only that Dastar "presents" (that is, introduces) the video set. S. App. at 2; *see infra* at 8. He gave himself and others "producer" credits that reflected their editorial, administrative, and financial contributions. JA at 171a. He added a credit for the National Archives, not to mislead consumers as respondents assert without support, but because "[m]ost of the footage that I had seen in this film came from the National Archives, so I thought they deserved credit." JA at 172a. Dastar created its own packaging from scratch. Contrary to respondents' claim, Dastar performed no "repackaging." Resp. Br. at 26. The original TV series was not "packaged," it was broadcast.[1]

Respondents' Concessions. Against *this* factual background, respondents' many concessions and silences on the law are fatal. Respondents now agree that the Constitution creates a right to copy and to use public domain works—and that this right will be negated by a reading of the Lanham Act that gives former copyright holders perpetual attribution rights. Resp. Br. at 9. The question that remains is whether the Lanham Act may be construed in a fashion consistent with these constitutional principles.

Here too respondents give up much legal ground. First, they offer no legal support for their theory that "origin" means a product's "true creator," as opposed to its manufacturer or source of production. Resp. Br. at 2. Second, they concede that neither Dastar's use of its own name nor its omission of respondents' names was a false designation. *Id.* at 9-10.

1. Here and elsewhere, respondents obscure the difference between the original TV series and the New Line videotapes, which are not the origin of Dastar's video series even under the theory proposed by respondents. *See infra* at 4. Respondents foster this confusion by giving both products a single carefully undefined name—*Crusade in Europe*. *Compare* Resp. Br. at 24 (*Crusade* means the New Line video set), *with id*. at 3 (*Crusade* means the TV series).

Third, they abandon the position they took below and acknowledge that many factors, not just product similarity, enter into a determination of likely confusion. *Id.* at 34. Only Dastar's "by another person" argument provokes a wholehearted legal defense. *Id.* at 21-22.

But it is not enough for respondents to win one out of four falls. Each of these statutory elements is a predicate to liability under Lanham Act § 43(a)(1)(A). If Dastar prevails on any of them, the judgment below must be reversed.

I. Dastar Did Not Make a False Designation of Origin

A. "Origin." As Dastar's petition pointed out, the lower courts have increasingly used the Lanham Act to provide an unintended and constitutionally questionable "supplement" to copyright and patent protection. Pet. at 8. The principal reason the lower courts have fallen into this error is their expansion of "origin" to include creative contributions. Pet. Br. at 25-27.

To avoid this result, both Dastar and the Solicitor General stress, "origin" should be read in parallel with the Act's definition of trademarks—words and symbols that "identify and distinguish" one manufacturer's goods "from those manufactured or sold by others and [that] indicate the source of the goods." 15 U.S.C. § 1127 (2000); *see* U.S. Br. at 19-20, 24; Pet. Br. at 21. Requiring that goods bear the names of their "creators" as well as the names of their manufacturers would revolutionize trademark law, calling into question a wide range of beneficial "private label" practices and greatly limiting what all parties now agree is a constitutional right to copy and to use works in the public domain. Indeed, it would unsettle the framework established by several of this Court's recent decisions construing the Lanham Act. To take two examples, both Wal-Mart and TrafFix Devices could be sued under respondents' theory for not crediting the original creators of their clothing designs and traffic signs. *See* U.S. Br. at 20; Pet. Br. at 26.

1. Respondents do not address these points; they simply assume without argument that "origin" means "creative input." Resp. Br. at 20. Using the accepted Lanham Act definition, however, there is no doubt that Dastar was the sole

origin of its product. As the court of appeals recognized, and respondents do not dispute, "the series [was] manufactured by Dastar." Pet. App. at 3a. Therefore, Dastar had a right to put its name on its product. Resp. Br. at 9. That should be the end of the matter. Respondents offer no reason to think that the Act gives products with creative content two separate "origins" to be determined by two separate analytical routes, or that authors need two parallel forms of protection—one under copyright and another under the Lanham Act.

2. Even if the Lanham Act did require disclosure of the "true creator" of a work, Resp. Br. at 2, clearly New Line and SFM do not qualify. As respondents acknowledge, Dastar created its product from the original TV series, not the New Line videotapes. Resp. Br. at 3. New Line and SFM made no contribution at all to the TV series. Pet. App. at 10a-12a. (Indeed, they made no *creative* contribution even to their own videotape series.)

Only Fox remains. Respondents say that Fox "participated in the creative process" for the TV series because its employee "reviewed scripts and film footage for each episode, commented on drafts and rough cuts, and oversaw the production process." Resp. Br. at 3; Pet. App. at 25a. This statement is drawn from a witness declaration carefully crafted for litigation; but it is greatly clarified by the contemporaneous 1948 contract, which gave Time, not Fox, complete creative control: "All of the contents (including the newsreel pictures, narration, sound, and any music therein) of the Pictures shall be determined by Time, subject to the provisions of this agreement." S. App. at 85.

Fox's contractual right to "review," to "comment," and to "oversee" was strictly limited; it had four days to review each script and to identify material which might "adversely affect the reputation of General Eisenhower or which Fox believes will involve Fox in liability." S. App. at 74. Fox's role, in short, was more censor than creator. (By that standard, of course, the Inquisition "participated in the creative process" of Galileo Galilei.)

3. Perhaps hoping to avoid scrutiny into their creative contribution, respondents offer what seems to be yet another

definition of "origin"—one not made below, or indeed by any party in any court, so far as we are aware. Respondents say that Dastar made a false designation of origin by implying that its product was "an entirely new documentary." Resp. Br. at 24. Under this previously undiscovered theory, a false designation of origin occurs every time a company takes an old product—toothpaste, say, or bleach—and relaunches it under a new name. Respondents cite no support for this proposition; and they offer no reason to adopt it.

a. In fact, false claims of novelty are already addressed under a different part of the Lanham Act. Section 43(a)(1)(B) bars misrepresentations of "the nature, characteristics, [or] qualities" of a product. *See*, *e.g.*, *Laitram Mach., Inc. v. Carnitech A/S*, 884 F. Supp. 1074, 1083 (E.D. La. 1995) (addressing "new and improved" claim). Respondents did not (and cannot) sue Dastar under this provision, which applies only in the context of "commercial advertising or promotion," requires a materially false or misleading statement, *i.e.*, one that has an effect on purchasing decisions, governs only representations of "geographic" origin, and requires proof of actual deception for monetary relief.[2]

b. In any event, as Dastar's producer testified, "we were making a brand new production." JA at 331a. The principal creativity in even the original TV series was the selection and arrangement of public domain footage to tell the wartime story of General Eisenhower. Dastar truncated, revised, edited, and reordered the material, then supplemented it with new matter to tell a different story—to "make it a story of World War II rather than an Eisenhower story." JA at 176a. "We decided to take out all material that would interfere with the flow of the product; and [references to General Eisenhower's book] did interfere, in my estimation, so we did delete all reference to the book, the covers and a few other things." JA at 329a.

2 *See* John T. Cross, *Giving Credit Where Credit Is Due: Revisiting the Doctrine of Reverse Passing Off in Trademark Law*, 72 Wash. L. Rev. 709, 741 (1997); J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 27:35, at 27-60 to 27-61, § 27:41, at 27-73, § 27:42, at 27-75 (4th ed. 2002). In the lower courts and here, respondents elected to proceed solely under subparagraph (A). *See* Pet. App. at 50a-51a; JA at 130a-31a. They disclosed no witnesses or documents in support of a subparagraph (B) claim before the discovery cutoff date.

Not only was it a new story, it was in a new form. Instead of a rarely shown TV series, Dastar packaged and offered it in videotape form, with all of the convenience and opportunities for repeated viewing that this new format permits. Plus, there were no commercials. By any measure, Dastar's videotape series was a new and different product from the old TV series—far more so than the New Line videos.

B. "False designation." Recognizing that Dastar had every right to put its own name on its product and that it was not obliged to give respondents credits, Resp. Br. at 9-10, respondents must find a new "false designation" or abandon the case. Their solution is to argue that, in combination, Dastar's use of its own name, its omission of respondents' names, and a couple of additional facts (the title and the packaging) amount to a pack of "lies," even "outright lies," *see*, *e.g.*, *id.* at 13 & 18, though in their calmer moments respondents acknowledge that these scraps add up at best to a "misleading claim," "false impression," or "half-truth." *See*, *e.g.*, *id.* at 18, 29 & 27.

1. In fact, as already discussed, *supra* at 1-2, each of the four facts on which respondents' entire case rests—the credits Dastar used, the credits Dastar didn't use, Dastar's title, and Dastar's packaging—reflect legitimate business and editorial judgments, not an intent to confuse consumers. Respondents' effort to turn omissions and inferences into a false designation also fails as a matter of law. Section 43(a)(1)(A) is not a general purpose consumer fraud statute that must be read broadly so no wrongdoer can escape. It is a weapon wielded principally by businesses against their competitors and critics. Pet. Br. at 36 & n.40. And the Congress that redrafted section 43(a) was well aware of the risks if it allowed competitors to bring suit over *arguably* false claims and "half-truths." It expressly refused to make "omission of material information" grounds for liability under section 43(a), insisting on more robust protections for speech. 134 Cong. Rec. 31,850-51 (1988) (statement of Rep. Kastenmeier). Finally, respondents' new theory comes too late to salvage the rulings below, which rest on respondents' now-abandoned theory that the omission of

respondents' names was by definition a false designation. JA at 259a-60a, 376a-77a.

2. Respondents claim that their reading of the Act will not lead to abuses because companies that copy from the public domain will have no trouble finding a safe harbor from liability. Resp. Br. at 20, 27. These assurances are illusory.

a. Far from eliminating the Catch-22 created by its reading of the Act, Pet. Br. at 36-37, respondents in fact seek to add a new one by objecting for the first time to Dastar's title. Under the rule proposed by respondents, if Dastar uses a different title from the original TV series, as it did, it is guilty of falsely claiming to have created a new product. And if Dastar uses *Crusade in Europe* as its title, it will be sued for trademark infringement and for falsely implying respondents' sponsorship of its product. *See, e.g.*, *Nintendo of Am., Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1011 (9th Cir. 1994).

While respondents suggest that Scylla and Charybdis may both be avoided with a proper disclaimer, Resp. Br. at 20, their assurances ring hollow. Respondents' enthusiasm for bringing suit against future competitors remains palpable, *id* at 18 n.5, and they are careful only to hint that Dastar's warning stickers "could" have been adequate if Dastar had "refined this solution" in some unspecified way. *Id.* at 27. (In the lower courts, they dismissed this idea out of hand. JA at 130a; *see also* JA at 73a.) The liability high-wire act they seek to impose on Dastar contrasts starkly with the Federal Trade Commission decisions that respondents cite. Resp. Br. at 19. Those cases were brought by the Commission, not a hostile competitor, and they resulted in prospective "cease and desist" orders specifying in some detail the kind of disclaimer required; they did not impose double damages retroactively after a high-stakes guessing game. *See, e.g.*, *Bantam Books, Inc. v. F.T.C.*, 275 F.2d 680, 681 (2d Cir. 1960).

b. Respondents' contention that Dastar could have avoided suit by claiming no credit for itself is disingenuous. Resp. Br. at 16. Dastar was the manufacturer, and it is in consumers' interest to know who takes responsibility for the product they have bought. What's more, at the point of sale, Dastar's packaging can hardly be said to have overemphasized

Dastar's name. Indeed, Dastar made a less prominent display of its name than New Line, which added nothing to the TV series' content but which nonetheless put its logo on the spine of all six tapes. New Line also omitted any reference on its packaging to the creative "origin" of its product—the original TV series. In short, if anyone sought to foster the impression that it was the sole author of a product to which in fact it made no creative contribution, it was New Line. This is strong evidence that neither the law nor industry practice requires the disclosures now sought by respondents.

c. Respondents also suggest that Dastar could have added text to its videotape explaining the limited nature of its creative contribution. Resp. Br. at 16. Even if such post-sale disclosure had value to consumers, this notion ignores the unforgiving nature of film credits. Because they scroll by quickly, they must say in a single word what lawyers might prefer to put in prospectus form. Especially within these constraints, Dastar's credits are accurate even if one takes respondents' view of its creative contribution. After all, Dastar could have used its mark to build a reputation for identifying and introducing vivid war footage from other sources, so that customers in the future would look to Dastar for additional products of that sort—all without ever suggesting that Dastar was the original "creator" of the products it is introducing. Seeking to express such a quasi-editorial role, Dastar might have chosen another one-word credit—"Dastar Introduces" or "Dastar Selects"—but "Dastar Presents" carries much the same meaning. *See American Heritage Dictionary of the English Language* 1432 (3d ed. 1996) (to "present" means "[t]o introduce . . . [t]o offer for observation, examination, or consideration; show or display").[3] Similarly, the single most apt term for a person who arranges, funds, selects, and edits a public domain work is "producer," a word whose elasticity was thoroughly canvassed in Dastar's opening brief. Pet. Br. at 28-30.

3. Respondents make the remarkable claim that it is better to display a logo that specifies no role at all at the front of a film, as New Line did, than to identify a more limited role, as Dastar did. Resp. Br. at 27 n.9. Had Dastar simply put its logo on the film without explanation, however, there is little doubt that respondents would now be arguing that this was a particularly egregious claim of authorship.

C. Likelihood of confusion. Egged on by respondents, JA at 379a-80a, the lower courts improperly presumed a likelihood of confusion based on a finding of "bodily appropriation." Pet. App. 3a-4a. But even respondents now agree that courts gauging likelihood of confusion should apply "a non-exclusive list of factors," Resp. Br. at 34, a view also expressed by every *amicus* to brief the issue.[4] Now respondents seek to salvage their summary judgment by scouring the record for evidence of likely confusion. But it is too late for that. Respondents, who bear the burden of proof, failed to produce evidence on the factors by the lower court's deadline, relying instead on their argument that the only relevant factor was "bodily appropriation." JA at 379a-80a. Reversal, rather than remand, is the most appropriate remedy, particularly because the relevant factors and the evidence in the record make clear that consumer confusion is most unlikely.

1. While plaintiffs need not prove actual confusion, if substantial time goes by without real-world confusion, an inference arises that confusion is not probable. *See Aktiebolaget Electrolux v. Armatron Int'l, Inc.*, 999 F.2d 1, 4 (1st Cir. 1993). The lack of actual confusion is particularly telling here, because respondents insist that the point of Dastar's videotape series was to fool customers into buying two versions of the same material, Resp. Br. at 25, something that would surely have caused customers to complain—at least to respondents, who, the district court noted, charged a "substantially greater price" than Dastar. Pet. App. at 19a. Dastar's videotape series was on the market for at least four years before the case went to trial, yet in all that time respondents identified not one confused customer. This is consistent as well with Dastar's experience. Asked why Dastar did not reorder stickers telling customers that the Dastar product contained footage from *Crusade in Europe* after the first 5,000 had been used up, Dastar's president explained, "[M]y people said: Why are we doing this? We haven't had any complaints. Nobody has called us." JA at 311a.

4. *See* Br. of International Trademark Association at 12-14 ("INTA Br."); Br. of American Intellectual Property Law Association at 9-10 ("AIPLA Br."); Br. of Intellectual Property Law Professors at 13-17; Br. of Malla Pollack and Other Law Professors at 2-6.

2. With the possible exception of the names of film stars, credits are rarely aimed at ordinary consumers. In practice, consumers are indifferent to the nuances of credits such as "by arrangement with," and these credits are in any event far removed from the point of sale—where confusion is ordinarily measured. *See* 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:5, at 23-17 (4th ed. 2002). Respondents have no basis for arguing that this commonsense observation requires some special evidentiary support or that it must be ignored because it is not on a list of factors they themselves describe as "non-exclusive." Resp. Br. at 34.

Respondents' principal argument is that credits must be important because writers and directors fight over them all the time. *Id*. at 37. But that does not make credits important to *consumers*. Writers and directors—even key grips and Foley artists—all want credits, not so much to attract consumers but to attract the attention of producers assembling cast and crew for their next project. In the small world that reads credits with care, moreover, even the most deliberate substitution of Dastar's credit for Fox's would not lead industry insiders to view Dastar as a plausible substitute for Fox the next time a TV series must be created.

3. Dastar described at length in its opening brief the improbability that omitted credits would result in lost future sales—the theory on which every "reverse" passing off case rests. Pet. Br. 18-20. The independent commercial conduct of both Fox and Dastar confirms this improbability: neither emphasized its name on the point-of-sale packaging of their video sets. Respondents are wrong in suggesting that this point has been removed from the case by the district court's statement—during the damages phase, not the liability phase—that "each plaintiff lost valuable goodwill" as a result of Dastar's acts. Resp. Br. at 37.[5]

5. The district court's statement is not only unexplained; it is also undercut by this Court's recent jurisprudence. Copyright owners always lose some goodwill when their monopolies expire; this is part of the constitutional design. Claims based on such a loss of goodwill cannot be used to extend Fox's monopoly under the banner of the Lanham Act. *Cf. TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 35 (2001).

4. Dastar's videotape series is certainly not proximate in the market to a TV series distributed over the air half a century ago. Even the New Line videotape series is sold in different channels. Respondents obtained in discovery a complete list of the discounters and price clubs that distribute Dastar's products. Pet. App. at 19a; 9th Cir. Excerpts of Record 2456-61. Yet they did not identify a single company that sells both the Dastar and the New Line video series. JA at 133a-53a.

5. Respondents' treatment of other factors is equally cavalier. They ignore the difference in the parties' marks, and especially the strength of their marks—both factors suggesting that ambiguities in the credits are unlikely to leave consumers confused about whether Dastar's capabilities match those of respondents. And they make no plausible claim that the vintage TV series is still widely recognized by consumers. *See Schatt v. Curtis Mgmt. Group, Inc.*, 764 F. Supp. 902, 914 (S.D.N.Y. 1991). Respondents' claims about Dastar's intent to deceive consumers are based entirely on their improper application of the summary judgment standard. And the sophistication of consumers is hardly irrelevant, as respondents would have it. Resp. Br. at 35. Consumers are quite sophisticated enough to know that generic videotapes sold at Wal-Mart and other discounters are likely to be inexpensively produced films from the public domain rather than made-from-scratch productions from major studios.

D. Origin "by another person." As amended in 1988, the Lanham Act provides a remedy only where a seller's false designation of origin causes confusion "as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities *by another person*." 15 U.S.C. § 1125(a)(1)(A) (2000) (emphasis added). Thus, a seller's liability depends on whether it has led consumers to believe that its goods were originated, sponsored, or approved by another person.[6]

1. Respondents argue that "origin . . . by another person" is ungrammatical, but it is their reading that defies both

6. Dastar did not waive this challenge to the legal basis for reverse passing off. The petition directly stated Dastar's position "that 'reverse passing off' has little basis in the [Lanham] Act or in policy." Pet. at 13.

grammar and syntax. Resp. Br. at 21. Respondents read the statute as though it spoke of confusion "as to the origin. And as to the sponsorship and approval of his or her goods . . . by another person." This not only ignores the proper reading of a three-item list, but also begs an obvious question: the origin of what? Respondents' tortured reading also differs from the structure of other parts of the statute that were drafted at the same time and that use a parallel construction consistent with Dastar's reading. *See* 15 U.S.C. § 1125(a)(1)(A) ("the affiliation, connection, or association of such person with another person"); *see also* 15 U.S.C. § 1125(a)(1)(B) (2000) ("the nature, characteristics, qualities or geographic origin of his or her or another person's goods, services, or commercial activities").

2. Respondents also claim that the statute is really concerned with confusion about whether the goods "were *or were not*" produced by another person. Resp. Br. at 22. But if Congress had intended this meaning it would have left "by another person" out of the statute entirely, instructing courts simply to look for confusion "as to the origin of his or her goods." A statute that omits "by another person" is, of course, exactly what respondents hope to achieve, but there is no reason for this Court to accept their view that the phrase is best treated as surplusage.[7]

3. Nor are respondents aided by the 1988 Senate Report's statement that it intended to codify the interpretation that the courts had given to section 43(a). Resp. Br. at 22; S. Rep. No. 100-515, at 40 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5603. While the history does show Congress's approval of existing "passing off" jurisprudence, as members of this Court have noted, *e.g.*, *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (Stevens, J., concurring), it contains not a single approving reference to "reverse" passing off, a doctrine that still divided the circuits in 1988; certainly there was no reason

7. The Solicitor General offers no support for respondents' claim under subparagraph (A) when he observes that *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981), is "grounded in the text of Section 43(a)." U.S. Br. at 15. The Solicitor General goes on to note that *Montoro* was decided before the 1988 amendments and that *Montoro* may now fit best under subparagraph (B) of the revised statute. *Id.* n.8.

for Congress to incorporate a contradictory body of law into the Act. *See Boothroyd Dewhurst, Inc. v. Poli*, 783 F. Supp. 670, 682-83 (D. Mass. 1991) (First Circuit does not recognize reverse passing off claims; citing *Clamp-All Corp. v. Cast Iron Soil Pipe Inst.*, 851 F.2d 478, 491 (1st Cir. 1988)). Further, the Senate Report was equally clear in declaring that "the committee expects the courts to continue to interpret the section," S. Rep. No. 100-515, at 40, and respondents' view would require this Court to stop interpreting the section, at least as of 1988.

In any event, the Senate Report cannot override the text of section 43(a), particularly since the report was written well *before* section 43(a) was substantially revised in an unusual quasi-conference involving "weeks of private negotiations between House and Senate staffers." *Trademark Bill Approved*, Congressional Quarterly Almanac 116 (1988).

4. The Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (1988) ("BCIA"), offers no reason to read "by another person" out of the Act. In passing the BCIA, Congress never even mentioned *Montoro*, and the Solicitor General, whose brief is filed with an eye to "ensuring that domestic law is consistent with . . . the Berne Convention," U.S. Br. at 1, suggests that *Montoro* itself can survive perfectly well even if reverse passing off is entirely excluded from the scope of subparagraph (A). U.S. Br. at 17 n.8.

In addition, the BCIA actively discourages courts from relying on the Convention for guidance in developing U.S. case law. It stresses that the Convention is not self-executing and that the courts are not to give the Convention effect independent of Congress's express enactments.[8] Compliance

8. 102 Stat. at 2853-54. Indeed, there is ample evidence that the United States was invited to join the Berne Convention not on the strength of its assurances about the future course of Lanham Act jurisprudence, but because Convention members wanted U.S. accession badly enough to waive strict compliance with the moral rights portion of the Convention. *See* Wilhelm Nordemann, Kai Vinck & Paul Hertin, *International Copyright and Neighboring Rights* 86-87 (Gerald Meyer trans., 1990) (citing 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8D.02). Thus, when the Director General of the World Intellectual Property Organization (Secretariat for the Berne Convention) testified to Congress that moral rights did not need to be augmented in the United States in order for the United

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with the Convention is thus a matter for Congress, which has more than fulfilled any U.S. obligations through carefully tailored enactments such as the Visual Artists Rights Act. *See* U.S. Br. at 23-24; Pet. Br. at 30-31.[9]

* * * * *

It is clear that the Ninth Circuit erred in upholding summary judgment on Dastar's liability. There are significant factual disputes on every element of respondents' claim. But that does not make further proceedings necessary. If this Court agrees with Dastar that "origin" does not mean "creative input," the case is over; respondents' entire claim rests on that legal assumption. So too with the second issue: if "false designation" may not be stretched to cover what respondents call "half-truths," the case ends here. Third, respondents have abandoned their chance to relitigate likelihood of confusion. And finally if the phrase "by another person" is given its natural meaning, respondents have no claim. Only if respondents prevail on all four statutory elements is there a need to remand the case to resolve the factual issues that remain.

II. The Profits Award and Its Enhancement Were Improper

A. The Award. The lower court's order requiring that Dastar disgorge its profits was grounded entirely in deterrence and thus violates the "subject to the principles of equity" clause.

(Cont'd)
States to join the Berne Convention, he said nothing about reverse passing off or *Smith v. Montoro*. *Hearings before Subcommittee on Patents, Copyright and Trademarks, of the Senate Committee on the Judiciary*, 99th Cong. 12 (1985).

9. *International News Service v. Associated Press*, 248 U.S. 215 (1918), does not require the survival of reverse passing off under the Lanham Act. The case did not involve application of the not-yet-enacted Lanham Act, but instead applied pre-*Erie* common law. What's more, the case generally has been limited to its unique facts. *See* Restatement (Third) of Unfair Competition § 38 cmt. c (1995); *Fin. Info., Inc. v. Moody's Investor Serv., Inc.*, 808 F.2d 204, 208 (2d Cir. 1986) (*International News* established only the "'hot news' doctrine"); *Speedry Prods., Inc. v. Dri Mark Prods., Inc.*, 271 F.2d 646, 649 (2d Cir. 1959) ("Because of the complexity of the facts [the decision] is sui generis"); *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929) (L. Hand, J.) (same).

1. This issue has not been waived. Dastar's petition clearly separated the making and the doubling of the profits award and challenged both. It noted circuit splits on the two issues—whether such awards "may be made *and increased* solely for purposes of deterrence," Pet. at 19 (emphasis added)—and it quoted the D.C. Circuit's holding that "deterrence alone cannot justify an award" of profits. *ALPO PetFoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 969 (D.C. Cir. 1990).[10]

2. While it is true that disgorgement was historically a common remedy for trademark infringement, respondents' authority for this proposition, James M. Koelemay, Jr., *Monetary Relief for Trademark Infringement under the Lanham Act*, 72 Trademark Rep. 458 (1983), in fact supports Dastar's position that "the Lanham Act makes all recoveries 'subject to the principles of equity,'" from which it follows that "purely deterrent awards are foreclosed." *Id*. at 519. As respondents recognize, disgorgement of profits was common because trademark plaintiffs were "often unable to prove the extent of their losses from infringement." Resp. Br. at 39. Dastar agrees. When this happens in an ordinary passing off case, disgorgement *is* compensatory—because the defendant's sales of misbranded goods provide a rough measure of the plaintiff's losses. But in a reverse passing off case that is not true; there is no reason to think that anyone who bought from Dastar was actually trying to buy from respondents—or that any of Dastar's profits can be attributed to the alleged violations. As this Court has held, a disgorgement award cannot be squared with equity if it awards the plaintiff "profits which are not attributable to the infringement." *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 399 (1940); *see* AIPLA Br. at 17; INTA Br. at 29.

10. *See also* Pet. at 21 (objecting to lower courts "treating deterrence as sufficient to monetary relief and, indeed, warrant enhancement"). This issue was also raised below. *See, e.g.*, Appellants' 9th Cir. Br. at 53 ("giving plaintiff a right to recover the profits from defendant's sale is not an appropriate measure of plaintiff's loss in reverse passing off cases") (internal quotations omitted). Furthermore, the power of the district court to award profits is "antecedent to . . . and ultimately dispositive of" its power to enhance such awards. *U.S. Nat'l Bank of Ore. v. Indep. Ins. Agents of Am., Inc.*, 508 U.S. 439, 447 (1993).

3. Finally, the district court's statements about respondents' injury, Resp. Br. at 39-40, cannot disguise the fact that in the end the court did not award any actual damages—probably because respondents made no effort to prove them.[11] Instead, the court moved directly to a calculation of Dastar's profits. In doing so, it did not ask whether a profits award was justified by principles of equity or whether Dastar's profits in fact derived from its alleged misdeeds. Pet. App. at 26a. It based the award solely on Dastar's "willful" lack of research into the contributors to the decades-old public domain TV show. *Id*. The court's failure to consider principles of equity in making its award was error.

B. The Enhancement. The district court's enhancement of the award fails for the same reasons—and more. Respondents concede that enhanced awards are "subject to the principles of equity," Resp. Br. at 44, and that these principles do not permit an award of punitive damages. Resp. Br. at 41 n.16. The lower courts' enhanced award was indistinguishable from a punitive award and thus is barred by these concessions.

1.a. The doubled award also violates the "compensation and not a penalty" clause. Respondents argue that the clause is not prescriptive but descriptive. Resp. Br. at 40. By this they mean that the clause does not limit the courts but instead assures them that no matter how much they may enhance an award, the result will nonetheless be deemed compensatory by Congressional fiat. This unlikely view has not found favor in the courts. *See Sands, Taylor & Wood v. Quaker Oats Co.*, 34 F.3d 1340, 1347 (7th Cir. 1994) (clause "generally has been construed in the caselaw as a limitation on the authority of courts to impose enhanced monetary judgments"), *amended in other part on reh'g*, 44 F.3d 579 (7th Cir. 1995). Nor is it shared by the nation's two most prominent associations of trademark attorneys. *See* AIPLA Br. at 17; INTA Br. at 26. Even the definitions of "constitute" that respondents pluck from the

11. Respondents called none of their employees (and no experts) on the question of damages; the only witnesses were Dastar employees who testified about Dastar's production and sales. 9th Cir. Excerpts of Record 2375-76 ("ER").

dictionary lend no support to their interpretation, which would not be more persuasive if Congress had said that enhanced awards must "equal," "form," or "compose" compensation. Resp. Br. at 41. And respondents' appeal to the clause's legislative history, *id*. at 42, depends on a reading of the 1909 Copyright Act that is inconsistent with this Court's own interpretation. *Douglas v. Cunningham*, 294 U.S. 207, 209 (1935) (clause permits awards that provide plaintiffs "some recompense . . . where the rules of law render difficult or impossible proof of damages").[12]

But most important, respondents' position contradicts the understanding that led Congress to amend the Lanham Act in 1984—with the specific purpose of revising the "compensation and not a penalty" clause. Congress, unlike respondents, saw the clause as a real limit on enhanced awards. Respondents suggest that the 1984 amendment authorizing punitive treble damages was meant to override the "principles of equity" clause rather than the "compensation and not a penalty" clause. Resp. Br. at 47 n.21. This flies in the face of the 1984 Senate Report, which does not mention the "principles of equity" clause but which does quote the "compensation and not a penalty" clause just before saying, "This proviso is out of place in the context of commercial trafficking in known counterfeits. . . ." S. Rep. No. 98-526, at 6 (1984), *reprinted in* 1984 U.S.C.C.A.N. 3627, 3632.

b. Respondents argue that the reading adopted by Congress, courts, and bar must be wrong because it renders the clause superfluous. But this failing is better ascribed to respondents' position—as its inventor and proponent candidly admitted: "Courts that ignore the clause are not disrespectful of it." Ralph S. Brown, *Civil Remedies for Intellectual Property*

12. Similarly, the earlier version of the "compensation and not a penalty" clause that they identify offers no more support for their reading than the enacted version, Resp. Br. at 42; their interpretation also conflicts with the intent of the principal drafter, Edward Rogers, who was not just another witness, as respondents would have it, but a central figure whose role in enactment of the Lanham Act has long been recognized by the courts. *See Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 109-11 (2d Cir. 1988).

Invasions: Themes and Variations, 55 Law & Contemp. Probs. 45, 75 (1992).

Respondents also imagine that "[o]n Dastar's view, the validity of an enhanced award . . . depends in large part on the motivation of the judge who enters the award." Resp. Br. at 44. If by that they mean that the validity of an award depends in large part on whether the judge provides a persuasive compensatory reason for making the award, Dastar agrees. But that is true of any law that grants to courts an authority that may be exercised only for certain purposes. Again, the criticism is better aimed at respondents' reading, which would give courts a standardless discretion to impose the harshest of enhancements so long as they took a moment to slap a "deterrence" label on their awards.

2. Respondents argue in the alternative that purely deterrent enhancement is permissible even if the "compensation and not a penalty" clause does impose limits on judicial awards. They begin by distinguishing at length the "concepts" of deterrence and punishment, arriving at the conclusion that a deterrent award is "not a penalty." Resp. Br. at 45-46. But this is only half of the clause. Even if a purely deterrent increase is "not a penalty" it still cannot be characterized as "compensation."

Further, respondents' elaborate discussion fails to acknowledge that this Court has already provided a definition of "penalty"—in an opinion delivered while Congress was considering the Lanham Act: "We perceive no ground for saying that . . . as a means of compensation, the court may make an award of profits which have been shown not to be due to the infringement. That would be not to do equity but to inflict an unauthorized penalty." *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 405 (1940). On that definition of penalty, the lower courts' award cannot stand.

Respondents' final two points are no more persuasive. Even if deterrence is sometimes the basis of injunctive relief, as respondents argue, Resp. Br. at 48, the "compensation and not a penalty" clause does not limit injunctions; and Congress could reasonably decide to impose stricter limits on retrospective monetary awards. *Cf. Edelman v. Jordan*, 415 U.S.

651, 676 (1974). Less persuasive still is respondents' attempt to turn the weak policy basis for "reverse" passing off cases into a strength. Because the damages caused by reverse passing off are so remote and speculative, they argue, the courts should not require a showing of damages; instead, courts should simply issue monetary awards to plaintiffs who cannot show that they have been injured. Resp. Br. at 49. To state this argument is to refute it.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted,

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