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Entertainment Law in New Mexico:

Updates for 2016



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In August 2009, the Intellectual Property Law Section produced an issue of the *New Mexico Lawyer*, “Art and Entertainment Law in New Mexico.” Included in this issue are several updates and new developments since then. To view the 2009 issue, visit www.nmbar.org/NewMexicoLawyer.

Lindsay Lohan v. Grand Theft Auto: **Potential Changes for Actors and Actresses in New Mexico**

By Jeffrey H. Albright

When Lindsay Lohan first filed her lawsuit against Grand Theft Auto,¹ alleging that GTA had exploited her likeness and persona for its own profit, many people (including many in the legal profession) thought the lawsuit would be dismissed. But, not so fast. In March 2016, New York Supreme Court Judge Joan Kennedy ruled that the case would continue. This article analyzes the issues behind Ms. Lohan’s lawsuit, the legal implications of the right of publicity that forms the basis for her lawsuit and the potential implications that Ms. Lohan’s lawsuit could have on actors, actresses and film makers as right of publicity laws take form in New Mexico.

In the August 2009 issue of the *New Mexico Lawyer*, the right of publicity was discussed in terms of two very separate but unique situations, one involving a picture of a family that had been posted by a mother on Facebook and then used by a Belgian restaurant overseas to advertise to tourists. The other event involved Woody Allen, who filed a federal lawsuit against a clothing manufacturer who used a picture of him from the 1977 movie “Annie Hall” on billboards without Allen’s permission.² You may recall that in May 2009, Allen accepted a settlement of \$5 million from American Apparel prior to the case going to a jury trial.

The two situations referred to above and Ms. Lohan’s lawsuit derive from an area of law that is not codified in federal law, but rather in individual state statutes, with 19 states presently having right of publicity laws—each of which is unique. The issue of “right of publicity” pits the private rights of individuals against First Amendment free speech and free press rights, but it is



...allowing uncompensated third party use devalues the property and allows unjust enrichment in violation of the owner’s property right.

not the same as defamation. Defamation, whether libel or slander, involves an individual’s reputational interests. It is not transferable and the protection expires upon death.

The right of publicity, on the other hand, is a property right usually (but not exclusively) extended to celebrities. In some states it is both transferable and may survive death. Damages awarded are for the commercial value of identity. In other words, it is commercial appropriation—of a person’s name, likeness or other indicia associated with someone’s identity (or voice, or phrase, etc.).

To prevail on a right of publicity claim, the plaintiff must prove: (1) that there is commercial value to her identity; (2) that there exists an appropriation of her name, likeness or other indicia of the persona,

as described above; (3) that it is being used in the advertising for goods or services; or (4) some aspect of the identity is being used to imply an endorsement with a product.

However, many distinctions involving right of publicity claims can be subtle. Products that predominantly “sell” a celebrity are deemed unprotectable merchandise. Products that predominantly sell *comment about* a celebrity are deemed protected “speech.” Some courts have adopted this approach and

have ruled that sales of merchandise by non-news organizations that infringe the right of publicity are not protected by the first amendment, even if the merchandise “commemorates” an event. Generally, three criteria are required for a right of publicity to prevail over a First Amendment claim: (1) The plaintiff must demonstrate that there is commercial value to her/his identity; (2) The “use” is in advertising goods or services; and (3) The publicity is being used to imply an endorsement of a product without permission. See e.g. *Titan Sports Inc. v. Comics World Corp.*, 870 F.2d 85 (2nd Cir. 1989).

The bottom line is that allowing uncompensated third party use devalues the property and allows unjust enrichment in violation of the owner’s property right. The rationale is simple: the dominant purpose of merchandise is to make profit through exploitation of the celebrity.³

There are exceptions to claims of the right of publicity. Newsworthy events/public interest events are of social interest and are not protected. Parody, borrowed from copyright fair use doctrine, is a bar

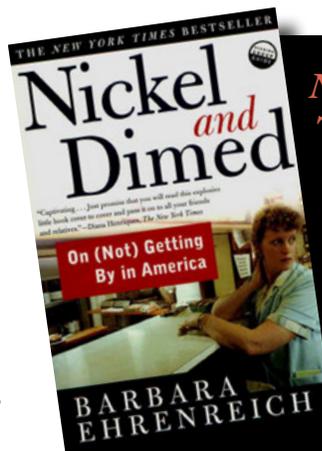
against claims to the right of publicity. Public officials are generally afforded less protection because of newsworthiness. Celebrities who make a living exploiting media have little protection (think Kardashians.) The First Amendment protects newsworthy events.

With all of that as background, does Ms. Lohan have an arguable claim over the character of Lacey Jones from the game “Grand Theft Auto?”

Ms. Lohan claims that Take Two Interactive Software Inc. and Rockstar North appropriated her image and incorporated her persona with her likeness, clothing, outfits, hairstyles, sunglasses, her clothing line and mannerisms in the “Grand Theft Auto V” video game. In October 2014, Ms. Lohan added 45 pages of pictures to her original complaint. She also claimed that the defendants used a “look alike model to evoke her persona and image” by imitating a photograph from 2007 (think Woody Allen). The game also depicted West Hollywood’s famous Chateau Marmont Hotel where she once resided. In the game, the Lacey Jones character has a relatively minor role and is rescued from the paparazzi by the game players.

Rockstar Games’ claim that Lohan filed the suit “for publicity purposes” and that the only similarity was that both Lohan and the model they used were “young and blonde women.” However, in her initial decision denying dismissal of the lawsuit, Judge Joan Kennedy said that Ms. Lohan had provided sufficient evidence for the lawsuit to move forward. Judge Kennedy also determined that there was sufficient evidence presented by Ms. Lohan to overcome the one year statute of limitations in which to bring a claim, all because of a republication of some previous documents that contained the likeness.

Is Ms. Lohan likely to prevail on her claims? An important issue in this case is the fact that Ms. Lohan chose to file her claim in New York. New York has the oldest privacy statute in the U.S., and courts there have applied the statute for decades. Even the term “common law right of publicity” was first used in New York. At the same time, however,



Nickled and Dimed: The Right of Publicity of the Unknown

While the right of publicity most frequently arises when dealing with celebrities, this is not always the case. In *Christianson v. Henry Colt and Company, LLC*, WL 2680822 (C.D. Ill. 2007), a claim under Illinois’ right of publicity statute was not barred where a waitress whose picture appeared on the cover of Barbara Ehrenreich’s New York Time’s best seller *Nickled and Dimed* was not mentioned in the book. The book related a series of encounters the author had while traveling across America talking to average people doing common jobs: e.g. waitresses, librarians, janitors, bus drivers, etc. The waitress was not mentioned on the book jacket, in any of the stories, nowhere in the credits, or anywhere in Ms. Ehrenreich’s description of her encounters. The court determined that the waitress’ image was clearly designed to catch the eye of a prospective customer/purchaser and the Court ruled in favor of Ms. Christianson. Terms of an agreed to settlement were not made public.

New York is the only state expressly to have rejected a posthumous publicity right.

What does this mean for New Mexico? While New Mexico does not yet have right of publicity laws, its ever-growing film industry and status as place of residence for many film and TV actresses and actors suggest that it is only a matter of time before right of publicity laws make their way to the Roundhouse. New Mexico will need to look to other states, such as California, New York and neighboring states to determine both the elements of law that will be needed to meet a right of publicity standard and subjective issues. These subjective issues will include such things as statute of limitations, who can file suit, exceptions, duration of the right of publicity, licensing of the right of publicity for commercial gain, consideration for heirs and assigns, whether to allow corporations or businesses to own the right or a license to the right, and many other issues. And in making those decisions, who knows? New Mexico may end up looking at the Lindsay Lohan case in New York for guidance! ■

Jeffrey Albright is a partner with the law firm of Lewis Roca Rothgerber Christie LLP. He is the chair of the Intellectual Property Law Section Board of Directors.

Endnotes

¹ *Lindsay Lohan v. Take Two Interactive Software, Inc., Rockstar Games, Rockstar Games, Inc., and Rockstar North*, Index No. 156443 (N.Y.S. 2014)

² Jeffrey H. Albright, *You Can Take My Picture, But Not My Right of Publicity*, *The New Mexico Lawyer*, Vol. 4, No. 3 (August, 2009)

³ See, e.g. *Titan Sports, Inc. v. Comics World Corp.*, 870 F.2d 85 (2nd Cir.1989).

New Law Creates a Civil Federal Cause of Action for

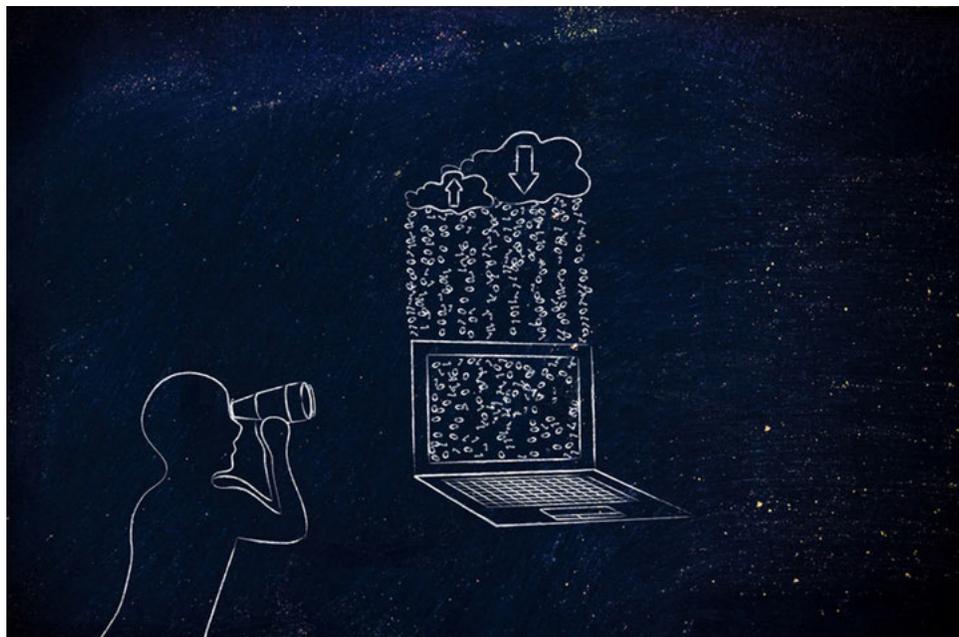
TRADE SECRET THEFT

By Kevin Bieg

Trade secrets are becoming increasingly valuable, in part because of a perceived reduction in the value of patents. At the same time they are increasingly vulnerable to theft because of the ease of electronic information transfer, rise in cyber-attacks, increased employee mobility, and globalization. A recent survey found that trade secrets are the most common and important form of intellectual

property for businesses in the U.S. with research and development activity.¹ Although difficult to quantify, the cost of trade secret theft to American companies has been estimated to be as high as 1–3 percent of GDP.² As a result, Congress passed the Defend Trade Secrets Act³ with near-unanimous support and President Obama signed it into law on May 11. The DTSA creates, for the first time, a federal civil cause of action for trade secret misappropriation. The primary benefits of the DTSA include the creation of a uniform nationwide regime for trade secret protection and the availability of a federal forum for misappropriation litigation.

To state a claim in federal court for misappropriation, the trade secret must be related to a product or service used, or intended to be used, in interstate or foreign commerce. The DTSA provides private parties with access to federal courts under federal question original jurisdiction, as has long been the case for other forms of intellectual property, such as patents, copyrights and trademarks. However, in contrast to federal patent and copyright law, the DTSA does not preempt or otherwise override state trade secret laws, including the New Mexico Uniform Trade Secrets Act.⁴ Therefore,



methods, techniques, processes, procedures, programs or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically or in writing if (1) the owner of the information has taken reasonable measures to keep such information secret; and (2)

A recent survey found that trade secrets are the most common and important form of intellectual property for businesses in the U.S. with research and development activity.

plaintiffs can file DTSA claims in federal court in tandem with state claims that may provide additional relief, over which the federal court will have supplemental jurisdiction. Conversely, if a plaintiff wants to keep the case in state court, the plaintiff may assert only claims under state trade secret law, file in state court, and remain there notwithstanding the DTSA unless diversity jurisdiction exists in which case, of course, state law would continue to govern.

The DTSA broadly defines a trade secret as “all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes,

the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the another person who can obtain economic value from the disclosure or use of the information.” Misappropriation includes the acquisition of another’s trade secret by improper means, or use of a trade secret without consent of the trade secret owner. Improper means include theft, bribery, misrepresentation, breach of a duty to maintain secrecy or inducement of such a breach or espionage through electronic or other means. Misappropriation does not include reverse engineering, independent derivation or any other lawful means of acquisition.

The DTSA is not retroactive and has a three-year statute of limitations. Therefore, a complaint for misappropriation must be filed within three years from the date on which the misappropriation was discovered or should have been discovered by reasonable diligence.⁵ Further, a continuing misappropriation constitutes a single claim of misappropriation under the DTSA, which may be interpreted to mean that discovery of a misappropriation

triggers the limitations period for all subsequent related acts.

The DTSA typically provides remedies similar to most state trade secret law. These include injunctive relief to protect against actual or threatened misappropriation; a reasonable royalty for continued use of the trade secret if injunctive relief is “inequitable;” damages for actual losses, unjust enrichment, or a reasonable royalty for past misappropriation; and punitive damages of up to twice the amount of actual damages awarded, as well as reasonable attorneys’ fees, for willful and malicious misappropriation.

The DTSA does limit one form of injunctive relief available in some states based upon the “inevitable disclosure doctrine.” Under this doctrine, employers could prevent departing employees from going to work for a competitor based upon the theory that the employee would inevitably disclose the former employer’s trade secrets to the competitor. The DTSA expressly rejects this doctrine and affirmatively requires that any such restriction on a person’s employment must be “based on evidence of threatened misappropriation and not merely on

the information the person knows.” Additionally, any injunction limiting a person’s new employment must not conflict with applicable state laws protecting the mobility of individual employees, such as state laws prohibiting non-compete agreements.

A new provision under the DTSA is availability of *ex parte* seizure in extraordinary circumstances. This exceptional remedy allows federal law enforcement officers to seize a defendant’s property to preemptively prevent the wrongful dissemination of a trade secret without notice to the defendant beforehand. However, the burden to show extraordinary circumstances is high, and a seizure order can only be obtained if a number of specific factual prerequisites are satisfied, including, among others, a likely showing that the information is indeed a “trade secret,” that the defendant misappropriated it by improper means, and that immediate and irreparable injury will occur without the seizure. If granted by the court, the seizure order must authorize the narrowest seizure necessary to prevent further dissemination of the trade secret and that is minimally disruptive to legitimate business operations, restrict

access by the plaintiff, set a timely date for a seizure hearing, and require the plaintiff to provide security to cover damages for a wrongful or excessive seizure or attempted seizure. Nonetheless, *ex parte* seizure may enable plaintiffs to prevent further misappropriation and limit the disclosure of trade secrets while a case is pending.

Finally, the DTSA provides for limited whistleblower protection with regard to both civil and criminal liability for employees, independent contractors or consultants who disclose a company’s trade secrets in confidence to a government official or an attorney for the purpose of investigating or reporting a suspected violation of the law, or in a complaint or document filed in a lawsuit or other proceeding, if the filing is made under seal and not disclosed to the a third party except under court order. The protection provides immunity against such actions under both state and federal law. Further, in order for a company to take advantage of the full range of federal remedies available under the DTSA, the company must include an express, written notice of immunity for whistleblower disclosures in all agreements entered into after enactment of the DTSA that govern the

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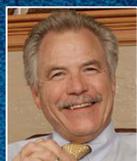
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Music Licenses *for* Filmmakers

By Gina T. Constant



are called the “master rights.” Here, the artist has negotiated a contract with a record label and has assigned the copyrights to the record label in consideration of being signed by the record company, getting the artist’s recordings radio play, and royalties on sales of the artist’s records. Of course, brand new artists will have a lot less control over their music and how their music can be licensed to others than very popular artists. For instance, a few years ago Taylor Swift

famously pulled her music from the music streaming service Spotify,³ which means that she and her record label refused to grant Spotify a master license to her album “1989.” Because of her popularity, she had a greater say in licensing decisions than an unknown singer would have.

Say your client is producing a movie and she wants to use the song “Hotel California” by the Eagles in her film. How do you go about securing the rights to use that music for her? The answer is that you need to get the permission of the copyright owner(s). As explained below, this can be trickier than it sounds.

Pursuant to the Copyright Act,¹ the creator of an original work that is fixed in a tangible medium owns the copyright to that work. A “copyright” literally means the exclusive right to make copies of the work. When a piece of music is used in a movie, a copy of that music is being made and therefore, the right to copy that music needs to be secured. In a music recording, two works are actually being copied: (1) the composition of the song, that is, the lyrics, vocal arrangement, the instrumental accompaniment, etc.; and (2) the artist’s recorded performance of the song.

First, the copyright in the composition is initially owned by the songwriter(s).² The rights to use the composition of the song are called the synchronization or “sync rights.” For popular music, the sync rights are generally owned by a publishing company because the songwriters have assigned their copyrights in their songs to

...even if a composition of an older song is in the public domain, a more recent recording or arrangement may still be copyright protected.

the publishing company in consideration of getting their song published and being paid royalties. Publishers for American music can usually be found on the websites of performance rights organizations (like ASCAP or BMI). In our case, a search on ASCAP’s website for “Hotel California” reveals that the publisher is Fingers Music. We could go to www.fingersmusic.com and find out how to contact the publisher to request a license. If you want a sync license for a less popular, more obscure tune, you may have to track down the actual composers and negotiate a license directly with them.

Second, the copyright in the recorded performance of the song will generally be owned by the artist’s record label. The rights to use the master recording

To find out whom to contact for a master license, one good website to search is Discogs, www.discogs.com. In our case, the record company that produced “Hotel California” for the Eagles is Asylum Records and the contact information for them is listed at Discogs.

In order to avoid the expense of a master license for “Hotel California,” your client may want to simply acquire the sync rights from the publisher and then hire a local band or studio musicians to record the song. This is why when you watch TV programs or movies, you often hear popular music performed by unknown musicians. The production still has to secure the rights to use the recording from these musicians but that will be far less expensive than getting the Eagles’ version of the song.

It can be a challenge to find the companies you need to contact for licensing, especially for older songs because record and

publishing companies get bought and sold just like any other companies. But websites like ASCAP and Discogs can give a lot of information that will help in finding who has authority to negotiate a sync or master license. Also, it should be noted that a license is not required for songs that are in the public domain because the copyrights have expired. But know that even if a composition of an older song is in the public domain, a more recent recording or arrangement may still be copyright protected.

Once you have secured for your filmmaker client the master and sync licenses to “Hotel California” as recorded by the Eagles, she can use it in her movie. However, the license that she signed will have terms that will limit her distribution of the movie. For instance, does the license only cover distribution in the U.S. or the universe (yes, the “universe” is used in entertainment law contracts because we

...yes, the “universe” is used in entertainment law contracts because we don’t want any infringement happening on a space station!

don’t want any infringement happening on a space station!). You may have been able to secure perpetual rights for your client but, more likely, there will be a term for a certain number of years, after which the licenses will automatically expire. These dates should be calendared so renewals can be secured, if necessary, prior to termination.

The repercussions of not obtaining copyright licenses from all copyright

owners of music used in a movie can be harsh. If the copyright owner has registered the work with the U.S. Copyright Office, then the Copyright Act allows for injunctive relief, double damages, statutory damages and attorneys’ fees.⁴

Finally, there are plenty of firms who specialize in licensing and most will do this work for a flat fee per license or per project. ■

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Endnotes

¹ 17 U.S.C.S. §§ 101 to 1332 (2010)

² Unless the song is a “Work for Hire” pursuant to 17 U.S.C.S. § 101.

³ <http://time.com/3554468/why-taylor-swift-spotify/>

⁴ 17 U.S.C.S. §§ 501 to 513 (2008)



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The



Dilemma

By Talia Kosb



Orwell's 1984

The first cautionary tale began in October 2015 when George Orwell's Estate issued copyright takedown notices to merchandise seller, CafePress, for a vaguely-worded reference to copyrighted materials owned by the Orwell estate that were displayed on merchandise sold by internet radio host, Josh Hadley, which stated, "1984: It's already here." The Estate ended up taking a lot of heat for its "Big Brother" approach to sending takedown notices to merchants.

However, according to the Estate, it was being blamed for a unilateral decision by CafePress to takedown every single item of merchandise that might reference any intellectual property owned by the Estate, including anything marked with *1984*, the title of Orwell's novel *1984*, out of fear of being sued if they did not.

Bill Hamilton, executor of Orwell's Estate, stated, "I asked CafePress to take down material that was in

Since it became law in 1998, the Digital Millennium Copyright Act has become the avenue for content management for copyright holders, but it is also an easily-deployed weapon for anyone who wants to censor content on the Internet.

The DMCA protects online service providers (OSPs) from copyright infringement lawsuits if they comply with various parts of the DMCA, including swiftly removing potentially infringing content after receiving a takedown notice from the alleged rights holder. It also provides a mechanism for challenging

improper takedowns. The DMCA notice and takedown procedures theoretically provide a content provider with protection from a wrongful claim of copyright infringement. However, the DMCA has been criticized as of late for failing to sufficiently protect copyright holders.

It can also be a system that is incredibly confusing and frustrating to rights holders. This article reviews a few of this last year's DMCA conflicts to highlight the areas of concern.

breach of Orwell copyright, and without checking with me which items I was referring to, [they] unilaterally took down everything with any Orwell reference, including T-shirts."¹ Hadley actually never sold a single shirt, but got caught in CafePress' decision to take down all of his merchandise referencing *1984*. Instead of filing a counter-notice, Hadley spoke out on social media. In this case, a great cost was incurred by the brand and reputation of the Estate by sending out a single takedown notice, risking the service provider unilaterally taking

down everything that might infringe on a holder's intellectual property. The Estate discovered the hard way that there is a social cost in the Orwell Estate appearing to have lost touch with the import of Orwell's works.

The Estate's takedown notice was insufficient, because it did not specifically reference the infringing materials, as required by DMCA. CafePress should have only removed materials referenced in the takedown notice.² Further, the focus of the DMCA is to guard against copyright infringement, which does not protect titles and slogans. However, OSPs are not required to review the validity of an infringement claim—they are charged only with taking down the material once a notice is issued and then restoring that content should a counter-notice issue and a lawsuit not be filed within 10 days. Also, since Hadley was commenting on the original material itself and making a critique or criticism that "it [1984] is already here" this could be considered fair use. Even so, Hadley could have easily responded with a counter-notice, in which case CafePress would have restored Hadley's content, if no lawsuit was initiated by the Estate. Basically, no one knew what he or she was doing and it was bad for everyone involved.

The Content ID Monster

YouTube's copyright framework adds yet another layer of confusion and frustration with its internal automated Content ID system which applies copyright flags to YouTube accounts. The Content ID automatically allows Content ID managers to redirect monetization (e.g., ad monies) to the alleged rights holder. But qualifying as a content manager is no small feat; the applicant must own rights to a "substantial" body of original material frequently uploaded on YouTube. Most applications for content management are rejected without explanation. It's basically a secret club where only media conglomerates get a key. If content managers improperly claim copyright, livelihoods of smaller content creators can easily be affected. Even if the copyright

claim is on a tiny portion of the video, or if the video used material in fair use, the entire video can be affected and flagged. Content ID makes frequent mistakes and there are also many questionable claims.

If Content ID flags a video and the flag is not legitimate, a dispute may be filed. If the dispute fails, then the disputant may appeal. The content manager then must submit a proper DMCA takedown notice to deny the appeal. If the appeal is denied, the appellant will get a strike against him or her on his or her YouTube account, the entire video will be removed, the account will no longer be in good standing and the appellant can lose

incidental and fair use of the song. The Ninth Circuit ruled that copyright holders like Universal must consider fair use before attempting to remove content from the Internet. Now these media conglomerates will have to actually review questionable videos and determine whether fair use of the content exists before generating a takedown notice.

YouTube recently changed its tune and Google has announced that it will promise to pay the legal fees (up to \$1 million) of certain YouTube users where takedowns have been issued in cases where YouTube agrees that fair use applies.⁶ However, a far more effective (and simpler) change would

be for YouTube to remove the immediate monetary reward for a false claim, so that instead of the ad money being diverted to the claimant and never recovered by the creator, the ad monies could be held in escrow until the matter is resolved.

Notices have been abused

by companies for purposes unrelated to copyright protection, such as censorship around the globe, which has led civil liberties groups and others to call for reform of the law to clarify its scope. Some companies have realized they can use the DMCA to remove unfavorable newsworthy content.⁷ Others simply use sloppy algorithms which generate DMCA notices for content not covered by the DMCA, targeting Amazon, IMBD and other critical reviews.⁸ When lawmakers are rapidly moving towards expanding the reach and strength of the DMCA, the real threats of censorship must also be considered. Often the fear of litigation that follows DMCA takedowns are more of a guiding force for controlling behavior than are facts or the law around creators' rights.

Many members of the music industry—from Taylor Swift to Trent Reznor—have spoken out against YouTube and the DMCA. Swift and others have signed an open letter to Congress, asking for a reformation of the DMCA, stating that the DMCA "...forces creators to police



Even if the copyright claim is on a tiny portion of the video, or if the video used material in fair use, the entire video can be affected and flagged.

monetization privileges. A strike can be removed by submitting a counter-notice under the DMCA. If the content manager does not file a lawsuit in federal court, then YouTube must restore video.³ However, this doesn't always happen. As the Electronic Frontier Foundation notes, "in many instances, even if you successfully submit a DMCA counter-notice, the video will not be reinstated."⁴ In addition, once the content is removed for a video with a lot of views, even after reinstatement, the view numbers will not necessarily be reinstated.

Dancing Baby Case

So with this in mind, we come to the "Dancing Baby Case."⁵ In *Lenz v. Universal Music Corp., et al.*, Lenz uploaded to YouTube a 29-second home video of her children dancing to Prince's "Let's Go Crazy." This video was flagged by Universal's content management system and a takedown notice was generated automatically. Universal did not consider whether this was an incidental and fair use prior to sending a takedown notice. Lenz sued for declaratory relief, claiming

the entire Internet for instances of theft, placing an undue burden on these artists and unfairly favoring technology companies and rogue pirate sites.” They believe the DMCA is an outdated law, the take-down process is too burdensome and the content can immediately be put back online if a lawsuit is not filed. However, the solution is not so clear, as changing the safe harbors of the DMCA would have a major negative impact on all OSPs. If the DMCA moved to a takedown, stay-down system, this could be much more damaging to small businesses and creatives, with no recourse for censorship outside of filing a lawsuit.⁹ ■

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Endnotes

¹ Flood, Alison, “George Orwell’s estate denies ‘Big Brother values’ after challenge to 1984 merchandise.” www.theguardian.com. The Guardian. October, 2015.

² See Van der Sar, Ernesto, “Orwell Estate Sends Copyright Takedown Over

...the DMCA has been criticized as of late for failing to sufficiently protect copyright holders.

the Number 1984.” www.torrentfreak.com. Torrent Freak. October 2015.

³ 17 U.S.C. Section 512(g)(2)(C). Stephen McArthur, “How to Beat a YouTube ContentID Copyright Claim-What Every Gamer and MCN Should Know” www.gamasutra.com. Gama Sutra. June 24, 2014

⁴ See “A Guide to YouTube Removals.” www.eff.org. Electronic Frontier Foundation.

⁵ Lenz v. Universal Music Corp. et al., Case Nos. 13-16106, -16107 (9th Cir., Sept 14, 2015.

⁶ Hern, Alex. “YouTube plans to defend filmmakers against copyright claims.” www.theguardian.com. The Guardian. November 23, 2015.

⁷ Masnick, Mike. “Brazilian Media Giant Realizes It Can use the DMCA to Censor Criticism of Its Coverage,” Tech Dirt (April 27, 2016). The Electronic Frontier Foundation has noted that, “[T]he DMCA has become a global tool for censorship, precisely because it was designed to facilitate the removal of online media,” citing dozens of cases of state censorship, including, Department of Homeland Security issuing takedowns over conspiracy theory videos on YouTube based on copyright ownership, and governments around the globe filing takedowns for media containing criticisms of government and government officials. See Sutton, Maira, “Copyright Law As a Tool for State Censorship of the Internet,” Electronic Frontier Foundation (December 3, 2014).

⁸ Cushing, Tim. “Another Entity Thinks A Random Bundle of URLs Is a Legitimate DMCA Takedown Request.” Tech Dirt (June 8, 2016).

⁹ “Takedown, Staydown Would Be A Disaster, Internet Archive Warns.” TorrentFreak (June 7, 2016).



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Should I Register My Trademark?

Yes, Even If the Trademark is
“Disparaging,” “Immoral” or “Scandalous”

By Justin Muehlmeier

Businesses in the entertainment industry are particularly fond of using not-so-politically correct trademarks. The first to come to mind might be the Washington “Redskins,” whose ongoing legal battle over registration of their mark caused what is perhaps the biggest debate about trademark law amongst lay people in history, at least since 19th century apothecary Lydia E. Pinkham became the first woman, other than Queen Victoria, to use a portrait of herself on products (Cara Giaimo, *The First Woman To Put Her Face on Packaging Got Trolled Like Crazy*, Atlas Obscura (Apr. 29, 2016), available at <http://www.atlasobscura.com/articles/the-first-woman-to-put-her-face-on-packaging-got-trolled-like-crazy>.)

For those who are offended by trademarks like the Washington “Redskins,” Congress heard your concerns more than a century ago and enshrined your values into what is now Section 2(a) of the Lanham Act authorizing the U.S. Patent and Trademark Office (USPTO) to reject registration of “disparaging,” “immoral” or “scandalous” trademarks. 15 U.S.C. 1052(a). New Mexico’s Trademark Act also prohibits the registration of such trademarks. NMSA 1978, § 57-3B-4(A)(1) & (2). Such provisions were intended as a bastion of decency in commerce.

Recently, however, a band called “The Slants,” whose members are all Asian Americans, has altered more than a century of precedent. The court



In order to obtain a registration of a trademark, one must actually be using it.

tasked with appeals from the USPTO, the U.S. Court of Appeals for the Federal Circuit, held last year that the disparagement provision of Section 2(a) is unconstitutional on its face because trademarks are a form of expressive speech protected by the First Amendment. Consequently, the band’s trademark cannot be refused registration on those grounds. *In re Tam*, 808 F.3d 1321 (Fed. Cir. 2015).

Thus, for those with clients using “disparaging,” “immoral” or “scandalous” trademarks, now may be the time to consider applying for registration, or at least keeping an eye out for resolution

of the USPTO’s petition for certiorari in *In re Tam* to the U.S. Supreme Court. Following *In re Tam*, the USPTO issued an informal notice to trademark examiners that any application for a mark that is potentially violative of Section 2(a) should be “suspended” rather than refused on that basis until the USPTO’s petition for a writ of certiorari is resolved (Examination Guide 01-16, Examination For Compliance With Section 2(A)’S

Scandalousness And Disparagement Provisions While Constitutionality Remains In Question, United States Patent And Trademark Office (Mar. 10, 2016)). Even if you don’t have such clients, let this article be a reminder of the value of registering your mark.

Trademark Rights Arise From Use of a Mark With Goods and Services, Not Merely From Registration

Be sure you understand how trademark use relates to registration. In order to obtain a registration of a trademark, one must actually be using it. While it is possible to apply for federal registration of a mark before its owner actually uses it by filing an “intent-to-use” application, the applicant must later prove actual use of the mark to obtain registration and avoid abandonment of the application. 15 U.S.C. § 1051(b). The New Mexico Trademark Act does not provide for such an “intent-to-use” application, but requires actual use before filing. NMSA 1978, § 57-3B-5.

Accordingly, use is always required for registration, but registration is not required for use.

Until *In re Tam*, courts addressing First Amendment challenges to the constitutionality of Section 2(a)'s ban of "disparaging," "immoral," or "scandalous" trademarks upheld the provision because the refusal to register an applicant's mark does not affect the applicant's right to use it. See, e.g., *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981). Trademark rights arise not from federal law, but from the use of a mark in commerce in connection with particular goods and services. 1 Anne Gilson LaLonde, *Gilson on Trademarks*, § 3.02[2] [a] (2015). Consequently, prior to *In re Tam*, First Amendment rights were held not abridged by a refusal to register a trademark because a trademark can still be used without a registration.

Register That Mark, Even if it May be "Disparaging," "Immoral" or "Scandalous"—Because Use Without Registration May be Useless

In *In re Tam*, the U.S. Court of Appeals for the Federal Circuit reversed the established precedent that the refusal of registration does not abridge First Amendment rights. According to the Court, federal registration is so important that its denial "on the basis of the government's disapproval of the message . . . violates the guarantees of the First Amendment." *In re Tam*, 808 F.3d at 1345. Federal trademark registration "bestows truly significant and financially valuable benefits upon markholders," *id.* at 1340, and "the loss of these rights, standing alone, is enough for us to conclude that [Section] 2(a) has a chilling effect on speech." *Id.* at 1345.



Benefits of Federal Registration:

- Prima facie evidence of the owner's exclusive right to use the mark nationwide in connection with certain goods or services in commerce;
- Constructive notice of the registrant's claim of ownership of the mark;
- "Incontestable" status after five years of registration, limiting challenges to the validity of the mark;
- Federal court jurisdiction;
- Treble damages for willful infringement; and
- The services of U.S. Customs and Border Protection in restricting importation of infringing or counterfeit goods.

In re Tam is an opportunity for practitioners to contemplate the role and importance of registration. The holder of a registered trademark has a right of priority nationwide, if a federal registration, or statewide, if a state registration, regardless of where the registrant actually uses the mark. As the chart summarizes, the benefits of federal registration are numerous, and include both substantive and procedural rights. State registration provides "protection substantially consistent with the federal system of trademark" (NMSA 1978, § 57-3B-2).

While a trademark can be used without a registration, think twice about doing

so. The common law cause of action for trademark infringement may not even exist in New Mexico following the 1997 enactment of the New Mexico Trademark Act, which could be interpreted to extinguish the action. See *Guidance Endodontics, LLC v. Dentsply Intern., Inc.*, 708 F.Supp.2d 1209, 1249-53 (2010). The cause of action and remedies granted under the Act are provided only for marks registered with the state (NMSA 1978, § 57-3B-14; § 57-3B-16). Even if the common law cause of action does exist, a plaintiff asserting infringement of an unregistered mark has the burden of proving the validity and ownership of the un-registered mark, and the plaintiff's right of priority will be limited to the particular geographical market of the plaintiff's actual use, which could be as small as the "geographical area immediately surrounding [the plaintiff's] stores" (*S&S Investments, Inc. v. Hooper Enterprises, Ltd.*, 116 N.M. 393, 395-96 (1993)).

Now that Section 2(a) is stricken, trademarks that were previously prohibited from registration as disparaging, immoral or scandalous may come to enjoy the benefits of registration. Organizations like the Washington

"Redskins," the San Francisco women's motorcycle contingent "Dykes on Bikes" and the band "The Slants" have fought long and hard for the right to obtain federal registrations for their trademarks that until now have been prohibited from registration, because they know how valuable registration is. Keep their enthusiasm for registration in mind when you are asked that common business question: should I register my trademark? ■

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New Law Creates a Civil Federal Cause of Action for Trade Secret Theft

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use of the company's trade secrets or other confidential information. Alternatively, or additionally, the company can cross-reference in such employee agreements to a company reporting policy document for suspected violations of law that includes the whistleblower immunity notification, such as in an employee handbook. Failure to include such immunity notification in these agreements will preclude an employer's ability to obtain punitive damages or attorneys' fees in a subsequent litigation against an employee who otherwise misappropriates trade secret information.

Overall, the DTSA provides greater access to the federal courts for misappropriation claims and will help companies protect their trade secrets. Companies should take the opportunity to review their procedures to reasonably protect the secrecy of their trade secrets and ensure their policies and employee agreements include the required notice of whistleblower immunity. Finally, as with any new law, it is too early to determine how the DTSA will be applied in practice, especially the *ex parte* seizure provisions. ■

Kevin Bieg is with Sandia National Laboratories and serves as secretary on the Intellectual Property Law Section Board of Directors.

Endnotes

¹ National Science Foundation, *New Pilot Survey Reveals Importance of Intellectual Property* (February 22, 2012).

² Center for Responsible Enterprise And Trade (CREATE.org) & PricewaterhouseCoopers LLP, *Economic Impact of Trade Secret Theft: A framework for companies to safeguard trade secrets and mitigate potential threats*, p. 3 (February 2014).

³ Defend Trade Secrets Act, 18 U.S.C. § 1836 (2016), codified in amendments to the Economic Espionage Act of 1996.

⁴ NMSA 1978, § 57-3A-1 *et seq.*

⁵ 18 U.S.C. § 1836(d).

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