THE MISSISSIPPI BAR

Intellectual Property Section

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Wellogix, Inc. v. Accenture, L.L.P.
The Fifth Circuit affirms $44 Million award in trade secrets case
By: Jason R. Bush and Zachary B. Busey
(Baker, Donelson, Bearman, Caldwell & Berkowitz, PC)

In May 2013, the Fifth Circuit affirmed a $44 Million jury award in a trade secrets case. *Wellogix, Inc. v. Accenture, L.L.P.*, 716 F.3d 867 (5th Cir. 2013). The Fifth Circuit's opinion analyzes numerous issues applicable in many trade secret cases, including compensatory and punitive damages.[1]

Wellogix developed software for complex services that allowed oil companies to plan, procure, and pay for services online. Wellogix alleged, and presented proof at trial, that it was the only company offering these complex services from 2000 to 2005. Wellogix's software was not a stand-alone solution, and, as a result, Wellogix relied on other companies' software for core accounting functions. Wellogix entered into an agreement with software company SAP, which allowed Wellogix to integrate its complex services software with SAP's accounting software. Wellogix provided its source code to SAP. Additionally, to promote its software, Wellogix entered into six marketing agreements with the consulting firm Accenture, L.L.P.

Wellogix participated in pilot projects with oil companies, some with Accenture and some without. Wellogix gave Accenture and the oil companies access to the source code and technology, subject to confidentiality agreements. Wellogix worked on an "eTrans" pilot project with BP and a different consultant in 2004, where BP hosted a confidential online portal that allowed Wellogix to share files and information with BP employees. BP discontinued the project in 2005. BP then began working on a new project with Accenture and instructed Accenture to select a new software provider. At some point, without notifying Wellogix, SAP and Accenture began developing the complex services component of the global software for BP. Accenture and SAP accessed Wellogix technology—including flow diagrams, design specifications, and source code to Wellogix's software—that had been uploaded to the confidential eTrans portal.

[1] The Uniform Trade Secrets Act (UTSA) is a model law drafted by the National Conference of Commissioners on Uniform State Laws to better define rights and remedies of common law trade secrets. The Mississippi Uniform Trade Secrets Act is found at Mississippi Code Ann. §§ 75-26-1 to 75-26-19. Prior to passage of the Mississippi Act, Mississippi courts recognized and protected trade secrets at common law. Approximately 48 states have adopted the Uniform Trade Secrets Act. The Texas Uniform Trade Secrets Act ("TUTSA") was recently signed into law and became effective on September 1, 2013.

Wellogix sued Accenture, SAP, and BP in U.S. District Court for the Southern District of Texas in 2008, alleging that they had stolen and misappropriated Wellogix trade secrets.[2] Wellogix arbitrated its claims with BP. Interestingly, U.S. District Judge Ellison acted as the arbitrator. Judge Ellison, acting as arbitrator, found that while BP did not use the trade secrets, it breached its confidentiality agreement with Wellogix by allowing access of Wellogix's confidential information to SAP and Accenture. Judge Ellison also served as the trial judge in the case against Accenture. The case proceeded to trial against Accenture and at trial, the jury found in favor of Wellogix and awarded $26.2 Million in compensatory damages and $68.2 Million in punitive damages. The court suggested a remittitur of punitive damages to $18.2 Million, which Wellogix accepted.

Existence of a Trade Secret. "Trade secret misappropriation under Texas law is established by showing: (a) a trade secret existed; (b) the trade secret was acquired through a breach of a confidential relationship or discovered by improper means; and (c) use of the trade secret without authorization from the plaintiff." *Wellogix, Inc.* at 874 (quoting *Phillips v. Frey*, 20 F.3d 623, 627 (5th Cir. 1994)).[3] "'The existence of a trade secret is properly considered a question of fact to be decided by the judge or jury as fact-finder.'" *Id.* at 874 (quoting *Gen. Universal Sys., Inc. v. Lee*, 379 F.3d 131, 150 (5th Cir. 2004) (quoting RESTATEMENT (THIRD) UNFAIR COMPETITION § 39 cmt. (1995)). A trade secret "is any formula, pattern, device, or compilation of information used in one's business, and which gives an opportunity to obtain an advantage over competitors who do not know or use it." *Id.* at 874.[4]

The Fifth Circuit held that Wellogix presented sufficient evidence to support the jury's finding that Wellogix's technology contained trade secrets. Wellogix introduced evidence that it guarded the secrecy of its technology, by placing the software behind a firewall and sharing the software subject to confidentiality agreements. Wellogix also established that because it was the only company offering complex services software from 2000 to 2005, its software—and, in particular, the underlying proprietary source code—gave it "an opportunity to obtain an advantage over competitors." *Id.* at 875. Wellogix also introduced evidence that its technology had "value," because other companies partnered with Wellogix, and third-party investors, valued Wellogix at over $27 million.[5]

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[2] SAP was dismissed based on venue.

[3] Generally, under Mississippi law, to establish trade secret misappropriation, the plaintiff "must demonstrate: 1) that a trade secret existed; 2) that the trade secret was acquired through a breach of a confidential relationship or discovered by improper means; and 3) that the use of the trade secret was without the plaintiff's authorization." *Block Corp. v. Nunez*, 2008 WL 1884012, at *5 (N.D. Miss. Apr. 25, 2008)(citing *Body Support Sys., Inc. v. Blue Ridge Tables, Inc.*, 1997 WL 560920, at *6 (N.D. Miss. Aug. 12, 1997)).

[4] Under the MUTSA, "Trade secret" means:
information, including a formula, pattern, compilation, program, device, method, technique or process, that:
(i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
(ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.
Miss. Code Ann. § 75-26-3(d)(i)-(ii).

[5] Similarly, courts applying Mississippi law have found that the independent value requirement is met when there exist evidence that "marketing companies are willing to pay money to obtain it." *See Fred's Stores of Miss. Inc.*, v.

Accenture argued that the technology was not secret. Accenture argued that Wellogix disclosed the technology in patent applications, but curiously, neither party introduced the patents into evidence. *Id.* at 875. The Fifth Circuit noted that "the district court instructed the jury, a patent destroys the secrecy necessary to maintain a trade secret only when the patent and the trade secret 'both cover the same subject matter.'" *Id.* at 875 (quoting *Luccous v. J.C. Kinley* Co., 376 S.W.2d 336, 340 (Tex. 1964); *see Carbo Ceramics, Inc. v. Keefe*, 166 Fed. Appx. 714, 719–20 (5th Cir. 2006) (upholding the jury's verdict on the basis that the jury "could have concluded—and apparently did conclude—that the [plaintiff's] patents did not reveal [its] trade secrets"). Accenture argued that it was Wellogix's burden to show the patents did not cover the same subject matter, but the Fifth Circuit seemed to disagree. The Fifth Circuit stated it could not find any case law to support this proposition and stated another circuit has held that once a plaintiff makes a *prima facie* case for the existence of a trade secret, it is for the defendant to show that disclosure destroys the secret.

Acquisition and Use of Trade Secret. A party is liable for "disclosure of trade secrets if (a) he discovers the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in one who is in a confidential relationship with another who discloses protected information to him." *Id.* at 876. "Improper means of acquiring another's trade secrets include theft, fraud, unauthorized interception of communications, inducement of or knowing participation in a breach of confidence, and other means either wrongful in themselves or wrongful under the circumstances of the case." *Id.* (quoting *Astoria Indus. of Iowa, Inc. v. SNF, Inc*., 223 S.W.3d 616, 636 (Tex. App. 2007)) (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 43 (1995)).

The Fifth Circuit also held that Wellogix presented sufficient evidence to support the finding that Accenture improperly acquired trade secrets. The proof was based largely on circumstantial evidence. Wellogix proved that it entered into six confidential agreements with Accenture, and through the marketing agreements Accenture had access to Wellogix trade secrets, Accenture had access to the confidential trade secrets uploaded to the confidential eTrans portal, and that an Accenture email referred to "harvesting IP" from Wellogix.

With respect to use of the trade secrets, the Fifth Circuit stated:

> As a general matter, any exploitation of the trade secret that is likely to result in injury to the trade secret owner or enrichment to the defendant is a "use[.]" ... Thus, marketing goods that embody the trade secret, employing the trade secret in manufacturing or production, relying on the trade secret to assist or accelerate research or development, or soliciting customers through the use of information that is a trade secret ... all constitute "use."
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> *General Universal Systems Inc. v. HAL Inc.*, 500 F.3d 444, 451 (5th Cir. 2007) (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 (1995)). "Use" can include "activities other than the actual selling of the product."

M&H Drugs, Inc., 725 So. 2d 902, 910 (Miss. 1998). Also, courts have indicated that information has independent economic value when if competitors were to obtain the information, "it would enable them to undercut…[and employers] bid on the project and get jobs which otherwise be awarded to…[the employer]." *Marshall v. Gipson Steel, Inc*., 806 So. 2d 266, 271 (Miss. 2002).

> *Dresser–Rand Co. v. Virtual Automation, Inc.*, 361 F.3d 831, 840 (5th Cir. 2004); see *ForScan Corp. v. Dresser Indus., Inc.*, 789 S.W.2d 389, 395 (Tex. App. 1990) (finding that attempts to market a product constituted "use"). Indeed, an act that "lower[s] the market value" of a trade secret by "making it less likely that [the plaintiff] would sell his invention to [the defendant's] competitors" could amount to "use."

Id. at 877.

With respect to the proof on this, the Fifth Circuit noted Accenture documents that stated "Use Wellogix content" and stated that the templates "better deliver similar or better functionality than Wellogix or we may have a problem" and that a BP employee told Wellogix the company should "sue Accenture" for "utilizing … confidential information and building out [its] functionality." *Id.* at 877. Accenture admitted it developed complex services templates for the pilot, but argued its templates lacked "dynamic" features and were different than Wellogix's. The Fifth Circuit stated that the standard for finding "use" is not limited to whether Accenture's templates contained Wellogix trade secrets, but rather was whether Accenture relied on the trade secrets to "assist or accelerate research or development" of its templates.

Damages. With respect to compensatory damages, the Fifth Circuit noted the "'flexible' approach used to calculate damages for claims of misappropriation of trade secrets" and stated that "damages in misappropriation cases can take several forms."[6] *Id.* at 879. This can include: "the value of plaintiff's lost profits; the defendant's actual profits from the use of the secret, the value that a reasonably prudent investor would have paid for the trade secret; the development costs the defendant avoided incurring through misappropriation; and a 'reasonable royalty.'" *Id.* "This variety of approaches demonstrates the 'flexible' approach used to calculate damages for claims of misappropriation of trade secrets." *Id.*

Wellogix presented sufficient evidence to support the compensatory damage award ($26.2 Million), including expert testimony on the valuation of the business, which was based in part on the decision by venture capital groups to invest $8.5 Million in exchange for a 31% equity stake. Wellogix also presented evidence of an Accenture employee's estimate of annual fees for BP work and that the misappropriation created a competitive disadvantage that essentially cause Wellogix's value to drop to zero. *Id.* at 879-880.

With respect to the punitive damages award, the Fifth Circuit stated that a legally sufficient evidentiary basis exists if the plaintiff proves by clear and convincing evidence that the harm resulted from malice. The Fifth Circuit noted that malice can be proven by circumstantial evidence. The Fifth Circuit held the evidence and testimony was sufficient to support the jury's finding of malice. Accenture also challenged the punitive damages award based on the Due Process Clause of the Fourteenth Amendment, which "prohibits the imposition of grossly excessive or arbitrary punishments on a tortfeasor." The Fifth Circuit examined the three guideposts examined by the United States Supreme Court and held that the $18.2 Million punitive award was not grossly excessive. The Fifth Circuit also noted that the punitive damage award was less than the compensatory damage award, and that it could not find a case where an

[6] This is also the case with remedies in Trademark and Copyright cases.

appellate court vacated or reduced a punitive damages award that was less than the compensatory award.

Coach, Inc. v. Goodfellow
The Sixth Circuit Adopts Contributory Liability for Flea Market Operators Based on Trademark Infringement by Vendors

By: Grady M. Garrison, Adam S. Baldridge and Nicholas L. Vescovo
(Baker, Donelson, Bearman, Caldwell & Berkowitz, PC)

On May 31, 2013, the Sixth Circuit joined the Seventh and Ninth Circuits in adopting contributory liability for a flea market operator based on the trademark infringement of vendors at the flea market. Such contributory liability has seen increased attention over the past five years, especially from Coach, Inc., the plaintiff in the case.

In *Coach, Inc. v. Goodfellow*, the defendant Frederick Goodfellow owned and operated the 3rd Street Flea Market in Memphis, Tennessee, and oversaw day-to-day operations. Goodfellow rented between 75 to 100 booths to vendors at the rate of $15/day Thursday through Sunday, rented storage containers to vendors for storage of their goods, and essentially controlled the flea market with ultimate authority as to the allowance and removal of vendors. Aware of the sale of counterfeit goods at the flea market, Coach worked with the local, state and federal authorities to begin an investigation into the flea market. On January 15, 2010, Coach wrote a letter to Goodfellow regarding the counterfeit sales, advising him of potential violations of federal and state laws, and demanding that all sales of counterfeit Coach products cease. According to the record, Goodfellow ignored Coach's letter, so the DA's Office wrote to Goodfellow on March 26, 2010 to notify him that counterfeit sales were continuing and that he was in willful disregard of the law. In April 2010, law enforcement officers raided the flea market and seized counterfeit Coach products, along with the counterfeit goods of other companies. Coach brought suit against Goodfellow and the flea market in June 2010, demanding the sale of counterfeit Coach products be stopped.

During the course of the litigation and the underlying criminal prosecution, Goodfellow made several admissions that helped Coach in the contributory trademark infringement suit. Specifically, he admitted to knowing that vendors continued to sell counterfeit Coach goods after he received the first letter in January 2010, admitted to knowing that multiple raids occurred and that vendors were arrested, admitted that he never inspected the vendors' booths to ensure counterfeit goods were not being sold, and admitted that he never asked vendors if they were licensed distributors of Coach goods. With such admissions, Coach was able to prove willful blindness.

Coach claimed that Goodfellow was liable for the sale of counterfeit products and infringement of Coach's trademarks pursuant to the Lanham Act, 15 U.S.C. § 1114, which states in pertinent part that:

> Any person who shall, without the consent of the registrant ... use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in

> connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive ... shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C. § 1114(a)(1). Unlike contributory liability for patent infringement, there is no statute regarding such indirect infringement, as the Lanham Act does not expressly provide for contributory liability. Contributory liability for trademark infringement has developed instead through trademark jurisprudence. In *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982), the U.S. Supreme Court held that "liability for trademark can extend beyond those who actually mislabel goods with the mark of another." The *Ives* Court relied upon the 1924 case of *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924), which held that a manufacturer is liable for contributory infringement if he designedly enables or induces retailers or distributors to defraud their customers by palming his products off as the plaintiff's product. The Supreme Court revised the *Warner* test in *Ives*. Under contributory trademark infringement, a defendant is liable if he (1) intentionally induces another to infringe on a trademark or (2) continues to supply a product knowing that the recipient is using the product to engage in trademark infringement.

Goodfellow was neither a manufacturer nor a distributor, but actually a landlord. In order to find him liable for contributory trademark infringement, the Sixth Circuit relied upon the Seventh Circuit's opinion in *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143 (7th Cir.1992), holding that a flea market operator can be liable for trademark violations by its vendors if it knew or had reason to know of their violations. *Id.* at 1149. The *Hard Rock* court held that "willful blindness" would qualify as such knowledge: "To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate." *Id.* at 1150. Unlike the Sixth Circuit in *Goodfellow*, the Seventh Circuit ultimately held that the *Hard Rock* plaintiffs did not proffer enough evidence to prove willful blindness. The district court in *Hard Rock* focused on the defendant's failure to take the necessary precautions to prevent counterfeiting, as opposed to focusing on the defendant's knowledge of or willful blindness towards the sale of counterfeit goods. The Seventh Circuit came to the conclusion that the district court found the defendant flea market operator to be *negligent*, not *willfully blind*, and thus vacated the judgment and remanded for further proceedings.

The Ninth Circuit adopted the Seventh Circtuit's holding from *Hard Rock* in *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996), and also noted that the Supreme Court did not limit its holding in *Ives* to only manufacturers or distributors. Both the Seventh and Ninth Circuits relied upon the Restatement (Second) of Torts § 877(c) & cmt. d (1979), which states that a company "is responsible for the torts of those it permits on its premises 'knowing or having reason to know that the other is acting or will act tortiously . . . .'"

Relying upon the holdings of *Hard Rock* and *Fonovisa*, the Sixth Circuit upheld the finding that Goodfellow was contributorily liable for the trademark infringement of the vendors at his flea market. Coach presented substantial evidence demonstrating Goodfellow's knowledge of the infringing activity.

On appeal, Goodfellow argued that he undertook reasonable remedial measures to address the infringing activity, analogous to the remedial measures eBay undertook in *Tiffany (NJ), Inc. v. eBay, Inc.*, 600 F.3d 93, 105–10 (2d Cir.2010). Goodfellow had distributed pamphlets informing the vendors that they could not sell counterfeit goods and held a voluntary meeting to discuss the sale of counterfeit goods. In comparison, the Fourth Circuit held that eBay was not contributorily liable for the trademark infringement of sellers on its site given the significant remedial measures eBay took to combat the sale of counterfeit goods, including promptly removing all listings that Tiffany challenged as counterfeit and spending millions of dollars taking affirmative steps toward the removal and monitoring of counterfeit Tiffany merchandise. *Tiffany*, 600 F.3d at 103. The Sixth Circuit disagreed that Goodfellow's remedial measures equaled those of eBay in *Tiffany*, noting that Goodfellow's actions fell well short of denying access to the infringing vendors. The Sixth Circuit thus affirmed the district court's grant of summary judgment.

Coach has pursued similar suits across the U.S. *See Coach, Inc. v. Farmers Market & Auction*, 881 F. Supp. 2d 695 (D. Md. 2012); *Coach, Inc. v. Dequindre Plaza, LLC*, Case No. 11-cv-14032 (D. E.D. Mich. 2012); *Coach, Inc. v. Gata Corp.*, 98 USPQ2d 1911 (D.N.H. 2011).

TAKING A STAND ON THE RIGHT OF PUBLICITY[7]

By Anita Modak-Truran

This past spring I heard a presentation by Gary Myers, the Dean and Earl F. Nelson Professor of Law at Missouri University School of Law, on the right of privacy. (Some of you may know Dean Myers from his long tenure at University of Mississippi School of Law or you may have read his textbooks on intellectual property or entertainment law.) His engaging and dynamic discussion of this topic piqued my interest on Mississippi's stand on the right of publicity. Mississippi courts have not yet recognized the right of publicity, and the legislature remains silent on the issue. This void presents great opportunities for members of the bar to develop and define this intellectual property area.

From Privacy to Publicity: Opposite Sides of the Same Coin

We all know that we have the right to privacy. But on the flip side of the coin, we also have the right of publicity. The right of publicity, often called personality rights, is the right of an individual to control the commercial use of his or her name, image, likeness, or other unequivocal aspects of one's identity.

Personality rights are generally considered to consist of two types of rights: the right of publicity, or to keep one's image and likeness from being commercially exploited without permission or contractual compensation, which is similar to the use of a trademark; and the right to privacy, or the right to be left alone and not have one's personality represented publicly without permission.

[7] This article was published in The MDLA Quarterly and is re-printed with permission.

The idea of a right to privacy originated in an oft-cited 1890 Harvard Law Review article in which Samuel Warren and Louis Brandeis assert that each man has a right to prevent "invasions upon his privacy," not only from journalists but from other branches of commerce as well. Samuel D. Warren & Louis D. Brandeis, The Right to Privacy, 4 HARV. L. REV. 193, 196 (1890). This idea evolved through the court system. For example, in *Pavesich v. New England Life Ins. Co.*, 50 S.E. 68 (Ga. 1905), the court observed:

> The body of a person cannot be put on exhibition at any time or at any place without his consent. The right of one to exhibit himself to the public . . . is embraced within the right of personal liberty. The right to withdraw from the public gaze . . . is also embraced within the right of personal liberty. Publicity in one instance, and privacy in the other, is each guaranteed. If personal liberty embraces the right of publicity, it no less embraces the correlative right of privacy.

Id. at 70.

In 1953, *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.,* 202 F.2d 866, 868 (2d Cir.), *cert. denied*, 346 U.S. 816 (1953), provided the first formal recognition of a right of publicity cause of action. The case involved competing chewing gum manufacturers that used baseball trading cards as a device to help sell their gum. Haelan had obtained exclusive licenses from a number of ballplayers authorizing the use of their images on its baseball cards. When Topps sold its own gum with photographs of these same players, Haelan sued for violation of its "exclusive rights" to the players' images. The court agreed with defendant that plaintiff could not recover under New York's statutory privacy law, but nonetheless ruled in favor of plaintiff based on a new common law right that it dubbed the "right of publicity."

In justifying recognition of the right of publicity, the Second Circuit focused on the economic value of the public figure's identity. The court reasoned:

> Many prominent persons … would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, busses, trains and subways. This right of publicity would usually yield them no money unless it could be made the subject of an exclusive grant which barred any other advertiser from using their pictures.

202 F.2d at 868.

Since *Haelan,* a commonly cited justification for the right of publicity is the notion of natural rights and the idea that every individual should have a right to control how, if at all, his or her "persona" is commercialized by third parties. Usually, the motivation to engage in such commercialization is to help propel sales or visibility for a product or service, which usually amounts to some form of commercial speech.

Right of Publicity Is State-Based

The right of publicity in the United States is a state law-based right, as opposed to federal. Recognition of the right can vary from state to state. As set forth in the following chart, the majority of states recognize the right of publicity under common law, statute or both:

Alabama (common law)	Arizona (common law)	Arkansas (common law)	California (both)	Colorado (common law)
Connecticut (common law)	Delaware (common law)	Florida (both)	Georgia (common law)	Hawaii (common law)
Idaho (common law)	Illinois (both)	Indiana (both)	Kansas (common law)	Kentucky (common law)
Louisiana (common law))	Maine (common law)	Maryland (common law)	Massachusetts (both)	Michigan (common law)
Minnesota (common law)	Montana (common law)	Nebraska (both)	New Hampshire (common law)	New Jersey (common law)
New Mexico (common law))	New York (both)	North Carolina (common law)	Ohio (both)	Oklahoma (common law)
Oregon (common law)	Pennsylvania (both)	Rhode Island (common law)	South Carolina (common law)	Tennessee (both)
Texas (both)	Utah (both)	Vermont (common law)		

Whether one needs to be deemed a “celebrity” to raise a cause of action for right of publicity depends upon the state where the cause of action occurred or accrued. State law controls._The better view, however, is that the right of publicity is “an inherent right of identity possessed by everyone at birth". *See* J. Thomas McCarthy, Public Personas and Private Property: The Commercialization of Human Identity, 79 Trademark Rep. 681, 684, 688 (1989).

The Human Cannonball Boosts the Right of Publicity

In 1977, the United States Supreme Court endorsed the right of publicity in *Zacchini v. Scripps-Howard Broadcasting Co*. , 433 U.S. 562 (1977). Hugo Zacchini made his living through performing as a "human cannonball." When Zacchini appeared at a county fair in Ohio, a TV station taped and broadcasted without Zacchini's permission his fifteen-second act of being shot out of a cannon. Zacchini sued the television station. The station invoked the protections of the First Amendment. In a five to four decision, the Supreme Court reversed Ohio's highest court, holding that the television broadcast of Zacchini's "entire act" could give rise to a valid right of publicity claim in his favor. Noting the incentives that copyright and patent law afford authors, creators, and inventors, the Court reasoned that the right of publicity provides entertainers similar incentives to develop professional performances of public interest. *Id.* at 573, 576-77. Through laboring to develop their performances, entertainers acquire, as part of the right of publicity, a property-like entitlement to reap the economic benefits of those performances. *Id.*

The Post-Cannonball Run

Since *Zacchini*, the right of publicity is the latest greatest weapon in the ever expanding arsenal of intellectual property claims. Because of technology and the ability to reproduce faces and likenesses in all sorts of digital mediums, the factual context for these claims are divergent. And the rulings are all over the place. The courts have allowed right of publicity suits over the broadcast of a human cannonball's entire act, a comic book using a hockey player's nickname, and an ad evoking Vanna White's skill at turning letters on "The Wheel of Fortune." But the courts have rejected right of publicity suits arising from a painting of Tiger Woods, a comic book evoking the musicians Johnny and Edgar Winter, parody baseball trading cards and a fantasy baseball game that used the names, statistics and biographies of Major League players. There appears to be no unifying rhyme or reason reconciling some of the results.

An Open Canvas for Mississippi

Mississippi courts have little experience with the right of publicity in the realm of intellectual property. The Mississippi Supreme Court has not yet recognized it as part of our common law and has never undertaken to define its scope. However, the recognition of individual property rights is deeply embedded in our jurisprudence. These rights are recognized in the Mississippi Constitution.

The Mississippi Supreme Court has recognized an invasion of privacy based on appropriation of a couple's name for commercial purposes. *See Candebat v. Flanagan*, 487 So. 2d 207 (Miss. 1986). In remanding the case for a full trial on the merits, the Court observed that "[t]he law should protect both the proprietary and emotional interests; it should not focus with tunnel vision on the property-related characteristics of the tort." *Id.* at 212. *See also Deaton v. Delta Democrat Publ'g. Co.,* 326 So. 2d 471, 473 (Miss. 1976); *Harbin v. Jennings*, 734 So. 2d 269 (Miss. App. 1999) (use of Harbin's photograph in thousands of picture frames to be widely distributed and displayed in numerous retail sales establishments without her permission constituted a "textbook" example of invasion of privacy).

Mississippi courts should widen the base and recognize an independent action for right of publicity. Legal scholars note a considerable amount of confusion in the cases and in the literature regarding the difference between invasion of privacy and right of publicity. The distinction between these two causes of action is the interest each seeks to protect. The invasion of privacy claim protects an individual's personal interest in privacy, and the injury is measured in terms of the mental anguish that results from the appropriation of an ordinary individual's identity. The right to publicity, however protects the economic loss that a person suffers when someone else interferes with the property interest that he or she has in his or her name. Accordingly, Mississippi courts should recognize the difference between the personal, injured-feelings quality of the invasion of privacy claim and the commercial value quality in the right of publicity claim.

A person should be able to control how his or her name and likeness are used, and should be compensated for such use. Further, advertisers, merchandisers, and others who misappropriate another's likeness are being unjustly enriched by getting use of a valuable asset without having to pay for it. Accordingly, it is only fair to allow people to control how their own images are used. Then there's unjust impoverishment, which is the flip side of unjust enrichment. This is the concept that artists lose out on revenue from marketing their own identity and the monetary value of their name and likeness is diluted and diminished. This justification is a strong one. If an entity profits from you, you should be compensated. If an entity destroys your chance of profitability, you should have an action.

<u>Conclusion</u>

Most people would be disturbed to find their image on the cover of a magazine that espouses political views they do not share or to look up at a billboard on their way to work and see a large photograph of themselves advertising some product when they did not consent to appear in the advertisement. Even though we cannot control all images of ourselves and how they are used, we should certainly be able to stop someone from making money off of our existence without our permission. Invasion of privacy is one tool. It's time for Mississippi to adopt a separate and independent cause of action for right of publicity.

Copyright Protection for the NSA Seal?

Written by: SCOTT D DELEVE
PUBLIC SERVICES LAW LIBRARIAN: UNIVERSITY OF MISSISSIPPI LAW LIBRARY

Many have read about the copyright controversy in which the National Security Agency accused a t-shirt maker of copyright infringement.[8] The allegedly infringing item was a t-shirt featuring a slightly changed depiction of the Agency seal, with the phrase "peeping while you're sleeping" replacing the "United States of America" on the original seal. Below the rendition of the seal, the t-shirt also contains the words "NSA – The only part of government that actually listens."

[8] Kevin Collier, *The parody shirt the NSA doesn't want you to wear*, SALON (Aug. 30, 2013, 7:10 AM), http://www.salon.com/2013/08/30/the_parody_shirt_the_nsa_doesnt_want_you_to_wear_partner/.

The shirt was originally sold on zazzle.com, but zazzle pulled all versions of the shirt from its website in response to a take-down notice from the Agency.[9] The shirts are now sold at cafepress.com.[10]

There are clearly some fair-use implications involved, since the t-shirt appears to be a parody under the *Campbell* fair use analysis,[11] but the question that first arises in the minds of many is whether the NSA, as a government agency, can copyright anything at all.

The starting point is sec. 105 of the Copyright Act, [12] which provides that "[c]opyright protection under this title is not available for any work of the United States Government." The same sentence includes an exception providing that the federal government "is not precluded from receiving or holding copyrights transferred to it by assignment, bequest or otherwise." [13]

The subject matter at issue is mostly closely analogous to that in *United States v. Washington Mint, L.L.C.*.[14] In that case, the defendants marketed a replica of the Sacagawea dollar coin, which they were found to have intentionally copied.[15] Because the governmental agency (the U.S. Mint) had paid a non-governmental artist to design the front side of the coin and the artist subsequently assigned her copyright to the agency, the government's copyright was upheld as to the front side of the coin.[16] The court noted in dicta that the back of the coin, a work created by an agency employee, was uncopyrightable.[17]

The application of the law to the putative copyrighted NSA seal, then, is clear. If the seal was created by an agency employee, then the agency could not claim a copyright in its seal. If, however, the agency contracted with an outside artist, then the agency can obtain the copyright by assignment from the contracted artist.

Somewhat less clear is whether the NSA in fact has a copyright for its seal, since there is no record at the copyright office indicating that the agency owns any copyrights at all.[18] (Note that copyright registrations in the online database only extend back to 1978,[19] and that the agency was formed in 1950.) It's also evident that cafepress.com either has not received a takedown notice from the agency, or has declined to comply with it. Regardless of any lack of clarity surrounding the agency, though, it's ability to own a copyright on its seal is straightforward.

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[9] *Id.*
[10] The NSA T-shirt, http://www.cafepress.com/mf/78962026/the-nsa_tshirt (last visited Sept. 24, 2013).
[11] *see* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994).
[12] 17 U.S.C. 105 (2006).
[13] *Id*.
[14] *United States v. Washington Mint, L.L.C.*, 115 Fed. Supp. 2d, 1089 (D.C. Minn. 2000).
[15] *Id.* at 1093.
[16] *Id.* at 1097.
[17] *Id.*
[18] Public Catalog, United States Copyright Office, http://cocatalog.loc.gov/cgi-bin/Pwebrecon.cgi?PAGE=bbSearch&SEQ=20130924140949&PID=_U7f5sO32DtPlIBq1s4ci5IrhisxA (last visited Sep. 24, 2013).
[19] *Id.*

Other Recent Cases of Interest and Miscellaneous Notes.

There have been several interesting cases recently involving intellectual property issues in Mississippi, the Fifth Circuit, and beyond. There are simply too many to mention, here but here are a couple cases of local interest.

Faulkner Literary Rights, LLC v. Sony Pictures Classics Inc., NO. 3:12CV100, 2013 WL 3762270 (N.D. Miss. Jul 18, 2013). Judge Mills' opinion in this case is a must-read. As the Court succinctly stated: "At issue in this case is whether a single line from a full-length novel singly paraphrased and attributed to the original author in a full-length Hollywood film can be considered a copyright infringement. In this case, it cannot." This case primarily involves copyright infringement and issues of fair use and *de minimis* use. Reading the opinion in this case, you can definitely tell the subject matter is within the Court's "wheelhouse". Judge Mills is an avid reader and writer and has taught classes on law and literature. You get the impression from reading the court's opinion, he enjoyed writing it. You should enjoy reading this opinion too.

Eaton Corporation v. Frisby case. This trade secrets case has unfolded over several years and has been featured in the media. It deals with issues such as trade secrets, discovery, ethics, and sanctions for ex parte communications. At one point, there was a separate criminal proceeding involving the alleged misappropriation of trade secrets. The civil litigation has been going on for years and is currently on appeal.

The Mississippi Supreme Court sat en banc to hear oral argument in the case on August 5, 2013. The video of the oral argument in the *Eaton Corporation v. Frisby* case is now available for on-line viewing on the Judicial Data Project website of the Mississippi College School of Law Library at http://judicial.mc.edu/case.php?id=1121136

For other blog articles about this case, check out the Mississippi Litigation Review site by Philip Thomas. http://www.mslitigationreview.com/articles/eaton-v-frisby-2/

Keep an eye out for future events from the MS Bar IP Section. If you would like to publish an article in the Mississippi Bar IP Section newsletter, present a teleseminar, or have comments or suggestions on certain topics you would like to see in the future, please contact one of us an let us know.

The Mississippi Bar Intellectual Property Section
2013-2014 Officers and Executive Committee:

Chair
Molly Fergusson
Attorney at Law
228 Sivley St
Oxford, MS 38655-3124
Phone: (662) 915-6888
Fax: (662) 510-0880
Email: mefergu1@olemiss.edu

Vice Chair
Jason Bush
Baker Donelson
P O Box 14167
Jackson, MS 39236-4167
Phone: (601) 351-8915
Fax: (601) 351-2424
Email: jbush@bakerdonelson.com

Secretary
Josh Jeanson
Mississippi State University
5460 S Woodlawn Ave Apt 3E
Chicago, IL 60615-5262
Phone: (662) 325-0668
Fax: (662) 325-0667
Email: jjeanson@oett.msstate.edu

Past Chair
Meaghin Burke
University of Mississippi
P O Box 1848
University, MS 38677-1848
Phone: (662) 915-7775
Fax: (662) 915-5267
Email: amburke@olemiss.edu

Member at Large (8/2012-7/2014)
Jesse Mitchell
The Mitchell Firm PLLC
774 Avery Blvd N Ste G
Ridgeland, MS 39157-5219
Phone: (769) 300-0462
Fax: (601) 510-1981
Email: jmitchell@themitchellfirms.com

Member at Large (8/2013-7/2015)
Ryanne Saucier
Mississippi Public Broadcasting
3825 Ridgewood Rd
Jackson, MS 39211-6453
Phone: (601) 432-6318
Fax:
Email: ryanne.duffie@mpbonline.org

Member at Large (8/2013-7/2016)
Will Wilkins
University of Mississippi Law Research
Institute
P O Box 1848
University, MS 38677-1848
Phone: (662) 915-7775
Fax: (662) 915-5267
Email: wwilkins@olemiss.edu