2017 SUPPLEMENT

CHAPTER 2

TRANSNATIONAL PATENT LAW UNIT

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Remove *Spectralytics, Inc. v. Cordis Corp., 649 F.3d 1336 (Fed. Cir. 2011)* and replaced with *Halo Electronics, Inc. v. Pulse Electronics, Inc., 136 S.Ct. 1923 (2016)* for a new standard on willful infringement.

HALO ELECTRONICS, INC. V. PULSE ELECTRONICS, INC.

136 S.Ct. 1923 (2016)

Chief Justice ROBERTS delivered the opinion of the Court.

Section 284 of the Patent Act provides that, in a case of infringement, courts "may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284. In *In re* Seagate Technology, LLC, 497 F.3d 1360 (2007) (en banc), the United States Court of Appeals for the Federal Circuit adopted a two-part test for determining when a district court may increase damages pursuant to § 284. Under Seagate, a patent owner must first "show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." Id., at 1371. Second, the patentee must demonstrate, again by clear and convincing evidence, that the risk of infringement "was either known or so obvious that it should have been known to the accused infringer." The question before us is whether this test is consistent with § 284. We hold that it is not.

I

A

Enhanced damages are as old as U.S. patent law. The Patent Act of 1793 mandated treble damages in any successful infringement suit. See Patent Act of 1793, § 5, 1 Stat. 322. In the Patent Act of 1836, however, Congress changed course and made enhanced damages discretionary, specifying that "it shall be in the power of the court to render judgment for any sum above the amount found by [the] verdict ... not exceeding three times the amount thereof, according to the circumstances of the case." Patent Act of 1836, § 14, 5 Stat. 123. In construing that new provision, this Court explained that the change was prompted by the "injustice" of subjecting a "defendant who acted in ignorance or good faith" to the same treatment as the "wanton and malicious pirate." Seymour v. McCormick, 16 How. 480, 488 (1854). There "is no good reason," we observed, "why taking a man's property in an invention should be trebly punished, while the measure of damages as to other property is single and actual damages." Id., at 488–489. But "where the injury is wanton or malicious, a jury may inflict vindictive or exemplary damages, not to recompense the plaintiff, but to punish the defendant." Id., at 489.

The Court followed the same approach in other decisions applying the 1836 Act, finding enhanced damages appropriate, for instance, "where the wrong [had] been done, under aggravated circumstances," Dean v. Mason, 20 How. 198, 203 (1858), but not where the defendant "appeared in truth to be ignorant of the existence of the patent right, and did not intend any infringement," Hogg v. Emerson, 11 How. 587, 607 (1850).

In 1870, Congress amended the Patent Act, but preserved district court discretion to award up to treble damages "according to the circumstances of the case." Patent Act of 1870, § 59, 16 Stat. 207. We continued to describe enhanced damages as "vindictive or punitive," which the court may "inflict" when "the circumstances of the case appear to require it." Tilghman v. Proctor, 125 U.S. 136, 143–144 (1888); Topliff v. Topliff, 145 U.S. 156, 174 (1892). At the same time, we reiterated that there was no basis for increased damages where "[t]here is no pretence of any wanton and wilful breach" and "nothing that suggests punitive damages, or that shows wherein the defendant was damnified other than by the loss of the profits which the plaintiff received." Cincinnati Siemens–Lungren Gas Illuminating Co. v. Western Siemens–Lungren Co., 152 U.S. 200, 204 (1894).

It is against this backdrop that Congress, in the 1952 codification of the Patent Act, enacted § 284. "The stated purpose" of the 1952 revision "was merely reorganization in language to clarify the statement of the statutes." Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 505, n. 20 (1964). This Court accordingly described § 284—consistent with the history of enhanced damages under the Patent Act—as providing that "punitive or 'increased' damages" could be recovered "in a case of willful or bad-faith infringement." Id. at 508.

C

1

Petitioner Halo Electronics, Inc., and respondents Pulse Electronics, Inc., and Pulse Electronics Corporation (collectively, Pulse) supply electronic components. Halo alleges that Pulse infringed its patents for electronic packages containing transformers designed to be mounted to the surface of circuit boards. In 2002, Halo sent Pulse two letters offering to license Halo's patents. After one of its engineers concluded that Halo's patents were invalid, Pulse continued to sell the allegedly infringing products.

In 2007, Halo sued Pulse. The jury found that Pulse had infringed Halo's patents, and that there was a high probability it had done so willfully. The District Court, however, declined to award enhanced damages under § 284, after determining that Pulse had at trial presented a defense that "was not objectively baseless, or a sham". Thus, the court concluded, Halo had failed to show objective recklessness under the first step of Seagate. The Federal Circuit affirmed.

2

Petitioners Stryker Corporation, Stryker Puerto Rico, Ltd., and Stryker Sales Corporation (collectively, Stryker) and respondents Zimmer, Inc., and Zimmer Surgical, Inc. (collectively, Zimmer), compete in the market for orthopedic pulsed lavage devices. A pulsed lavage device is a combination spray gun and suction tube, used to clean tissue during surgery. In 2010, Stryker sued Zimmer for patent infringement. The jury found that Zimmer had willfully infringed Stryker's patents and awarded Stryker $70 million in lost profits. Ibid. The District Court added $6.1 million in supplemental damages and then trebled the total sum under § 284, resulting in an award of over $228 million.

Specifically, the District Court noted, the jury had heard testimony that Zimmer had "all-but instructed its design team to copy Stryker's products," and had chosen a "high-risk/high-reward strategy of competing immediately and aggressively in the pulsed lavage market," while "opting to worry about the potential legal consequences later". "Treble damages were appropriate," the District Court concluded, "given the one-sidedness of the case and the flagrancy and scope of Zimmer's infringement."

The Federal Circuit affirmed the judgment of infringement but vacated the award of treble damages. Applying de novo review, the court concluded that enhanced damages were unavailable because Zimmer had asserted "reasonable defenses" at trial.

We granted certiorari in both cases, and now vacate and remand.

II

A

The pertinent text of § 284 provides simply that "the court may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284. That language contains no explicit limit or condition, and we have emphasized that the "word 'may' clearly connotes discretion." Martin v. Franklin Capital Corp., 546 U.S. 132, 136 (2005).

At the same time, "discretion is not whim." Martin, 546 U.S. at 139. "In a system of laws discretion is rarely without limits," even when the statute "does not specify any limits upon the district courts' discretion." Flight Attendants v. Zipes, 491 U.S. 754, 758. "A motion to a court's discretion is a motion, not to its inclination, but to its judgment; and its judgment is to be guided by sound legal principles." Martin, 546 U.S., at 139. Thus, although there is "no precise rule or formula" for awarding damages under § 284, a district court's "discretion should be exercised in light of the considerations" underlying the grant of that discretion. Octane Fitness, 134 S.Ct. at 1756.

Awards of enhanced damages under the Patent Act over the past 180 years establish that they are not to be meted out in a typical infringement case, but are instead designed as a "punitive" or "vindictive" sanction for egregious infringement behavior. The sort of conduct warranting enhanced damages has been variously described in our cases as willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate. District courts enjoy discretion in deciding whether to award enhanced damages, and in what amount. But through nearly two centuries of discretionary awards and review by appellate tribunals, "the channel of discretion ha[s] narrowed," Friendly, Indiscretion About Discretion, 31 Emory L.J. 747, 772 (1982), so that such damages are generally reserved for egregious cases of culpable behavior.

B

The Seagate test reflects, in many respects, a sound recognition that enhanced damages are generally appropriate under § 284 only in egregious cases. That test, however, "is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to district courts." Octane Fitness, 134 S.Ct. at 175). In particular, it can have the effect of insulating some of the worst patent infringers from any liability for enhanced damages.

1

The principal problem with Seagate 's two-part test is that it requires a finding of objective recklessness in every case before district courts may award enhanced damages. Such a threshold requirement excludes from discretionary punishment many of the most culpable offenders, such as the "wanton and malicious pirate" who intentionally infringes another's patent—with no doubts about its validity or any notion of a defense—for no purpose other than to steal the patentee's business. Under Seagate, a district court may not even consider enhanced damages for such a pirate, unless the court first determines that his infringement was "objectively" reckless. In the context of such deliberate wrongdoing, however, it is not clear why an independent showing of objective recklessness—by clear and convincing evidence, no less—should be a prerequisite to enhanced damages.

Our recent decision in Octane Fitness arose in a different context but points in the same direction. In that case we considered § 285 of the Patent Act, which allows district courts to award attorney's fees to prevailing parties in "exceptional" cases. 35 U.S.C. § 285. The Federal Circuit had adopted a two-part test for determining when a case qualified as exceptional, requiring that the claim asserted be both objectively baseless and brought in subjective bad faith. We rejected that test on the ground that a case presenting "subjective bad faith" alone could "sufficiently set itself apart from mine-run cases to warrant a fee award." 134 S.Ct. at 1757. So too here. The subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.

The Seagate test aggravates the problem by making dispositive the ability of the infringer to muster a reasonable (even though unsuccessful) defense at the infringement trial. The existence of such a defense insulates the infringer from enhanced damages, even if he did not act on the basis of the defense or was even aware of it. Under that standard, someone who plunders a patent—infringing it without any reason to suppose his conduct is arguably defensible—can nevertheless escape any comeuppance under § 284 solely on the strength of his attorney's ingenuity.

But culpability is generally measured against the knowledge of the actor at the time of the challenged conduct. See generally Restatement (Second) of Torts § 8A (1965) ("intent" denotes state of mind in which "the actor desires to cause consequences of his act" or "believes" them to be "substantially certain to result from it"); W. Keeton, D. Dobbs, R. Keeton, & D. Owen, Prosser and Keeton on Law of Torts § 34, p. 212 (5th ed. 1984) (describing willful, wanton, and reckless as "look[ing] to the actor's real or supposed state of mind"). In Safeco Ins. Co. of America v. Burr, 551 U.S. 47 (2007), we stated that a person is reckless if he acts "knowing or having reason to know of facts which would lead a reasonable man to realize" his actions are unreasonably risky. …. Nothing in Safeco suggests that we should look to facts that the defendant neither knew nor had reason to know at the time he acted.

Section 284 allows district courts to punish the full range of culpable behavior. Yet none of this is to say that enhanced damages must follow a finding of egregious misconduct. As with any exercise of discretion, courts should continue to take into account the particular circumstances of each case in deciding whether to award damages, and in what amount. Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the Seagate test. Consistent with nearly two centuries of enhanced damages under patent law, however, such punishment should generally be reserved for egregious cases typified by willful misconduct.

2

The Seagate test is also inconsistent with § 284 because it requires clear and convincing evidence to prove recklessness. On this point Octane Fitness is again instructive. There too the Federal Circuit had adopted a clear and convincing standard of proof, for awards of attorney's fees under § 285 of the Patent Act. Because that provision supplied no basis for imposing such a heightened standard of proof, we rejected it. See Octane Fitness, 134 S.Ct., at 1758. We do so here as well. Like § 285, § 284 "imposes no specific evidentiary burden, much less such a high one." Ibid. And the fact that Congress expressly erected a higher standard of proof elsewhere in the Patent Act, see 35 U.S.C. § 273(b), but not in § 284, is telling. Furthermore, nothing in historical practice supports a heightened standard. As we explained in Octane Fitness, "patent-infringement litigation has always been governed by a preponderance of the evidence standard." 134 S.Ct., at 1758. Enhanced damages are no exception.

3

Finally, because we eschew any rigid formula for awarding enhanced damages under § 284, we likewise reject the Federal Circuit's tripartite framework for appellate review. In Highmark Inc. v. Allcare Health Management System, Inc., 134 S.Ct. 1744 (2014), we built on our Octane Fitness holding to reject a similar multipart standard of review. Because Octane Fitness confirmed district court discretion to award attorney fees, we concluded that such decisions should be reviewed for abuse of discretion. Highmark, 134 S.Ct. at 1747.

The same conclusion follows naturally from our holding here. Section 284 gives district courts discretion in meting out enhanced damages. It "commits the determination" whether enhanced damages are appropriate "to the discretion of the district court" and "that decision is to be reviewed on appeal for abuse of discretion." 134 S.Ct. at 1748.

That standard allows for review of district court decisions informed by "the considerations we have identified." Octane Fitness, 134 S.Ct. at 1756. The appellate review framework adopted by the Federal Circuit reflects a concern that district courts may award enhanced damages too readily, and distort the balance between the protection of patent rights and the interest in technological innovation. Nearly two centuries of exercising discretion in awarding enhanced damages in patent cases, however, has given substance to the notion that there are limits to that discretion. The Federal Circuit should review such exercises of discretion in light of the longstanding considerations we have identified as having guided both Congress and the courts.

…

Section 284 gives district courts the discretion to award enhanced damages against those guilty of patent infringement. In applying this discretion, district courts are to be guided by the sound legal principles developed over nearly two centuries of application and interpretation of the Patent Act. Those principles channel the exercise of discretion, limiting the award of enhanced damages to egregious cases of misconduct beyond typical infringement. The Seagate test, in contrast, unduly confines the ability of district courts to exercise the discretion conferred on them. Because both cases before us were decided under the Seagate framework, we vacate the judgments of the Federal Circuit and remand the cases for proceedings consistent with this opinion.

It is so ordered.

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[*Insert this case on page 103*]

How to calculate damages in a design patent infringement case? In a multicomponent product, should the damages be calculated based on the profits for the entire product? Answering this question would turn on the relevant "article of manufacture". Read the next case.

SAMSUNG ELECTRONICS CO., LTD V. APPLE INC.

137 S.Ct. 429 (2016)

JUSTICE SOTOMAYOR delivered the opinion of the Court.

Section 289 of the Patent Act provides a damages remedy specific to design patent infringement. A person who manufactures or sells "any article of manufacture to which [a patented] design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit." 35 U.S.C. § 289. In the case of a design for a single-component product, such as a dinner plate, the product is the "article of manufacture" to which the design has been applied. In the case of a design for a multicomponent product, such as a kitchen oven, identifying the "article of manufacture" to which the design has been applied is a more difficult task.

This case involves the infringement of designs for smartphones. The United States Court of Appeals for the Federal Circuit identified the entire smartphone as the only permissible "article of manufacture" for the purpose of calculating § 289 damages because consumers could not separately purchase components of the smartphones. The question before us is whether that reading is consistent with § 289.

I

A

The federal patent laws have long permitted those who invent designs for manufactured articles to patent their designs. See Patent Act of 1842, § 3, 5 Stat. 543–544. Patent protection is available for a "new, original and ornamental design for an article of manufacture." 35 U.S.C. § 171(a). A patentable design "gives a peculiar or distinctive appearance to the manufacture, or article to which it may be applied, or to which it gives form." Gorham Co. v. White, 20 L.Ed. 731 (1872). This Court has explained that a design patent is infringed "if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same." Id. at 528.

In 1885, this Court limited the damages available for design patent infringement. The statute in effect at the time allowed a holder of a design patent to recover "the actual damages sustained" from infringement. Rev. Stat. § 4919. In Dobson v. Hartford Carpet Co., 114 U.S. 439 (1885), the lower courts had awarded the holders of design patents on carpets damages in the amount of "the entire profit to the [patent holders], per yard, in the manufacture and sale of carpets of the patented designs, and not merely the value which the designs contributed to the carpets." Id. at 443. This Court reversed the damages award and construed the statute to require proof that the profits were "due to" the design rather than other aspects of the carpets. Id. at 444.

In 1887, in response to the Dobson cases, Congress enacted a specific damages remedy for design patent infringement. The new provision made it unlawful to manufacture or sell an article of manufacture to which a patented design or a colorable imitation thereof had been applied. An act to amend the law relating to patents, trademarks, and copyright, § 1, 24 Stat. 387. It went on to make a design patent infringer "liable in the amount of" $250 or "the total profit made by him from the manufacture or sale ... of the article or articles to which the design, or colorable imitation thereof, has been applied."

The Patent Act of 1952 codified this provision in § 289. 66 Stat. 813. That codified language now reads, in relevant part:

> "Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250...." 35 U.S.C. § 289.

B

Apple Inc. released its first-generation iPhone in 2007. The iPhone is a smartphone, a "cell phone with a broad range of other functions based on advanced computing capability, large storage capacity, and Internet connectivity." Riley v. California, 134 S.Ct. 2473, 2480 (2014). Apple secured many design patents in connection with the release. Among those patents were the D618,677 patent, covering a black rectangular front face with rounded corners, the D593,087 patent, covering a rectangular front face with rounded corners and a raised rim, and the D604,305 patent, covering a grid of 16 colorful icons on a black screen.

Samsung Electronics Co., Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC (Samsung), also manufacture smartphones. After Apple released its iPhone, Samsung released a series of smartphones that resembled the iPhone.

Apple sued Samsung in 2011, alleging, as relevant here, that various Samsung smartphones infringed Apple's D593,087, D618,677, and D604,305 design patents. A jury found that several Samsung smartphones did infringe those patents. All told, Apple was awarded $399 million in damages for Samsung's design patent infringement, the entire profit Samsung made from its sales of the infringing smartphones.

The Federal Circuit affirmed the design patent infringement damages award.1 In doing so, it rejected Samsung's argument "that the profits awarded should have been limited to the infringing 'article of manufacture' "—for example, the screen or case of the smartphone—"not the entire infringing product"—the smartphone. 786 F.3d 983, 1002 (2015). It reasoned that "limit[ing] the damages" award was not required because the "innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers."

We granted certiorari, 577 U.S. —— (2016).

II

Section 289 allows a patent holder to recover the total profit an infringer makes from the infringement. It does so by first prohibiting the unlicensed "appli[cation]" of a "patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale" or the unlicensed sale or exposure to sale of "any article of manufacture to which [a patented] design or colorable imitation has been applied." 35 U.S.C. § 289. It then makes a person who violates that prohibition "liable to the owner to the extent of his total profit, but not less than $250." Ibid. "Total," of course, means all. See American Heritage Dictionary 1836 (5th ed. 2011) ("[t]he whole amount of something; the entirety"). The "total profit" for which § 289 makes an infringer liable is thus all of the profit made from the prohibited conduct, that is, from the manufacture or sale of the "article of manufacture to which [the patented] design or colorable imitation has been applied."

Arriving at a damages award under § 289 thus involves two steps. First, identify the "article of manufacture" to which the infringed design has been applied. Second, calculate the infringer's total profit made on that article of manufacture.

This case requires us to address a threshold matter: the scope of the term "article of manufacture." The only question we resolve today is whether, in the case of a multicomponent product, the relevant "article of manufacture" must always be the end product sold to the consumer or whether it can also be a component of that product. Under the former interpretation, a patent holder will always be entitled to the infringer's total profit from the end product. Under the latter interpretation, a patent holder will sometimes be entitled to the infringer's total profit from a component of the end product.

A

The text resolves this case. The term “article of manufacture,” as used in § 289, encompasses both a product sold to a consumer and a component of that product.

“Article of manufacture” has a broad meaning. An “article” is just “a particular thing.” J. Stormonth, A Dictionary of the English Language 53 (1885) (Stormonth); see also American Heritage Dictionary, at 101 (“[a]n individual thing or element of a class; a particular object or item”). And “manufacture” means “the conversion of raw materials by the hand, or by machinery, into articles suitable for the use of man” and “the articles so made.” Stormonth 589; see also American Heritage Dictionary, at 1070 (“[t]he act, craft, or process of manufacturing products, especially on a large scale” or “[a] product that is manufactured”). An article of manufacture, then, is simply a thing made by hand or machine.

So understood, the term “article of manufacture” is broad enough to encompass both a product sold to a consumer as well as a component of that product. A component of a product, no less than the product itself, is a thing made by hand or machine. That a component may be integrated into a larger product, in other words, does not put it outside the category of articles of manufacture.

This reading of article of manufacture in § 289 is consistent with 35 U.S.C. § 171(a), which makes “new, original and ornamental design[s] for an article of manufacture” eligible for design patent protection. The Patent Office and the courts have understood § 171 to permit a design patent for a design extending to only a component of a multicomponent product. See, e.g., Ex parte Adams, 84 Off. Gaz. Pat. Office 311 (1898) (“The several articles of manufacture of peculiar shape which when combined produce a machine or structure having movable parts may each separately be patented as a design ...”); Application of Zahn, 617 F.2d 261, 268 (C.C.P.A.1980) (“Section 171 authorizes patents on ornamental designs for articles of manufacture. While the design must be embodied in some articles, the statute is not limited to designs for complete articles, or ‘discrete’ articles, and certainly not to articles separately sold”).

This reading is also consistent with 35 U.S.C. § 101, which makes “any new and useful ... manufacture ... or any new and useful improvement thereof” eligible for utility patent protection. This Court has read the term ‘manufacture’ in § 101 to mean the production of articles for use from raw or prepared materials by giving to these materials new forms, qualities, properties, or combinations, whether by hand-labor or by machinery. Diamond v. Chakrabarty, 447 U.S. 303, 308 (1980). The broad term includes “the parts of a machine considered separately from the machine itself.” 1 W. Robinson, The Law of Patents for Useful Inventions § 183, p. 270 (1890).

B

The Federal Circuit's narrower reading of “article of manufacture” cannot be squared with the text of § 289. The Federal Circuit found that components of the infringing smartphones could not be the relevant article of manufacture because consumers could not purchase those components separately from the smartphones. But, for the reasons given above, the term “article of manufacture” is broad enough to embrace both a product sold to a consumer and a component of that product, whether sold separately or not. Thus, reading “article of manufacture” in § 289 to cover only an end product sold to a consumer gives too narrow a meaning to the phrase.

The parties ask us to go further and resolve whether, for each of the design patents at issue here, the relevant article of manufacture is the smartphone, or a particular smartphone component. Doing so would require us to set out a test for identifying the relevant article of manufacture at the first step of the § 289 damages inquiry and to parse the record to apply that test in this case. We decline to lay out a test for the first step of the § 289 damages inquiry in the absence of adequate briefing by the parties. Doing so is not necessary to resolve the question presented in this case, and the Federal Circuit may address any remaining issues on remand.

The judgment of the United States Court of Appeals for the Federal Circuit is therefore reversed, and the case is remanded for further proceedings consistent with this opinion.

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[*Insert on page 116*]

Patent exhaustion is a long established doctrine that terminates patent holder's rights once the patented products are sold. Can the patent holder rely on contract law to impose restrictions in post-sale of patented products both at home and abroad? The Supreme Court addressed this question in the case below.

IMPRESSION PRODUCTS, INC. V. LEXMARK INTERN. INC.

_ S.Ct. __May 30 2017

CHIEF JUSTICE ROBERTS delivered the opinion of the Court.

The underlying dispute in this case is about laser printers—or, more specifically, the cartridges that contain the powdery substance, known as toner, that laser printers use to make an image appear on paper. Respondent Lexmark International, Inc. designs, manufactures, and sells toner cartridges to consumers in the United States and around the globe. It owns a number of patents that cover components of those cartridges and the manner in which they are used.

When toner cartridges run out of toner they can be refilled and used again. This creates an opportunity for other companies—known as remanufacturers—to acquire empty Lexmark cartridges from purchasers in the United States and abroad, refill them with toner, and then resell them at a lower price than the new ones Lexmark puts on the shelves.

Not blind to this business problem, Lexmark structures its sales in a way that encourages customers to return spent cartridges. It gives purchasers two options: One is to buy a toner cartridge at full price, with no strings attached. The other is to buy a cartridge at roughly 20–percent off through Lexmark's "Return Program." A customer who buys through the Return Program still owns the cartridge but, in exchange for the lower price, signs a contract agreeing to use it only once and to refrain from transferring the empty cartridge to anyone but Lexmark. To enforce this single-use/no-resale restriction, Lexmark installs a microchip on each Return Program cartridge that prevents reuse once the toner in the cartridge runs out.

Lexmark's strategy just spurred remanufacturers to get more creative. Many kept acquiring empty Return Program cartridges and developed methods to counteract the effect of the microchips. With that technological obstacle out of the way, there was little to prevent the remanufacturers from using the Return Program cartridges in their resale business. After all, Lexmark's contractual single-use/no-resale agreements were with the initial customers, not with downstream purchasers like the remanufacturers.

Lexmark, however, was not so ready to concede that its plan had been foiled. In 2010, it sued a number of remanufacturers, including petitioner Impression Products, Inc., for patent infringement with respect to two groups of cartridges. One group consists of Return Program cartridges that Lexmark sold within the United States. Lexmark argued that, because it expressly prohibited reuse and resale of these cartridges, the remanufacturers infringed the Lexmark patents when they refurbished and resold them. The other group consists of all toner cartridges that Lexmark sold abroad and that remanufacturers imported into the country. Lexmark claimed that it never gave anyone authority to import these cartridges, so the remanufacturers ran afoul of its patent rights by doing just that.

Eventually, the lawsuit was whittled down to one defendant, Impression Products, and one defense: that Lexmark's sales, both in the United States and abroad, exhausted its patent rights in the cartridges, so Impression Products was free to refurbish and resell them, and to import them if acquired abroad. Impression Products filed separate motions to dismiss with respect to both groups of cartridges. The District Court granted the motion as to the domestic Return Program cartridges, but denied the motion as to the cartridges Lexmark sold abroad. Both parties appealed.

The Federal Circuit considered the appeals en banc and ruled for Lexmark with respect to both groups of cartridges.

We granted certiorari to consider the Federal Circuit's decisions with respect to both domestic and international exhaustion.

II

A

First up are the Return Program cartridges that Lexmark sold in the United States. We conclude that Lexmark exhausted its patent rights in these cartridges the moment it sold them. The single-use/no-resale restrictions in Lexmark's contracts with customers may have been clear and enforceable under contract law, but they do not entitle Lexmark to retain patent rights in an item that it has elected to sell.

The Patent Act grants patentees the "right to exclude others from making, using, offering for sale, or selling [their] invention[s]." 35 U.S.C. § 154(a). For over 160 years, the doctrine of patent exhaustion has imposed a limit on that right to exclude. See Bloomer v. McQuewan, 14 L.Ed. 532 (1853). The limit functions automatically: When a patentee chooses to sell an item, that product "is no longer within the limits of the monopoly" and instead becomes the "private, individual property" of the purchaser, with the rights and benefits that come along with ownership. Id. at 549–550. A patentee is free to set the price and negotiate contracts with purchasers, but may not, "by virtue of his patent, control the use or disposition" of the product after ownership passes to the purchaser. United States v. Univis Lens Co., 316 U.S. 241, 250 (1942). The sale “terminates all patent rights to that item.” Quanta Computer, Inc. v. LG Electronics, Inc., 553 U.S. 617, 625 (2008).

This well-established exhaustion rule marks the point where patent rights yield to the common law principle against restraints on alienation. The Patent Act “promote[s] the progress of science and the useful arts by granting to [inventors] a limited monopoly” that allows them to “secure the financial rewards” for their inventions. Univis, 316 U.S., at 250. But once a patentee sells an item, it has “enjoyed all the rights secured” by that limited monopoly. Keeler v. Standard Folding Bed Co., 157 U.S. 659, 661 (1895). Because “the purpose of the patent law is fulfilled ... when the patentee has received his reward for the use of his invention,” that law furnishes “no basis for restraining the use and enjoyment of the thing sold.” Univis, 316 U.S. at 251.

We have explained in the context of copyright law that exhaustion has “an impeccable historic pedigree,” tracing its lineage back to the “common law's refusal to permit restraints on the alienation of chattels.” Kirtsaeng v. John Wiley & Sons, Inc., 568 U.S. 519, 538 (2013). As Lord Coke put it in the 17th century, if an owner restricts the resale or use of an item after selling it, that restriction “is voide, because ... it is against Trade and Traffique, and bargaining and contracting betweene man and man.” 1 E. Coke, Institutes of the Laws of England § 360, p. 223 (1628); see J. Gray, Restraints on the Alienation of Property § 27, p. 18 (2d ed. 1895) (“A condition or conditional limitation on alienation attached to a transfer of the entire interest in personalty is as void as if attached to a fee simple in land”).

This venerable principle is not, as the Federal Circuit dismissively viewed it, merely “one common-law jurisdiction's general judicial policy at one time toward anti-alienation restrictions.” 816 F.3d, at 750. Congress enacted and has repeatedly revised the Patent Act against the backdrop of the hostility toward restraints on alienation. That enmity is reflected in the exhaustion doctrine. The patent laws do not include the right to “restrain further alienation” after an initial sale; such conditions have been “hateful to the law from Lord Coke's day to ours” and are “obnoxious to the public interest.” Straus v. Victor Talking Machine Co., 243 U.S. 490, 501 (1917). “The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration.” Keeler, 157 U.S. at 667.

But an illustration never hurts. Take a shop that restores and sells used cars. The business works because the shop can rest assured that, so long as those bringing in the cars own them, the shop is free to repair and resell those vehicles. That smooth flow of commerce would sputter if companies that make the thousands of parts that go into a vehicle could keep their patent rights after the first sale. Those companies might, for instance, restrict resale rights and sue the shop owner for patent infringement. And even if they refrained from imposing such restrictions, the very threat of patent liability would force the shop to invest in efforts to protect itself from hidden lawsuits. Either way, extending the patent rights beyond the first sale would clog the channels of commerce, with little benefit from the extra control that the patentees retain. And advances in technology, along with increasingly complex supply chains, magnify the problem.

This Court accordingly has long held that, even when a patentee sells an item under an express restriction, the patentee does not retain patent rights in that product. In Boston Store of Chicago v. American Graphophone Co., for example, a manufacturer sold graphophones—one of the earliest devices for recording and reproducing sounds—to retailers under contracts requiring those stores to resell at a specific price. 246 U.S. 8, 17–18 (1918). When the manufacturer brought a patent infringement suit against a retailer who sold for less, we concluded that there was "no room for controversy" about the result: By selling the item, the manufacturer placed it "beyond the confines of the patent law, and could not, by qualifying restrictions as to use, keep it under the patent monopoly." Id. at 20, 25.

Two decades later, we confronted a similar arrangement in United States v. Univis Lens Co. There, a company that made eyeglass lenses authorized an agent to sell its products to wholesalers and retailers only if they promised to market the lenses at fixed prices. The Government filed an antitrust lawsuit, and the company defended its arrangement on the ground that it was exercising authority under the Patent Act. We held that the initial sales "relinquish [ed] ... the patent monopoly with respect to the article[s] sold," so the "stipulation ... fixing resale prices derive[d] no support from the patent and must stand on the same footing" as restrictions on unpatented goods. 316 U.S. at 249–251.

It is true that Boston Store and Univis involved resale price restrictions that, at the time of those decisions, violated the antitrust laws. But in both cases it was the sale of the items, rather than the illegality of the restrictions, that prevented the patentees from enforcing those resale price agreements through patent infringement suits. And if there were any lingering doubt that patent exhaustion applies even when a sale is subject to an express, otherwise lawful restriction, our recent decision in Quanta Computer, Inc. v. LG Electronics, Inc. settled the matter. In that case, a technology company—with authorization from the patentee—sold microprocessors under contracts requiring purchasers to use those processors with other parts that the company manufactured. One buyer disregarded the restriction, and the patentee sued for infringement. Without so much as mentioning the lawfulness of the contract, we held that the patentee could not bring an infringement suit because the "authorized sale ... took its products outside the scope of the patent monopoly." 553 U.S., at 638.

Turning to the case at hand, we conclude that this well-settled line of precedent allows for only one answer: Lexmark cannot bring a patent infringement suit against Impression Products to enforce the single-use/no-resale provision accompanying its Return Program cartridges. Once sold, the Return Program cartridges passed outside of the patent monopoly, and whatever rights Lexmark retained are a matter of the contracts with its purchasers, not the patent law.

B

The Federal Circuit reached a different result largely because it got off on the wrong foot. The "exhaustion doctrine," the court believed, "must be understood as an interpretation of" the infringement statute, which prohibits anyone from using or selling a patented article "without authority" from the patentee. 816 F.3d, at 734. Exhaustion reflects a default rule that a patentee's decision to sell an item "presumptively grants authority to the purchaser to use it and resell it."

816 F.3d, at 742. But, the Federal Circuit explained, the patentee does not have to hand over the full “bundle of rights” every time. Id., at 741. If the patentee expressly withholds a stick from the bundle—perhaps by restricting the purchaser's resale rights—the buyer never acquires that withheld authority, and the patentee may continue to enforce its right to exclude that practice under the patent laws.

The misstep in this logic is that the exhaustion doctrine is not a presumption about the authority that comes along with a sale; it is instead a limit on “the scope of the patentee's rights.” United States v. General Elec. Co., 272 U.S. 476, 489 (1926). The right to use, sell, or import an item exists independently of the Patent Act. What a patent adds—and grants exclusively to the patentee—is a limited right to prevent others from engaging in those practices. Exhaustion extinguishes that exclusionary power. As a result, the sale transfers the right to use, sell, or import because those are the rights that come along with ownership, and the buyer is free and clear of an infringement lawsuit because there is no exclusionary right left to enforce.

The Federal Circuit also expressed concern that preventing patentees from reserving patent rights when they sell goods would create an artificial distinction between such sales and sales by licensees. Patentees, the court explained, often license others to make and sell their products, and may place restrictions on those licenses. A computer developer could, for instance, license a manufacturer to make its patented devices and sell them only for non-commercial use by individuals. If a licensee breaches the license by selling a computer for commercial use, the patentee can sue the licensee for infringement. And, in the Federal Circuit's view, our decision in General Talking Pictures Corp. v. Western Elec. Co., 304 U.S. 175 (1938), established that—when a patentee grants a license “under clearly stated restrictions on post-sale activities” of those who purchase products from the licensee—the patentee can also sue for infringement those purchasers who knowingly violate the restrictions. If patentees can employ licenses to impose post-sale restrictions on purchasers that are enforceable through infringement suits, the court concluded, it would make little sense to prevent patentees from doing so when they sell directly to consumers.

The Federal Circuit's concern is misplaced. A patentee can impose restrictions on licensees because a license does not implicate the same concerns about restraints on alienation as a sale. Patent exhaustion reflects the principle that, when an item passes into commerce, it should not be shaded by a legal cloud on title as it moves through the marketplace. But a license is not about passing title to a product, it is about changing the contours of the patentee's monopoly: The patentee agrees not to exclude a licensee from making or selling the patented invention, expanding the club of authorized producers and sellers. See General Elec. Co., 272 U.S., at 489–490. Because the patentee is exchanging rights, not goods, it is free to relinquish only a portion of its bundle of patent protections.

A patentee's authority to limit licensees does not, as the Federal Circuit thought, mean that patentees can use licenses to impose post-sale restrictions on purchasers that are enforceable through the patent laws. So long as a licensee complies with the license when selling an item, the patentee has, in effect, authorized the sale. That licensee's sale is treated, for purposes of patent exhaustion, as if the patentee made the sale itself. The result: The sale exhausts the patentee's rights in that item. See Hobbie v. Jennison, 149 U.S. 355, 362–363 (1893). A license may require the licensee to impose a restriction on purchasers, like the license limiting the computer manufacturer to selling for non-commercial use by individuals. But if the licensee does so—by, perhaps, having each customer sign a contract promising not to use the computers in business—the sale nonetheless exhausts all patent rights in the item sold. See Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502, 506–507, 516 (1917). The purchasers might not comply with the restriction, but the only recourse for the licensee is through contract law, just as if the patentee itself sold the item with a restriction.

General Talking Pictures involved a fundamentally different situation: There, a licensee "knowingly made ... sales ... outside the scope of its license." 304 U.S., at 181–182. We treated the sale "as if no license whatsoever had been granted" by the patentee, which meant that the patentee could sue both the licensee and the purchaser—who knew about the breach—for infringement. General Talking Pictures Corp. v. Western Elec. Co., 305 U.S. 124, 127 (1938). This does not mean that patentees can use licenses to impose post-sale restraints on purchasers. Quite the contrary: The licensee infringed the patentee's rights because it did not comply with the terms of its license, and the patentee could bring a patent suit against the purchaser only because the purchaser participated in the licensee's infringement. General Talking Pictures, then, stands for the modest principle that, if a patentee has not given authority for a licensee to make a sale, that sale cannot exhaust the patentee's rights.

In sum, patent exhaustion is uniform and automatic. Once a patentee decides to sell—whether on its own or through a licensee—that sale exhausts its patent rights, regardless of any post-sale restrictions the patentee purports to impose, either directly or through a license.

III

Our conclusion that Lexmark exhausted its patent rights when it sold the domestic Return Program cartridges goes only halfway to resolving this case. Lexmark also sold toner cartridges abroad and sued Impression Products for patent infringement for "importing [Lexmark's] invention into the United States." 35 U.S.C. § 154(a). Lexmark contends that it may sue for infringement with respect to all of the imported cartridges—not just those in the Return Program—because a foreign sale does not trigger patent exhaustion unless the patentee "expressly or implicitly transfer[s] or license[s]" its rights. Brief for Respondent 36–37. The Federal Circuit agreed, but we do not. An authorized sale outside the United States, just as one within the United States, exhausts all rights under the Patent Act.

This question about international exhaustion of intellectual property rights has also arisen in the context of copyright law. Under the "first sale doctrine," which is codified at 17 U.S.C. § 109(a), when a copyright owner sells a lawfully made copy of its work, it loses the power to restrict the purchaser's freedom "to sell or otherwise dispose of ... that copy." In Kirtsaeng v. John Wiley & Sons, Inc., we held that this "first sale rule applies to copies of a copyrighted work lawfully made and sold abroad." 568 U.S. at 525. We began with the text of § 109(a), but it was not decisive: The language neither "restricts the scope of the first sale doctrine geographically," nor clearly embraces international exhaustion. Id. at 528–533. What helped tip the scales for global exhaustion was the fact that the first sale doctrine originated in “the common law's refusal to permit restraints on the alienation of chattels.” That “common-law doctrine makes no geographical distinctions.. The lack of any textual basis for distinguishing between domestic and international sales meant that “a straightforward application” of the first sale doctrine required the conclusion that it applies overseas. Id. at 540.

Applying patent exhaustion to foreign sales is just as straightforward. Patent exhaustion, too, has its roots in the antipathy toward restraints on alienation, and nothing in the text or history of the Patent Act shows that Congress intended to confine that borderless common law principle to domestic sales. In fact, Congress has not altered patent exhaustion at all; it remains an unwritten limit on the scope of the patentee's monopoly. And differentiating the patent exhaustion and copyright first sale doctrines would make little theoretical or practical sense: The two share a “strong similarity ... and identity of purpose,” Bauer & Cie v. O'Donnell, 229 U.S. 1, 13 (1913), and many everyday products—“automobiles, microwaves, calculators, mobile phones, tablets, and personal computers”—are subject to both patent and copyright protections, see Kirtsaeng, 568 U.S. at 545. There is a “historic kinship between patent law and copyright law,” Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 439 (1984), and the bond between the two leaves no room for a rift on the question of international exhaustion.

Lexmark sees the matter differently. The Patent Act, it points out, limits the patentee's “right to exclude others” from making, using, selling, or importing its products to acts that occur in the United States. 35 U.S.C. § 154(a). A domestic sale, it argues, triggers exhaustion because the sale compensates the patentee for “surrendering [those] U.S. rights.” A foreign sale is different: The Patent Act does not give patentees exclusionary powers abroad. Without those powers, a patentee selling in a foreign market may not be able to sell its product for the same price that it could in the United States, and therefore is not sure to receive “the reward guaranteed by U.S. patent law.” Absent that reward, says Lexmark, there should be no exhaustion. In short, there is no patent exhaustion from sales abroad because there are no patent rights abroad to exhaust.

The territorial limit on patent rights is, however, no basis for distinguishing copyright protections; those protections “do not have any extraterritorial operation” either. 5 M. Nimmer & D. Nimmer, Copyright § 17.02, p. 17–26 (2017). Nor does the territorial limit support the premise of Lexmark's argument. Exhaustion is a separate limit on the patent grant, and does not depend on the patentee receiving some undefined premium for selling the right to access the American market. A purchaser buys an item, not patent rights. And exhaustion is triggered by the patentee's decision to give that item up and receive whatever fee it decides is appropriate “for the article and the invention which it embodies.” Univis, 316 U.S. at 251. The patentee may not be able to command the same amount for its products abroad as it does in the United States. But the Patent Act does not guarantee a particular price, much less the price from selling to American consumers. Instead, the right to exclude just ensures that the patentee receives one reward—of whatever amount the patentee deems to be “satisfactory compensation,” Keeler, 157 U.S. at 661—for every item that passes outside the scope of the patent monopoly.

This Court has addressed international patent exhaustion in only one case, Boesch v. Graff, decided over 125 years ago. All that case illustrates is that a sale abroad does not exhaust a patentee's rights when the patentee had nothing to do with the transaction. Boesch—from the days before the widespread adoption of electrical lighting—involved a retailer who purchased lamp burners from a manufacturer in Germany, with plans to sell them in the United States. The manufacturer had authority to make the burners under German law, but there was a hitch: Two individuals with no ties to the German manufacturer held the American patent to that invention. These patentees sued the retailer for infringement when the retailer imported the lamp burners into the United States, and we rejected the argument that the German manufacturer's sale had exhausted the American patentees' rights. The German manufacturer had no permission to sell in the United States from the American patentees, and the American patentees had not exhausted their patent rights in the products because they had not sold them to anyone, so "purchasers from [the German manufacturer] could not be thereby authorized to sell the articles in the United States." 133 U.S. 697, 703 (1890).

Our decision did not, as Lexmark contends, exempt all foreign sales from patent exhaustion. Rather, it reaffirmed the basic premise that only the patentee can decide whether to make a sale that exhausts its patent rights in an item. The American patentees did not do so with respect to the German products, so the German sales did not exhaust their rights.

Finally, the United States, as an amicus, advocates what it views as a middle-ground position: that "a foreign sale authorized by the U.S. patentee exhausts U.S. patent rights unless those rights are expressly reserved." Its position is largely based on policy rather than principle. The Government thinks that an overseas "buyer's legitimate expectation" is that a "sale conveys all of the seller's interest in the patented article," so the presumption should be that a foreign sale triggers exhaustion. But, at the same time, "lower courts long ago coalesced around" the rule that "a patentee's express reservation of U.S. patent rights at the time of a foreign sale will be given effect," so that option should remain open to the patentee.

The Government has little more than "long ago" on its side. In the 1890s, two circuit courts—in cases involving the same company—did hold that patentees may use express restrictions to reserve their patent rights in connection with foreign sales. See Dickerson v. Tinling, 84 F. 192, 194–195 (C.A.8 1897); Dickerson v. Matheson, 57 F. 524, 527 (C.A.2 1893). But no "coalesc[ing]" ever took place: Over the following hundred-plus years, only a smattering of lower court decisions mentioned this express-reservation rule for foreign sales. See, e.g., Sanofi, S.A. v. Med–Tech Veterinarian Prods., Inc., 565 F.Supp. 931, 938 (D.N.J.1983). And in 2001, the Federal Circuit adopted its blanket rule that foreign sales do not trigger exhaustion, even if the patentee fails to expressly reserve its rights. Jazz Photo, 264 F.3d, at 1105. These sparse and inconsistent decisions provide no basis for any expectation, let alone a settled one, that patentees can reserve patent rights when they sell abroad.

The theory behind the Government's express-reservation rule also wrongly focuses on the likely expectations of the patentee and purchaser during a sale. Exhaustion does not arise because of the parties' expectations about how sales transfer patent rights. More is at stake when it comes to patents than simply the dealings between the parties, which can be addressed through contract law. Instead, exhaustion occurs because, in a sale, the patentee elects to give up title to an item in exchange for payment. Allowing patent rights to stick remora-like to that item as it flows through the market would violate the principle against restraints on alienation. Exhaustion does not depend on whether the patentee receives a premium for selling in the United States, or the type of rights that buyers expect to receive. As a result, restrictions and location are irrelevant; what matters is the patentee's decision to make a sale.

The judgment of the United States Court of Appeals for the Federal Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

JUSTICE GINSBURG, *concurring in part and dissenting in part*.

I concur in the Court's holding regarding domestic exhaustion—a patentee who sells a product with an express restriction on reuse or resale may not enforce that restriction through an infringement lawsuit, because the U.S. sale exhausts the U.S. patent rights in the product sold. I dissent, however, from the Court's holding on international exhaustion. A foreign sale, I would hold, does not exhaust a U.S. inventor's U.S. patent rights.

Patent law is territorial. When an inventor receives a U.S. patent, that patent provides no protection abroad. See Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 531 (1972) ("Our patent system makes no claim to extraterritorial effect."). See also 35 U.S.C. § 271(a) (establishing liability for acts of patent infringement "within the United States" and for "importation into the United States of any patented invention"). A U.S. patentee must apply to each country in which she seeks the exclusive right to sell her invention. Microsoft Corp. v. AT & T Corp., 550 U.S. 437, 456 (2007) ("Foreign law alone, not United States law, currently governs the manufacture and sale of components of patented inventions in foreign countries."). See also Convention at Brussels, An Additional Act Modifying the Paris Convention for the Protection of Industrial Property of Mar. 20, 1883, Dec. 14, 1900, Art. I, 32 Stat. 1940 ("Patents applied for in the different contracting States ... shall be independent of the patents obtained for the same invention in the other States."). And patent laws vary by country; each country's laws "may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions." Microsoft, 550 U.S. at 455.

Because a sale abroad operates independently of the U.S. patent system, it makes little sense to say that such a sale exhausts an inventor's U.S. patent rights. U.S. patent protection accompanies none of a U.S. patentee's sales abroad—a competitor could sell the same patented product abroad with no U.S.-patent-law consequence. Accordingly, the foreign sale should not diminish the protections of U.S. law in the United States.

The majority disagrees, in part because this Court decided, in Kirtsaeng v. John Wiley & Sons, Inc., 568 U.S. 519, 525 (2013), that a foreign sale exhausts U.S. copyright protections. Copyright and patent exhaustion, the majority states, "share a strong similarity." I dissented from our decision in Kirtsaeng and adhere to the view that a foreign sale should not exhaust U.S. copyright protections. See 568 U.S. at 557.

But even if I subscribed to Kirtsaeng 's reasoning with respect to copyright, that decision should bear little weight in the patent context. Although there may be a "historical kinship" between patent law and copyright law, Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 439 (1984), the two “are not identical twins,” id. at 439, n. 19. The Patent Act contains no analogue to 17 U.S.C. § 109(a), the Copyright Act first-sale provision analyzed in Kirtsaeng. More importantly, copyright protections, unlike patent protections, are harmonized across countries. Under the Berne Convention, which 174 countries have joined, members “agree to treat authors from other member countries as well as they treat their own.” Golan v. Holder, 565 U.S. 302, 308 (2012). The copyright protections one receives abroad are thus likely to be similar to those received at home, even if provided under each country's separate copyright regime.

For these reasons, I would affirm the Federal Circuit's judgment with respect to foreign exhaustion.

CHAPTER 3

TRANSNATIONAL COPYRIGHT LAW UNIT

[*Insert on page 307*]

The long legal dispute between Oracle and Google on copyright and patent infringement concerning computer software is seen in the next case. The Federal Circuit decided on the copyrightability of the Java API packages and remanded the case to the district court to decide on the fair use issue. In 2016, the jury found that Google's use of Javas APIs was fair use.

ORACLE AMERICA, INC. V. GOOGLE INC.,

750 F.3d 1339 (Fed. Cir. 2014)

Circuit Judge **O'MALLEY**.

This copyright dispute involves 37 packages of computer source code. The parties have often referred to these groups of computer programs, individually or collectively, as "application programming interfaces," or API packages, but it is their content, not their name, that matters. The predecessor of Oracle America, Inc. ("Oracle") wrote these and other API packages in the Java programming language, and Oracle licenses them on various terms for others to use. Many software developers use the Java language, as well as Oracle's API packages, to write applications (commonly referred to as "apps") for desktop and laptop computers, tablets, smartphones, and other devices.

Oracle filed suit against Google Inc. ("Google") in the United States District Court for the Northern District of California, alleging that Google's Android mobile operating system infringed Oracle's patents and copyrights. The jury found no patent infringement, and the patent claims are not at issue in this appeal. As to the copyright claims, the parties agreed that the jury would decide infringement, fair use, and whether any copying was de minimis, while the district judge would decide [whether and to what extent the API packages are copyrightable].

[T]he district court issued its decision on copyrightability, finding that the replicated elements of the 37 API packages—including the declaring code and the structure, sequence, and organization—were not subject to copyright protection.…. Because we conclude that the declaring code and the structure, sequence, and organization of the API packages are entitled to copyright protection, we reverse the district court's copyrightability determination….

BACKGROUND

A. The Technology

Sun Microsystems, Inc. ("Sun") developed the Java "platform" for computer programming and released it in 1996. The aim was to relieve programmers from the burden of writing different versions of their computer programs for different operating systems or devices. "The Java platform through the use of a virtual machine enable[d] software developers to write programs that [we]re able to run on different types of computer hardware without having to rewrite them for each different type." With Java, a software programmer could "write once, run anywhere."….

Sun wrote a number of ready-to-use Java programs to perform common computer functions and organized those programs into groups it called “packages.” These packages, which are the application programming interfaces at issue in this appeal, allow programmers to use the pre-written code to build certain functions into their own programs, rather than write their own code to perform those functions from scratch. They are shortcuts. Sun called the code for a specific operation (function) a “method.” It defined “classes” so that each class consists of specified methods plus variables and other elements on which the methods operate. To organize the classes for users, then, it grouped classes (along with certain related “interfaces”) into “packages.” The parties have not disputed the district court's analogy: Oracle's collection of API packages is like a library, each package is like a bookshelf in the library, each class is like a book on the shelf, and each method is like a how-to chapter in a book.

The original Java Standard Edition Platform (“Java SE”) included “eight packages of pre-written programs.” The district court found, and Oracle concedes to some extent, that three of those packages—java.lang, java.io, and java.util—were “core” packages, meaning that programmers using the Java language had to use them “in order to make any worthwhile use of the language.” By 2008, the Java platform had more than 6,000 methods making up more than 600 classes grouped into 166 API packages. There are 37 Java API packages at issue in this appeal, three of which are the core packages identified by the district court. These packages contain thousands of individual elements, including classes, subclasses, methods, and interfaces.

Every package consists of two types of source code—what the parties call (1) declaring code; and (2) implementing code. Declaring code is the expression that identifies the prewritten function and is sometimes referred to as the “declaration” or “header.” As the district court explained, the “main point is that this header line of code introduces the method body and specifies very precisely the inputs, name and other functionality.” The expressions used by the programmer from the declaring code command the computer to execute the associated implementing code, which gives the computer the step-by-step instructions for carrying out the declared function….

Although Oracle owns the copyright on Java SE and the API packages, it offers three different licenses to those who want to make use of them. The first is the General Public License, which is free of charge and provides that the licensee can use the packages—both the declaring and implementing code—but must “contribute back” its innovations to the public. This arrangement is referred to as an “open source” license. The second option is the Specification License, which provides that the licensee can use the declaring code and organization of Oracle's API packages but must write its own implementing code. The third option is the Commercial License, which is for businesses that “want to use and customize the full Java code in their commercial products and keep their code secret.” Oracle offers the Commercial License in exchange for royalties. To maintain Java's “write once, run anywhere” motto, the Specification and Commercial Licenses require that the licensees' programs pass certain tests to ensure compatibility with the Java platform.

The testimony at trial also revealed that Sun was licensing a derivative version of the Java platform for use on mobile devices: the Java Micro Edition (“Java ME”). Oracle licensed Java ME for use on feature phones and smartphones. Sun/Oracle has never successfully developed its own smartphone platform using Java.

B. Google's Accused Product: Android

The accused product is Android, a software platform that was designed for mobile devices and competes with Java in that market. Google acquired Android, Inc. in 2005 as part of a plan to develop a smartphone platform. Later that same year, Google and Sun began discussing the possibility of Google "taking a license to use and to adapt the entire Java platform for mobile devices." They also discussed a "possible co-development partnership deal with Sun under which Java technology would become an open-source part of the Android platform, adapted for mobile devices." Id. The parties negotiated for months but were unable to reach an agreement. The point of contention between the parties was Google's refusal to make the implementation of its programs compatible with the Java virtual machine or interoperable with other Java programs. Because Sun/Oracle found that position to be anathema to the "write once, run anywhere" philosophy, it did not grant Google a license to use the Java API packages.

When the parties' negotiations reached an impasse, Google decided to use the Java programming language to design its own virtual machine—the Dalvik virtual machine ("Dalvik VM")—and "to write its own implementations for the functions in the Java API that were key to mobile devices." Google developed the Android platform, which grew to include 168 API packages—37 of which correspond to the Java API packages at issue in this appeal.

With respect to the 37 packages at issue, "Google believed Java application programmers would want to find the same 37 sets of functionalities in the new Android system callable by the same names as used in Java." Id. To achieve this result, Google copied the declaring source code from the 37 Java API packages verbatim, inserting that code into parts of its Android software. In doing so, Google copied the elaborately organized taxonomy of all the names of methods, classes, interfaces, and packages—the "overall system of organized names—covering 37 packages, with over six hundred classes, with over six thousand methods." The parties and district court referred to this taxonomy of expressions as the "structure, sequence, and organization" or "SSO" of the 37 packages. It is undisputed, however, that Google wrote its own implementing code, except with respect to: (1) the rangeCheck function, which consisted of nine lines of code; and (2) eight decompiled security files.

Google released the Android platform in 2007, and the first Android phones went on sale the following year. Although it is undisputed that certain Android software contains copies of the 37 API packages' declaring code at issue, neither the district court nor the parties specify in which programs those copies appear. Oracle indicated at oral argument, however, that all Android phones contain copies of the accused portions of the Android software. Android smartphones "rapidly grew in popularity and now comprise a large share of the United States market." Google provides the Android platform free of charge to smartphone manufacturers and receives revenue when customers use particular functions on the Android phone. Although Android uses the Java programming language, it is undisputed that Android is not generally Java compatible. As Oracle explains, "Google ultimately designed Android to be incompatible with the Java platform, so that apps written for one will not work on the other."

C. Trial and Post–Trial Rulings

…
On May 7, 2012, the jury returned a verdict finding that Google infringed Oracle's copyright in the 37 Java API packages and in the nine lines of rangeCheck code, but returned a noninfringement verdict as to eight decompiled security files. The jury hung on Google's fair use defense.

On May 31, 2012, the district court issued the primary decision at issue in this appeal, finding that the replicated elements of the Java API packages—including the declarations and their structure, sequence, and organization—were not copyrightable. As to the declaring code, the court concluded that "there is only one way to write" it, and thus the "merger doctrine bars anyone from claiming exclusive copyright ownership of that expression."….

As to the overall structure, sequence, and organization of the Java API packages, the court recognized that "nothing in the rules of the Java language ... required that Google replicate the same groupings even if Google was free to replicate the same functionality."….

Although it acknowledged that the overall structure of Oracle's API packages is creative, original, and "resembles a taxonomy," the district court found that it "is nevertheless a command structure, a system or method of operation—a long hierarchy of over six thousand commands to carry out pre-assigned functions"—that is not entitled to copyright protection under Section 102(b) of the Copyright Act…. On these grounds, the court dismissed Oracle's copyright claims, concluding that "the particular elements replicated by Google were free for all to use under the Copyright Act."

DISCUSSION

It is undisputed that the Java programming language is open and free for anyone to use. Except to the limited extent noted below regarding three of the API packages, it is also undisputed that Google could have written its own API packages using the Java language. Google chose not to do that. Instead, it is undisputed that Google copied 7,000 lines of declaring code and generally replicated the overall structure, sequence, and organization of Oracle's 37 Java API packages. The central question before us is whether these elements of the Java platform are entitled to copyright protection….

We are mindful that the application of copyright law in the computer context is often a difficult task….[H]owever, we find that the district court failed to distinguish between the threshold question of what is copyrightable—which presents a low bar—and the scope of conduct that constitutes infringing activity….

For the reasons that follow, we conclude that the declaring code and the structure, sequence, and organization of the 37 Java API packages are entitled to copyright protection.

A. Copyrightability

The Copyright Act provides protection to "original works of authorship fixed in any tangible medium of expression," including "literary works." 17 U.S.C. § 102(a). It is undisputed that computer programs—defined in the Copyright Act as "a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result," 17 U.S.C. § 101—can be subject to copyright protection as "literary works."…. Indeed, the legislative history explains that "literary works" includes "computer programs to the extent that they incorporate authorship in the programmer's expression of original ideas, as distinguished from the ideas themselves." H.R.Rep. No. 1476, 94th Cong., 2d Sess. 54, reprinted in 1976 U.S.C.C.A.N. 5659, 5667.

By statute, a work must be "original" to qualify for copyright protection. 17 U.S.C. § 102(a). This "originality requirement is not particularly stringent," however. Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 358 (1991). "Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity." Id. at 345.

Copyright protection extends only to the expression of an idea—not to the underlying idea itself. Mazer v. Stein, 347 U.S. 201, 217 (1954) ("Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself."). This distinction—commonly referred to as the "idea/expression dichotomy"—is codified in Section 102(b) of the Copyright Act, which provides:

> In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

17 U.S.C. § 102(b); see Golan v. Holder, 132 S.Ct. 873, 890 (2012) ("The idea/expression dichotomy is codified at 17 U.S.C. § 102(b).").

The idea/expression dichotomy traces back to the Supreme Court's decision in Baker v. Selden, 101 U.S. 99, 101 (1879). In Baker, the plaintiff Selden wrote and obtained copyrights on a series of books setting out a new system of bookkeeping. Id. at 100. The books included an introductory essay explaining the system and blank forms with ruled lines and headings designed for use with that system. Id. Baker published account books employing a system with similar forms, and Selden filed suit alleging copyright infringement. According to Selden, the "ruled lines and headings, given to illustrate the system, are a part of the book" and "no one can make or use similar ruled lines and headings, or ruled lines and headings made and arranged on substantially the same system, without violating the copyright." Id. at 101.

The Supreme Court framed the issue on appeal in Baker as "whether the exclusive property in a system of book-keeping can be claimed, under the law of copyright, by means of a book in which that system is explained." Id. In reversing the circuit court's decision, the Court concluded that the "copyright of a book on book-keeping cannot secure the exclusive right to make, sell, and use account-books prepared upon the plan set forth in such book." Id. at 104. Likewise, the "copyright of a work on mathematical science cannot give to the author an exclusive right to the methods of operation which he propounds." Id. at 103. The Court found that, although the copyright protects the way Selden "explained and described a peculiar system of book-keeping," it does not prevent others from using the system described therein. Id. at 104. The Court further indicated that, if it is necessary to use the forms Selden included in his books to make use of the accounting system, that use would not amount to copyright infringement. See id. (noting that the public has the right to use the account-books and that, "in using the art, the ruled lines and headings of accounts must necessarily be used as incident to it").

Courts routinely cite Baker as the source of several principles incorporated into Section 102(b) that relate to this appeal, including that: (1) copyright protection extends only to expression, not to ideas, systems, or processes; and (2) "those elements of a computer program that are necessarily incidental to its function are ... unprotectable." See Computer Assocs. Int'l v. Altai, Inc., 982 F.2d 693, 704–05 (2d Cir.1992) ("Altai ").

It is well established that copyright protection can extend to both literal and non-literal elements of a computer program. The literal elements of a computer program are the source code and object code….Courts have defined source code as "the spelled-out program commands that humans can read." Lexmark Int'l, Inc. v. Static Control Components, Inc., 387 F.3d 522, 533 (6th Cir.2004). Object code refers to "the binary language comprised of zeros and ones through which the computer directly receives its instructions." Altai, 982 F.2d at 698. Both source and object code "are consistently held protected by a copyright on the program."….The non-literal components of a computer program include, among other things, the program's sequence, structure, and organization, as well as the program's user interface. [W]hether the non-literal elements of a program "are protected depends on whether, on the particular facts of each case, the component in question qualifies as an expression of an idea, or an idea itself." Id.

In this case, Oracle claims copyright protection with respect to both: (1) literal elements of its API packages—the 7,000 lines of declaring source code; and (2) non-literal elements—the structure, sequence, and organization of each of the 37 Java API packages.

The distinction between literal and non-literal aspects of a computer program is separate from the distinction between literal and non-literal copying. "Literal" copying is verbatim copying of original expression. "Non-literal" copying is "paraphrased or loosely paraphrased rather than word for word." Here, Google concedes that it copied the declaring code verbatim. Oracle explains that the lines of declaring code "embody the structure of each [API] package, just as the chapter titles and topic sentences represent the structure of a novel." As Oracle explains, when Google copied the declaring code in these packages "it also copied the 'sequence and organization' of the packages…. Oracle also argues that the nonliteral elements of the API packages—the structure, sequence, and organization that led naturally to the implementing code Google created—are entitled to protection. Oracle does not assert "literal" copying of the entire SSO, but, rather, that Google literally copied the declaring code and then paraphrased the remainder of the SSO by writing its own implementing code. It therefore asserts non-literal copying with respect to the entirety of the SSO.

[I]t is undisputed that the declaring code and the structure and organization of the Java API packages are original. The court found, however, that neither the declaring code nor the SSO was entitled to copyright protection under the Copyright Act.

Although the parties agree that Oracle's API packages meet the originality requirement under Section 102(a), they disagree as to the proper interpretation and application of Section 102(b). For its part, Google suggests that there is a two-step copyrightability analysis, wherein Section 102(a) grants copyright protection to original works, while Section 102(b) takes it away if the work has a functional component. To the contrary, however, Congress emphasized that Section 102(b) "in no way enlarges or contracts the scope of copyright protection" and that its "purpose is to restate ... that the basic dichotomy between expression and idea remains unchanged." Feist, 499 U.S. at 356. "Section 102(b) does not extinguish the protection accorded a particular expression of an idea merely because that expression is embodied in a method of operation." Mitel, Inc. v. Iqtel, Inc., 124 F.3d 1366, 1372 (10th Cir.1997). Section 102(a) and 102(b) are to be considered collectively so that certain expressions are subject to greater scrutiny. Id. In assessing copyrightability, the district court is required to ferret out apparent expressive aspects of a work and then separate protectable expression from "unprotectable ideas, facts, processes, and methods of operation." See Atari, 975 F.2d at 839.

Of course, as with many things, in defining this task, the devil is in the details. Circuit courts have struggled with, and disagree over, the tests to be employed when attempting to draw the line between what is protectable expression and what is not. Compare Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc., 797 F.2d 1222, 1236 (3d Cir.1986) (everything not necessary to the purpose or function of a work is expression), with Lotus, 49 F.3d at 815 (methods of operation are means by which a user operates something and any words used to effectuate that operation are unprotected expression). When assessing whether the non-literal elements of a computer program constitute protectable expression, the Ninth Circuit has endorsed an "abstraction-filtration-comparison" test formulated by the Second Circuit and expressly adopted by several other circuits. This test rejects the notion that anything that performs a function is necessarily uncopyrightable. See Mitel, 124 F.3d at 1372 (rejecting the Lotus court's formulation, and concluding that, "although an element of a work may be characterized as a method of operation, that element may nevertheless contain expression that is eligible for copyright protection."). And it also rejects as flawed the Whelan assumption that, once any separable idea can be identified in a computer program everything else must be protectable expression, on grounds that more than one idea may be embodied in any particular program.

Thus, this test eschews bright line approaches and requires a more nuanced assessment of the particular program at issue in order to determine what expression is protectable and infringed. As the Second Circuit explains, this test has three steps. In the abstraction step, the court "first break[s] down the allegedly infringed program into its constituent structural parts." Id. at 706. In the filtration step, the court "sift[s] out all non-protectable material," including ideas and "expression that is necessarily incidental to those ideas." Id. In the final step, the court compares the remaining creative expression with the allegedly infringing program.

In the second step, the court is first to assess whether the expression is original to the programmer or author. Atari, 975 F.2d at 839. The court must then determine whether the particular inclusion of any level of abstraction is dictated by considerations of efficiency, required by factors already external to the program itself, or taken from the public domain—all of which would render the expression unprotectable. Id. These conclusions are to be informed by traditional copyright principles of originality, merger, and scenes a faire.

In the Ninth Circuit, while questions regarding originality are considered questions of copyrightability, concepts of merger and scenes a faire are affirmative defenses to claims of infringement…. While the trial court mentioned the abstraction-filtration-comparison test when describing the development of relevant law, it did not purport to actually apply that test. Instead, it moved directly to application of familiar principles of copyright law when assessing the copyrightability of the declaring code and interpreted Section 102(b) to preclude copyrightability for any functional element "essential for interoperability" "regardless of its form."

Oracle asserts that all of the trial court's conclusions regarding copyrightability are erroneous. Oracle argues that its Java API packages are entitled to protection under the Copyright Act because they are expressive and could have been written and organized in any number of ways to achieve the same functions. Specifically, Oracle argues that the district court erred when it: (1) concluded that each line of declaring code is uncopyrightable because the idea and expression have merged; (2) found the declaring code uncopyrightable because it employs short phrases; (3) found all aspects of the SSO devoid of protection as a "method of operation" under 17 U.S.C. § 102(b); and (4) invoked Google's "interoperability" concerns in the copyrightability analysis. For the reasons explained below, we agree with Oracle on each point.

1. Declaring Source Code

….The court explained that the "identical lines" that Google copied into Android "are those lines that specify the names, parameters and functionality of the methods and classes, lines called 'declarations' or 'headers.' " …. The court specifically found that the declaring code was not entitled to copyright protection under the merger and short phrases doctrines.

a. Merger

The merger doctrine functions as an exception to the idea/expression dichotomy. It provides that, when there are a limited number of ways to express an idea, the idea is said to "merge" with its expression, and the expression becomes unprotected…

Under the merger doctrine, a court will not protect a copyrighted work from infringement if the idea contained therein can be expressed in only one way…. For computer programs, "this means that when specific [parts of the code], even though previously copyrighted, are the only and essential means of accomplishing a given task, their later use by another will not amount to infringement." Altai, 982 F.2d at 708. We have recognized, however, applying Ninth Circuit law, that the "unique arrangement of computer program expression ... does not merge with the process so long as alternate expressions are available." Atari, 975 F.2d at 840…

Here, the district court found that, "no matter how creative or imaginative a Java method specification may be, the entire world is entitled to use the same method specification (inputs, outputs, parameters) so long as the line-by-line implementations are different."…. In its analysis, the court identified the method declaration as the idea and found that the implementation is the expression. Id. ("The method specification is the idea. The method implementation is the expression. No one may monopolize the idea.") (emphases in original). The court explained that, under the rules of Java, a programmer must use the identical "declaration or method header lines" to “declare a method specifying the same functionality.” Id. at 976. Because the district court found that there was only one way to write the declaring code for each of the Java packages, it concluded that “the merger doctrine bars anyone from claiming exclusive copyright ownership” of it. Id. at 998. Accordingly, the court held there could be “no copyright violation in using the identical declarations.”

On appeal, Oracle argues that the district court: (1) misapplied the merger doctrine; and (2) failed to focus its analysis on the options available to the original author. We agree with Oracle on both points. First, we agree that merger cannot bar copyright protection for any lines of declaring source code unless Sun/Oracle had only one way, or a limited number of ways, to write them…. The evidence showed that Oracle had “unlimited options as to the selection and arrangement of the 7000 lines Google copied.” Using the district court's “java.lang.Math.max” example, Oracle explains that the developers could have called it any number of things, including “Math. maximum” or “Arith.larger.” This was not a situation where Oracle was selecting among preordained names and phrases to create its packages. As the district court recognized, moreover, “the Android method and class names could have been different from the names of their counterparts in Java and still have worked.”….Because “alternative expressions [we]re available,” there is no merger. See Atari, 975 F.2d at 840.

We further find that the district court erred in focusing its merger analysis on the options available to Google at the time of copying. It is well-established that copyrightability and the scope of protectable activity are to be evaluated at the time of creation, not at the time of infringement. The focus is, therefore, on the options that were available to Sun/Oracle at the time it created the API packages. Of course, once Sun/Oracle created “java.lang.Math.max,” programmers who want to use that particular package have to call it by that name. But, as the court acknowledged, nothing prevented Google from writing its own declaring code, along with its own implementing code, to achieve the same result. In such circumstances, the chosen expression simply does not merge with the idea being expressed.

It seems possible that the merger doctrine, when properly analyzed, would exclude the three packages identified by the district court as core packages from the scope of actionable infringing conduct. This would be so if the Java authors, at the time these packages were created, had only a limited number of ways to express the methods and classes therein if they wanted to write in the Java language. In that instance, the idea may well be merged with the expression in these three packages. Google did not present its merger argument in this way below and does not do so here, however. Indeed, Google does not try to differentiate among the packages for purposes of its copyrightability analysis and does not appeal the infringement verdict as to the packages. For these reasons, we reject the trial court's merger analysis.

b. Short Phrases

[The Court explains that while short phrases are generally not independently copyrightable, short phrases may be protectable as component parts of a larger, creative expression, and thus the district court committed error when it ruled per se that the declaring code is not copyrightable because it consists of short phrases].

c. Scenes a Faire

The scenes a faire doctrine, which is related to the merger doctrine, operates to bar certain otherwise creative expression from copyright protection. Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435, 1444 (9th Cir.1994). It provides that "expressive elements of a work of authorship are not entitled to protection against infringement if they are standard, stock, or common to a topic, or if they necessarily follow from a common theme or setting." Mitel, 124 F.3d at 1374. Under this doctrine, "when certain commonplace expressions are indispensable and naturally associated with the treatment of a given idea, those expressions are treated like ideas and therefore [are] not protected by copyright." Swirsky v. Carey, 376 F.3d 841, 850 (9th Cir.2004). In the computer context, "the scene a faire doctrine denies protection to program elements that are dictated by external factors such as the mechanical specifications of the computer on which a particular program is intended to run' or 'widely accepted programming practices within the computer industry." Softel, 118 F.3d at 963.

On appeal, Google refers to scenes a faire concepts briefly, as do some amici, apparently contending that, because programmers have become accustomed to and comfortable using the groupings in the Java API packages, those groupings are so commonplace as to be indispensable to the expression of an acceptable programming platform. As such, the argument goes, they are so associated with the "idea" of what the packages are accomplishing that they should be treated as ideas rather than expression.

Google cannot rely on the scenes a faire doctrine as an alternative ground upon which we might affirm the copyrightability judgment of the district court. This is so for several reasons. First… like merger, in the Ninth Circuit, the scenes a faire doctrine is a component of the infringement analysis…Thus, the expression is not excluded from copyright protection; it is just that certain copying is forgiven as a necessary incident of any expression of the underlying idea…

Finally, Google's reliance on the doctrine below and the amici reference to it here are premised on a fundamental misunderstanding of the doctrine. Like merger, the focus of the scenes a faire doctrine is on the circumstances presented to the creator, not the copier. The court's analytical focus must be upon the external factors that dictated Sun's selection of classes, methods, and code—not upon what Google encountered at the time it chose to copy those groupings and that code. The scenes a faire doctrine identifies and excludes from protection against infringement expression whose creation 'flowed naturally from considerations external to the author's creativity. It is this showing the trial court found Google failed to make, and Google cites to nothing in the record which indicates otherwise.

For these reasons, the trial court was correct to conclude that the scenes a faire doctrine does not affect the copyrightability of either the declaring code in, or the SSO of, the Java API packages at issue.

2. The Structure, Sequence, and Organization of the API Packages

The district court found that the SSO of the Java API packages is creative and original, but nevertheless held that it is a "system or method of operation ... and, therefore, cannot be copyrighted" under 17 U.S.C. § 102(b). In reaching this conclusion, the district court seems to have relied upon language contained in a First Circuit decision: Lotus Development Corp. v. Borland International, Inc., 49 F.3d 807 (1st Cir.1995).

On appeal, Oracle argues that the district court's reliance on Lotus is misplaced because it is distinguishable on its facts and is inconsistent with Ninth Circuit law. We agree. First, while the defendant in Lotus did not copy any of the underlying code, Google concedes that it copied portions of Oracle's declaring source code verbatim. Second, the Lotus court found that the commands at issue there (copy, print, etc.) were not creative, but it is undisputed here that the declaring code and the structure and organization of the API packages are both creative and original. Finally, while the court in Lotus found the commands at issue were "essential to operating" the system, it is undisputed that—other than perhaps as to the three core packages—Google did not need to copy the structure, sequence, and organization of the Java API packages to write programs in the Java language.

More importantly, however, the Ninth Circuit has not adopted the court's "method of operation" reasoning in Lotus, and we conclude that it is inconsistent with binding precedent. Specifically, we find that Lotus is inconsistent with Ninth Circuit case law recognizing that the structure, sequence, and organization of a computer program is eligible for copyright protection where it qualifies as an expression of an idea, rather than the idea itself. See Johnson Controls, 886 F.2d at 1175–76. And, while the court in Lotus held "that expression that is part of a 'method of operation' cannot be copyrighted," 49 F.3d at 818, this court—applying Ninth Circuit law—reached the exact opposite conclusion, finding that copyright protects "the expression of [a] process or method," Atari, 975 F.2d at 839.

We find, moreover, that the hard and fast rule set down in Lotus and employed by the district court here—i.e., that elements which perform a function can never be copyrightable—is at odds with the Ninth Circuit's endorsement of the abstraction-filtration-comparison analysis discussed earlier. As the Tenth Circuit concluded in expressly rejecting the Lotus "method of operation" analysis, in favor of the Second Circuit's abstraction-filtration-comparison test, "although an element of a work may be characterized as a method of operation, that element may nevertheless contain expression that is eligible for copyright protection." Mitel, 124 F.3d at 1372. Specifically, the court found that Section 102(b) "does not extinguish the protection accorded a particular expression of an idea merely because that expression is embodied in a method of operation at a higher level of abstraction." Id.

Other courts agree that components of a program that can be characterized as a "method of operation" may nevertheless be copyrightable. For example, the Third Circuit rejected a defendant's argument that operating system programs are "per se" uncopyrightable because an operating system is a "method of operation" for a computer. Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240, 1250–52 (3d Cir.1983). The court distinguished between the "method which instructs the computer to perform its operating functions" and "the instructions themselves," and found that the instructions were copyrightable. Id. at 1250–51. In its analysis, the court noted: "[t]hat the words of a program are used ultimately in the implementation of a process should in no way affect their copyrightability." Id. at 1252….The court focused "on whether the idea is capable of various modes of expression" and indicated that, "[i]f other programs can be written or created which perform the same function as [i]n Apple's operating system program, then that program is an expression of the idea and hence copyrightable." Notably, no other circuit has adopted the First Circuit's "method of operation" analysis….

Here, the district court … concluded that, although the SSO is expressive, it is not copyrightable because it is also functional. The problem with the district court's approach is that computer programs are by definition functional—they are all designed to accomplish some task. Indeed, the statutory definition of "computer program" acknowledges that they function "to bring about a certain result."…. If we were to accept the district court's suggestion that a computer program is uncopyrightable simply because it "carr[ies] out pre-assigned functions," no computer program is protectable. That result contradicts Congress's express intent to provide copyright protection to computer programs, as well as binding Ninth Circuit case law finding computer programs copyrightable, despite their utilitarian or functional purpose. Though the trial court did add the caveat that it "does not hold that the structure, sequence and organization of all computer programs may be stolen,"… it is hard to see how its method of operation analysis could lead to any other conclusion.

While it does not appear that the Ninth Circuit has addressed the precise issue, we conclude that a set of commands to instruct a computer to carry out desired operations may contain expression that is eligible for copyright protection. See Mitel, 124 F.3d at 1372. We agree with Oracle that, under Ninth Circuit law, an original work—even one that serves a function—is entitled to copyright protection as long as the author had multiple ways to express the underlying idea. Section 102(b) does not, as Google seems to suggest, automatically deny copyright protection to elements of a computer program that are functional. Instead, as noted, Section 102(b) codifies the idea/expression dichotomy and the legislative history confirms that, among other things, Section 102(b) was "intended to make clear that the expression adopted by the programmer is the copyrightable element in a computer program." H.R.Rep. No. 1476, 94th Cong., 2d Sess. 54, reprinted in 1976 U.S.C.C.A.N. 5659, 5670. Therefore, even if an element directs a computer to perform operations, the court must nevertheless determine whether it contains any separable expression entitled to protection.

On appeal, Oracle does not—and concedes that it cannot—claim copyright in the idea of organizing functions of a computer program or in the "package-class-method" organizational structure in the abstract. Instead, Oracle claims copyright protection only in its particular way of naming and organizing each of the 37 Java API packages.13 Oracle recognizes, for example, that it "cannot copyright the idea of programs that open an internet connection," but "it can copyright the precise strings of code used to do so, at least so long as 'other language is available' to achieve the same function." …. Thus, Oracle concedes that Google and others could employ the Java language—much like anyone could employ the English language to write a paragraph without violating the copyrights of other English language writers. And, that Google may employ the "package-class-method" structure much like authors can employ the same rules of grammar chosen by other authors without fear of infringement. What Oracle contends is that, beyond that point, Google, like any author, is not permitted to employ the precise phrasing or precise structure chosen by Oracle to flesh out the substance of its packages—the details and arrangement of the prose.

As the district court acknowledged, Google could have structured Android differently and could have chosen different ways to express and implement the functionality that it copied. Specifically, the court found that "the very same functionality could have been offered in Android without duplicating the exact command structure used in Java." ….The court further explained that Google could have offered the same functions in Android by "rearranging the various methods under different groupings among the various classes and packages." Id. The evidence showed, moreover, that Google designed many of its own API packages from scratch, and, thus, could have designed its own corresponding 37 API packages if it wanted to do so.

Given the court's findings that the SSO is original and creative, and that the declaring code could have been written and organized in any number of ways and still have achieved the same functions, we conclude that Section 102(b) does not bar the packages from copyright protection just because they also perform functions.

3. Google's Interoperability Arguments are Irrelevant to Copyrightability

Oracle also argues that the district court erred in invoking interoperability in its copyrightability analysis. Specifically, Oracle argues that Google's interoperability arguments are only relevant, if at all, to fair use—not to the question of whether the API packages are copyrightable. We agree….

Whether a defendant later seeks to make its program interoperable with the plaintiff's program has no bearing on whether the software the plaintiff created had any design limitations dictated by external factors….Stated differently, the focus is on the compatibility needs and programming choices of the party claiming copyright protection—not the choices the defendant made to achieve compatibility with the plaintiff's program. [A] defendant's desire "to achieve total compatibility... is a commercial and competitive objective which does not enter into the ... issue of whether particular ideas and expressions have merged."….

Finally, to the extent Google suggests that it was entitled to copy the Java API packages because they had become the effective industry standard, we are unpersuaded. Google cites no authority for its suggestion that copyrighted works lose protection when they become popular, and we have found none…. Google was free to develop its own API packages and to "lobby" programmers to adopt them. Instead, it chose to copy Oracle's declaring code and the SSO to capitalize on the preexisting community of programmers who were accustomed to using the Java API packages. That desire has nothing to do with copyrightability….

B. Fair Use

[The Court ruled that the record before it contained insufficient factual findings so as to permit the Court to undertake appellate de novo assessment of Google's Fair Use defense.]

CONCLUSION

For the foregoing reasons, we conclude that the declaring code and the structure, sequence, and organization of the 37 Java API packages at issue are entitled to copyright protection. We therefore reverse the district court's copyrightability determination with instructions to reinstate the jury's infringement verdict. Because the jury hung on fair use, we remand Google's fair use defense for further proceedings consistent with this decision.

[*Insert on page 322*]

You will recall that copyright extends only to expressive and aesthetic endeavor and does not extend to utilitarian or functional innovation. Clothing typically has both utilitarian/functional and expressive/aesthetic features. When a useful article such as clothing contains both utilitarian/functional and expressive/aesthetic elements, it can be difficult to determine whether and/or to what extent copyright protection extends to the article. In the next case, the Supreme Court interprets the text of the Copyright Act to draw this distinction.

STAR ATHELETICA, LLC V. VARSITY BRANDS, INC.

137 S.Ct. 1002 (2017)

JUSTICE THOMAS delivered the opinion of the Court.

Congress has provided copyright protection for original works of art, but not for industrial designs. The line between art and industrial design, however, is often difficult to draw. This is particularly true when an industrial design incorporates artistic elements. Congress has afforded limited protection for these artistic elements by providing that "pictorial, graphic, or sculptural features" of the "design of a useful article" are eligible for copyright protection as artistic works if those features "can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article." 17 U.S.C. § 101.

We granted certiorari to resolve widespread disagreement over the proper test for implementing § 101's separate-identification and independent-existence requirements. 578 U.S. ——, 136 S.Ct. 1823, 194 L.Ed.2d 829 (2016). We hold that a feature incorporated into the design of a useful article is eligible for copyright protection only if the feature (1) can be perceived as a two- or three-dimensional work of art separate from the useful article and (2) would qualify as a protectable pictorial, graphic, or sculptural work—either on its own or fixed in some other tangible medium of expression—if it were imagined separately from the useful article into which it is incorporated. Because that test is satisfied in this case, we affirm.

I

Respondents Varsity Brands, Inc., Varsity Spirit Corporation, and Varsity Spirit Fashions & Supplies, Inc., design, make, and sell cheerleading uniforms. Respondents have obtained or acquired more than 200 U.S. copyright registrations for two-dimensional designs appearing on the surface of their uniforms and other garments. These designs are primarily "combinations, positionings, and arrangements of elements" that include "chevrons ..., lines, curves, stripes, angles, diagonals, inverted [chevrons], coloring, and shapes." At issue in this case are Designs 299A, 299B, 074, 078, and 0815. See Appendix, infra.

Petitioner Star Athletica, L.L.C., also markets and sells cheerleading uniforms. Respondents sued petitioner for infringing their copyrights in the five designs. The District Court entered summary judgment for petitioner on respondents' copyright claims on the ground that the designs did not qualify as protectable pictorial, graphic, or sculptural works. It reasoned that the designs served the useful, or "utilitarian," function of identifying the garments as "cheerleading uniforms" and therefore could not be "physically or conceptually" separated under § 101 "from the utilitarian function" of the uniform.

The Court of Appeals for the Sixth Circuit reversed. In its view, the "graphic designs" were "separately identifiable" because the designs "and a blank cheerleading uniform can appear 'side by side'—one as a graphic design, and one as a cheerleading uniform." And it determined that the designs were " 'capable of existing independently' " because they could be incorporated onto the surface of different types of garments, or hung on the wall and framed as art.

Judge McKeague dissented. He would have held that, because "identifying the wearer as a cheerleader" is a utilitarian function of a cheerleading uniform and the surface designs were "integral to" achieving that function, the designs were inseparable from the uniforms.

II

The first element of a copyright-infringement claim is "ownership of a valid copyright." Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340, 361 (1991). A valid copyright extends only to copyrightable subject matter. The Copyright Act of 1976 defines copyrightable subject matter as "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. § 102(a).

"Works of authorship" include "pictorial, graphic, and sculptural works," § 102(a)(5), which the statute defines to include "two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans," § 101. And a work of authorship is fixed in a tangible medium of expression when it is embodied in a material object from which the work can be perceived, reproduced, or otherwise communicated.

The Copyright Act also establishes a special rule for copyrighting a pictorial, graphic, or sculptural work incorporated into a "useful article," which is defined as "an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information." Ibid. The statute does not protect useful articles as such. Rather, "the design of a useful article" is "considered a pictorial, graphical, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article."

Courts, the Copyright Office, and commentators have described the analysis undertaken to determine whether a feature can be separately identified from, and exist independently of, a useful article as "separability." In this case, our task is to determine whether the arrangements of lines, chevrons, and colorful shapes appearing on the surface of respondents' cheerleading uniforms are eligible for copyright protection as separable features of the design of those cheerleading uniforms.

A

As an initial matter, we must address whether separability analysis is necessary in this case.

1

Respondents argue that “[s]eparability is only implicated when a [pictorial, graphic, or sculptural] work is the ‘design of a useful article.’ ” They contend that the surface decorations in this case are “two-dimensional graphic designs that appear on useful articles,” but are not themselves designs of useful articles. Id., at 52. Consequently, the surface decorations are protected two-dimensional works of graphic art without regard to any separability analysis under § 101. Under this theory, two-dimensional artistic features on the surface of useful articles are “inherently separable.”

This argument is inconsistent with the text of § 101. The statute requires separability analysis for any “pictorial, graphic, or sculptural features” incorporated into the “design of a useful article.” “Design” refers here to “the combination” of “details” or “features” that “go to make up” the useful article. Oxford English Dictionary 244 (def. 7, first listing) (1933) (OED). Furthermore, the words “pictorial” and “graphic” include, in this context, two-dimensional features such as pictures, paintings, or drawings. See 4 id., at 359 (defining “[g]raphic” to mean “[o]f or pertaining to drawing or painting”); 7 id., at 830 (defining “[p]ictorial” to mean “of or pertaining to painting or drawing”). And the statute expressly defines “[p]ictorial, graphical, and sculptural works” to include “two-dimensional ... works of ... art.” § 101. The statute thus provides that the “design of a useful article” can include two-dimensional “pictorial” and “graphic” features, and separability analysis applies to those features just as it does to three-dimensional “sculptural” features.

B

We must now decide when a feature incorporated into a useful article “can be identified separately from” and is “capable of existing independently of” “the utilitarian aspects” of the article. This is not a free-ranging search for the best copyright policy, but rather “depends solely on statutory interpretation.” Mazer v. Stein, 347 U.S. 201, 214 (1954). “The controlling principle in this case is the basic and unexceptional rule that courts must give effect to the clear meaning of statutes as written.” Estate of Cowart v. Nicklos Drilling Co., 505 U.S. 469, 476 (1992). We thus begin and end our inquiry with the text, giving each word its “ordinary, contemporary, common meaning.” Walters v. Metropolitan Ed. Enterprises, Inc., 519 U.S. 202, 207 (1997) We do not, however, limit this inquiry to the text of § 101 in isolation. “[I]nterpretation of a phrase of uncertain reach is not confined to a single sentence when the text of the whole statute gives instruction as to its meaning.” Maracich v. Spears, 133 S.Ct. 2191, 2203 (2013). We thus “look to the provisions of the whole law” to determine § 101's meaning. United States v. Heirs of Boisdore, 12 L.Ed. 1009 (1849).

1

The statute provides that a “pictorial, graphic, or sculptural featur [e]” incorporated into the “design of a useful article” is eligible for copyright protection if it (1) “can be identified separately from,” and (2) is “capable of existing independently of, the utilitarian aspects of the article.” § 101. The first requirement—separate identification—is not onerous. The decisionmaker need only be able to look at the useful article and spot some two- or three-dimensional element that appears to have pictorial, graphic, or sculptural qualities. See 2 Patry § 3:146, at 3–474 to 3–475.

The independent-existence requirement is ordinarily more difficult to satisfy. The decisionmaker must determine that the separately identified feature has the capacity to exist apart from the utilitarian aspects of the article. See 2 OED 88 (def. 5) (defining "[c]apable" of as "[h]aving the needful capacity, power, or fitness for"). In other words, the feature must be able to exist as its own pictorial, graphic, or sculptural work as defined in § 101 once it is imagined apart from the useful article. If the feature is not capable of existing as a pictorial, graphic, or sculptural work once separated from the useful article, then it was not a pictorial, graphic, or sculptural feature of that article, but rather one of its utilitarian aspects.

Of course, to qualify as a pictorial, graphic, or sculptural work on its own, the feature cannot itself be a useful article or "[a]n article that is normally a part of a useful article" (which is itself considered a useful article). § 101. Nor could someone claim a copyright in a useful article merely by creating a replica of that article in some other medium—for example, a cardboard model of a car. Although the replica could itself be copyrightable, it would not give rise to any rights in the useful article that inspired it.

2

The statute as a whole confirms our interpretation. The Copyright Act provides "the owner of [a] copyright" with the "exclusive righ[t] ... to reproduce the copyrighted work in copies." § 106(1). The statute clarifies that this right "includes the right to reproduce the [copyrighted] work in or on any kind of article, whether useful or otherwise." § 113(a). Section 101 is, in essence, the mirror image of § 113(a). Whereas § 113(a) protects a work of authorship first fixed in some tangible medium other than a useful article and subsequently applied to a useful article, § 101 protects art first fixed in the medium of a useful article. The two provisions make clear that copyright protection extends to pictorial, graphic, and sculptural works regardless of whether they were created as freestanding art or as features of useful articles. The ultimate separability question, then, is whether the feature for which copyright protection is claimed would have been eligible for copyright protection as a pictorial, graphic, or sculptural work had it originally been fixed in some tangible medium other than a useful article before being applied to a useful article.

3

This interpretation is also consistent with the history of the Copyright Act. In Mazer, a case decided under the 1909 Copyright Act, the respondents copyrighted a statuette depicting a dancer. The statuette was intended for use as a lamp base, "with electric wiring, sockets and lamp shades attached." 347 U.S. at 202. Copies of the statuette were sold both as lamp bases and separately as statuettes. The petitioners copied the statuette and sold lamps with the statuette as the base. They defended against the respondents' infringement suit by arguing that the respondents did not have a copyright in a statuette intended for use as a lamp base.

Two of Mazer 's holdings are relevant here. First, the Court held that the respondents owned a copyright in the statuette even though it was intended for use as a lamp base. See id. at 214. In doing so, the Court approved the Copyright Office's regulation extending copyright protection to works of art that might also serve a useful purpose.

Second, the Court held that it was irrelevant to the copyright inquiry whether the statuette was initially created as a freestanding sculpture or as a lamp base. 347 U.S. at 218–219 ("Nor do we think the subsequent registration of a work of art published as an element in a manufactured article, is a misuse of copyright. This is not different from the registration of a statuette and its later embodiment in an industrial article"). Mazer thus interpreted the 1909 Act consistently with the rule discussed above: If a design would have been copyrightable as a standalone pictorial, graphic, or sculptural work, it is copyrightable if created first as part of a useful article.

Shortly thereafter, the Copyright Office enacted a regulation implementing the holdings of Mazer. See 1 Nimmer § 2A.08[B][1][b] (2016). As amended, the regulation introduced the modern separability test to copyright law:

"If the sole intrinsic function of an article is its utility, the fact that the article is unique and attractively shaped will not qualify it as a work of art. However, if the shape of a utilitarian article incorporates features, such as artistic sculpture, carving, or pictorial representation, which can be identified separately and are capable of existing independently as a work of art, such features will be eligible for registration." 37 C.F.R. § 202.10(c) (1960).

Congress essentially lifted the language governing protection for the design of a useful article directly from the post-Mazer regulations and placed it into § 101 of the *1012 1976 Act. Consistent with Mazer, the approach we outline today interprets §§ 101 and 113 in a way that would afford copyright protection to the statuette in Mazer regardless of whether it was first created as a standalone sculptural work or as the base of the lamp. See 347 U.S. at 218–219.

C

In sum, a feature of the design of a useful article is eligible for copyright if, when identified and imagined apart from the useful article, it would qualify as a pictorial, graphic, or sculptural work either on its own or when fixed in some other tangible medium.

Applying this test to the surface decorations on the cheerleading uniforms is straightforward. First, one can identify the decorations as features having pictorial, graphic, or sculptural qualities. Second, if the arrangement of colors, shapes, stripes, and chevrons on the surface of the cheerleading uniforms were separated from the uniform and applied in another medium—for example, on a painter's canvas—they would qualify as "two-dimensional ... works of ... art," § 101. And imaginatively removing the surface decorations from the uniforms and applying them in another medium would not replicate the uniform itself. Indeed, respondents have applied the designs in this case to other media of expression—different types of clothing—without replicating the uniform. The decorations are therefore separable from the uniforms and eligible for copyright protection.

The dissent argues that the designs are not separable because imaginatively removing them from the uniforms and placing them in some other medium of expression—a canvas, for example—would create "pictures of cheerleader uniforms." Post, at 1035 – 1036 (opinion of BREYER, J.). Petitioner similarly argues that the decorations cannot be copyrighted because, even when extracted from the useful article, they retain the outline of a cheerleading uniform.

This is not a bar to copyright. Just as two-dimensional fine art corresponds to the shape of the canvas on which it is painted, two-dimensional applied art correlates to the contours of the article on which it is applied. A fresco painted on a wall, ceiling panel, or dome would not lose copyright protection, for example, simply because it was designed to track the dimensions of the surface on which it was painted. Or consider, for example, a design etched or painted on the surface of a guitar. If that entire design is imaginatively removed from the guitar's surface and placed on an album cover, it would still resemble the shape of a guitar. But the image on the cover does not "replicate" the guitar as a useful article. Rather, the design is a two-dimensional work of art that corresponds to the shape of the useful article to which it was applied. The statute protects that work of art whether it is first drawn on the album cover and then applied to the guitar's surface, or vice versa. Failing to protect that art would create an anomaly: It would extend protection to two-dimensional designs that cover a part of a useful article but would not protect the same design if it covered the entire article. The statute does not support that distinction, nor can it be reconciled with the dissent's recognition that "artwork printed on a t-shirt" could be protected.

To be clear, the only feature of the cheerleading uniform eligible for a copyright in this case is the two-dimensional work of art fixed in the tangible medium of the uniform fabric. Even if respondents ultimately succeed in establishing a valid copyright in the surface decorations at issue here, respondents have no right to prohibit any person from manufacturing a cheerleading uniform of identical shape, cut, and dimensions to the ones on which the decorations in this case appear. They may prohibit only the reproduction of the surface designs in any tangible medium of expression—a uniform or otherwise.

D

Petitioner and the Government raise several objections to the approach we announce today. None is meritorious.

1

Petitioner first argues that our reading of the statute is missing an important step. It contends that a feature may exist independently only if it can stand alone as a copyrightable work and if the useful article from which it was extracted would remain equally useful. In other words, copyright extends only to "solely artistic" features of useful articles. According to petitioner, if a feature of a useful article "advance[s] the utility of the article," then it is categorically beyond the scope of copyright… The Government raises a similar argument, although it reaches a different result. It suggests that the appropriate test is whether the useful article with the artistic feature removed would "remai[n] similarly useful." In the view of the United States, however, a plain white cheerleading uniform is "similarly useful" to uniforms with respondents' designs.

The debate over the relative utility of a plain white cheerleading uniform is unnecessary. The focus of the separability inquiry is on the extracted feature and not on any aspects of the useful article that remain after the imaginary extraction. The statute does not require the decisionmaker to imagine a fully functioning useful article without the artistic feature. Instead, it requires that the separated feature qualify as a nonuseful pictorial, graphic, or sculptural work on its own…

[As for] Petitioner's argument [it] follows from its flawed view that the statute protects only "solely artistic" features that have no effect whatsoever on a useful article's utilitarian function. This view is inconsistent with the statutory text. The statute expressly protects two- and three-dimensional "applied art." § 101. "Applied art" is art "employed in the decoration, design, or execution of useful objects," Webster's Third New International Dictionary 105 (1976) or "those arts or crafts that have a primarily utilitarian function, or ... the designs and decorations used in these arts," Random House Dictionary 73 (1966); see also 1 OED 576 (2d ed. 1989) (defining "applied" as "[p]ut to practical use"). An artistic feature that would be eligible for copyright protection on its own cannot lose that protection simply because it was first created as a feature of the design of a useful article, even if it makes that article more useful.

Indeed, this has been the rule since Mazer. In holding that the statuette was protected, the Court emphasized that the 1909 Act abandoned any "distinctions between purely aesthetic articles and useful works of art." 347 U.S. at 211. Congress did not enact such a distinction in the 1976 Act. Were we to accept petitioner's argument that the only protectable features are those that play absolutely no role in an article's function, we would effectively abrogate the rule of Mazer and read "applied art" out of the statute…

III

We hold that an artistic feature of the design of a useful article is eligible for copyright protection if the feature (1) can be perceived as a two- or three-dimensional work of art separate from the useful article and (2) would qualify as a protectable pictorial, graphic, or sculptural work either on its own or in some other medium if imagined separately from the useful article. Because the designs on the surface of respondents' cheerleading uniforms in this case satisfy these requirements, the judgment of the Court of Appeals is affirmed.

APPENDIX TO OPINION OF THE COURT
Image 1 within Star Athletica, L.L.C. v. Varsity Brands, Inc.

Design 299A   Design 299B   Design 074   Design 078   Design 0815

CHAPTER 5

TRANSNATIONAL TRADEMARK LAW UNIT

[*Insert on page 718*]

The US Patent and Trademark Office is in charge of federal trademark registrations. An applicant can appeal the PTO's refusal to register a particular trademark application. The case below addressed the constitutionality of 15 U.S.C. § 1052(a) which prohibits the registration of trademarks that may disparage or bring into contempt or disrepute any pe 5rsons, living or dead. The Supreme Court decided whether the provision violates the Free Speech Clause of the First Amendment.

MATAL v. TAM

137 S.Ct. 1744 (2017)

JUSTICE ALITO delivered the opinion of the Court with respect to Parts I, II, and III–A, and an opinion with respect to Parts III–B, III–C, and IV, in which THE CHIEF JUSTICE, Justice THOMAS, and Justice BREYER join.

This case concerns a dance-rock band's application for federal trademark registration of the band's name, "The Slants." "Slants" is a derogatory term for persons of Asian descent, and members of the band are Asian–Americans. But the band members believe that by taking that slur as the name of their group, they will help to "reclaim" the term and drain its denigrating force.

I

A

The principle underlying trademark protection is that distinctive marks—words, names, symbols, and the like—can help distinguish a particular artisan's goods from those of others. A trademark designates the goods as the product of a particular trader and protects his good will against the sale of another's product as his. It helps consumers identify goods and services that they wish to purchase, as well as those they want to avoid.

Federal law does not create trademarks. Trademarks and their precursors have ancient origins, and trademarks were protected at common law and in equity at the time of the founding of our country. 3 J. McCarthy, Trademarks and Unfair Competition § 19:8 (4th ed. 2017) (hereinafter McCarthy). For most of the 19th century, trademark protection was the province of the States. See Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 780–782. Eventually, Congress stepped in to provide a degree of national uniformity, passing the first federal legislation protecting trademarks in 1870. See Act of July 8, 1870, §§ 77–84, 16 Stat. 210–212. The foundation of current federal trademark law is the Lanham Act, enacted in 1946. By that time, trademark had expanded far beyond phrases that do no more than identify a good or service. Then, as now, trademarks often consisted of catchy phrases that convey a message.

Under the Lanham Act, trademarks that are “used in commerce” may be placed on the “principal register,” that is, they may be federally registered. 15 U.S.C. § 1051(a)(1). And some marks “capable of distinguishing [an] applicant's goods or services and not registrable on the principal register ... which are in lawful use in commerce by the owner thereof” may instead be placed on a different federal register: the supplemental register. § 1091(a). There are now more than two million marks that have active federal certificates of registration. This system of federal registration helps to ensure that trademarks are fully protected and supports the free flow of commerce. “[N]ational protection of trademarks is desirable,” we have explained, “because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.” San Francisco Arts & Athletics, Inc. v. United States Olympic Comm., 483 U.S. 522, 531 (1987).

B

Without federal registration, a valid trademark may still be used in commerce. And an unregistered trademark can be enforced against would-be infringers in several ways. Most important, even if a trademark is not federally registered, it may still be enforceable under § 43(a) of the Lanham Act, which creates a federal cause of action for trademark infringement. See Two Pesos, 112 S.Ct. 2753 (“Section 43(a) prohibits a broader range of practices than does § 32, which applies to registered marks, but it is common ground that § 43(a) protects qualifying unregistered trademarks”).1 Unregistered trademarks may also be entitled to protection under other federal statutes, such as the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d). And an unregistered trademark can be enforced under state common law, or if it has been registered in a State, under that State's registration system.

Federal registration, however, confers important legal rights and benefits on trademark owners who register their marks. Registration on the principal register (1) “serves as ‘constructive notice of the registrant's claim of ownership’ of the mark”; (2) “is ‘prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner's ownership of the mark, and of the owner's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate; and (3) can make a mark “ ‘incontestable’ ” once a mark has been registered for five years.” §§ 1065, 1115(b)). Registration also enables the trademark holder “to stop the importation into the United States of articles bearing an infringing mark.” 3 McCarthy § 19:9; 15 U.S.C. § 1124.

C

The Lanham Act contains provisions that bar certain trademarks from the principal register. For example, a trademark cannot be registered if it is “merely descriptive or deceptively misdescriptive” of goods, § 1052(e)(1), or if it is so similar to an already registered trademark or trade name that it is “likely ... to cause confusion, or to cause mistake, or to deceive,” § 1052(d).

At issue in this case is one such provision, which we will call “the disparagement clause.” This provision prohibits the registration of a trademark “which may disparage ... persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.” §

1052(a).2 This clause appeared in the original Lanham Act and has remained the same to this day. See § 2(a), 60 Stat. 428.

When deciding whether a trademark is disparaging, an examiner at the PTO generally applies a "two-part test." The examiner first considers "the likely meaning of the matter in question, taking into account not only dictionary definitions, but also the relationship of the matter to the other elements in the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services." Trademark Manual of Examining Procedure § 1203.03(b)(i) (Apr. 2017), p. 1200–150. "If that meaning is found to refer to identifiable persons, institutions, beliefs or national symbols," the examiner moves to the second step, asking "whether that meaning may be disparaging to a substantial composite of the referenced group." Ibid. If the examiner finds that a "substantial composite, although not necessarily a majority, of the referenced group would find the proposed mark ... to be disparaging in the context of contemporary attitudes," a prima facie case of disparagement is made out, and the burden shifts to the applicant to prove that the trademark is not disparaging. Ibid. What is more, the PTO has specified that "[t]he fact that an applicant may be a member of that group or has good intentions underlying its use of a term does not obviate the fact that a substantial composite of the referenced group would find the term objectionable."

D

Simon Tam is the lead singer of "The Slants." In re Tam, 808 F.3d 1321, 1331 (C.A.Fed.2015) (en banc). He chose this moniker in order to "reclaim" and "take ownership" of stereotypes about people of Asian ethnicity. Ibid. (internal quotation marks omitted). The group "draws inspiration for its lyrics from childhood slurs and mocking nursery rhymes" and has given its albums names such as "The Yellow Album" and "Slanted Eyes, Slanted Hearts." Ibid.

Tam sought federal registration of "THE SLANTS," on the principal register, App. 17, but an examining attorney at the PTO rejected the request, applying the PTO's two-part framework and finding that "there is ... a substantial composite of persons who find the term in the applied-for mark offensive." The examining attorney relied in part on the fact that "numerous dictionaries define 'slants' or 'slant-eyes' as a derogatory or offensive term." The examining attorney also relied on a finding that "the band's name has been found offensive numerous times"—citing a performance that was canceled because of the band's moniker and the fact that "several bloggers and commenters to articles on the band have indicated that they find the term and the applied-for mark offensive."

Tam contested the denial of registration before the examining attorney and before the PTO's Trademark Trial and Appeal Board (TTAB) but to no avail. Eventually, he took the case to federal court, where the en banc Federal Circuit ultimately found the disparagement clause facially unconstitutional under the First Amendment's Free Speech Clause. The majority found that the clause engages in viewpoint-based discrimination, that the clause regulates the expressive component of trademarks and consequently cannot be treated as commercial speech, and that the clause is subject to and cannot satisfy strict scrutiny. The majority also rejected the Government's argument that registered trademarks constitute government speech, as well as the

Government's contention that federal registration is a form of government subsidy. And the majority opined that even if the disparagement clause were analyzed under this Court's commercial speech cases, the clause would fail the “intermediate scrutiny” that those cases prescribe.

Several judges wrote separately, advancing an assortment of theories. Concurring, Judge O'Malley agreed with the majority's reasoning but added that the disparagement clause is unconstitutionally vague. Judge Dyk concurred in part and dissented in part. He argued that trademark registration is a government subsidy and that the disparagement clause is facially constitutional, but he found the clause unconstitutional as applied to THE SLANTS because that mark constitutes “core expression” and was not adopted for the purpose of disparaging Asian–Americans. In dissent, Judge Lourie agreed with Judge Dyk that the clause is facially constitutional but concluded for a variety of reasons that it is also constitutional as applied in this case. Judge Reyna also dissented, maintaining that trademarks are commercial speech and that the disparagement clause survives intermediate scrutiny because it “directly advances the government's substantial interest in the orderly flow of commerce.” See id., at 1376–1382.

The Government filed a petition for certiorari, which we granted in order to decide whether the disparagement clause “is facially invalid under the Free Speech Clause of the First Amendment.”

II

Before reaching the question whether the disparagement clause violates the First Amendment, we consider Tam's argument that the clause does not reach marks that disparage racial or ethnic groups. The clause prohibits the registration of marks that disparage “persons,” and Tam claims that the term “persons” “includes only natural and juristic persons,” not “non-juristic entities such as racial and ethnic groups.”

Tam never raised this argument before the PTO or the Federal Circuit, and we declined to grant certiorari on this question when Tam asked us to do so. Normally, that would be the end of the matter in this Court.

But as the Government pointed out in connection with its petition for certiorari, accepting Tam's statutory interpretation would resolve this case and leave the First Amendment question for another day. We have often stressed that it is important to avoid the premature adjudication of constitutional questions, and that “we ought not to pass on questions of constitutionality unless such adjudication is unavoidable,” Spector Motor Service, Inc. v. McLaughlin, 323 U.S. 101, 105 (1944). We thus begin by explaining why Tam's argument about the definition of “persons” in the Lanham Act is meritless.

As noted, the disparagement clause prohibits the registration of trademarks “which may disparage ... persons, living or dead.” 15 U.S.C. § 1052(a). Tam points to a definition of “person” in the Lanham Act, which provides that “in the construction of this chapter, unless the contrary is plainly apparent from the context ... the term ‘person’ and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this chapter includes a juristic person as well as a natural person.” § 1127. Because racial and ethnic groups are neither natural nor "juristic" persons, Tam asserts, these groups fall outside this definition.

Tam's argument is refuted by the plain terms of the disparagement clause. The clause applies to marks that disparage "persons." A mark that disparages a "substantial" percentage of the members of a racial or ethnic group, Trademark Manual § 1203.03(b)(i), at 1200–150, necessarily disparages many "persons," namely, members of that group. Tam's argument would fail even if the clause used the singular term "person," but Congress' use of the plural "persons" makes the point doubly clear.

Tam's narrow reading of the term "persons" also clashes with the breadth of the disparagement clause. By its terms, the clause applies to marks that disparage, not just "persons," but also "institutions" and "beliefs." 15 U.S.C. § 1052(a). It thus applies to the members of any group whose members share particular "beliefs," such as political, ideological, and religious groups. It applies to marks that denigrate "institutions," and on Tam's reading, it also reaches "juristic" persons such as corporations, unions, and other unincorporated associations. See § 1127. Thus, the clause is not limited to marks that disparage a particular natural person. If Congress had wanted to confine the reach of the disparagement clause in the way that Tam suggests, it would have been easy to do so. A neighboring provision of the Lanham Act denies registration to any trademark that "[c]onsists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent." § 1052(c).

Tam contends that his interpretation of the disparagement clause is supported by its legislative history and by the PTO's willingness for many years to register marks that plainly denigrated African–Americans and Native Americans. These arguments are unpersuasive. As always, our inquiry into the meaning of the statute's text ceases when "the statutory language is unambiguous and the statutory scheme is coherent and consistent." Barnhart v. Sigmon Coal Co., 534 U.S. 438, 450 (2002). Here, it is clear that the prohibition against registering trademarks "which may disparage ... persons," § 1052(a), prohibits registration of terms that disparage persons who share a common race or ethnicity.

Even if resort to legislative history and early enforcement practice were appropriate, we would find Tam's arguments unconvincing. Tam has not brought to our attention any evidence in the legislative history showing that Congress meant to adopt his interpretation. And the practice of the PTO in the years following the enactment of the disparagement clause is unenlightening. The admitted vagueness of the disparagement test and the huge volume of applications have produced a haphazard record of enforcement. (Even today, the principal register is replete with marks that many would regard as disparaging to racial and ethnic groups.) Registration of the offensive marks that Tam cites is likely attributable not to the acceptance of his interpretation of the clause but to other factors—most likely the regrettable attitudes and sensibilities of the time in question.

III

Because the disparagement clause applies to marks that disparage the members of a racial or ethnic group, we must decide whether the clause violates the Free Speech Clause of the First

Amendment. And at the outset, we must consider three arguments that would either eliminate any First Amendment protection or result in highly permissive rational-basis review. Specifically, the Government contends (1) that trademarks are government speech, not private speech, (2) that trademarks are a form of government subsidy, and (3) that the constitutionality of the disparagement clause should be tested under a new "government-program" doctrine. We address each of these arguments below.

A

The First Amendment prohibits Congress and other government entities and actors from "abridging the freedom of speech"; the First Amendment does not say that Congress and other government entities must abridge their own ability to speak freely. And our cases recognize that "the Free Speech Clause ... does not regulate government speech." Pleasant Grove City v. Summum, 555 U.S. 460, 467 (2009); see Johanns v. Livestock Marketing Assn., 544 U.S. 550, 553 (2005) ("The Government's own speech ... is exempt from First Amendment scrutiny").

As we have said, "it is not easy to imagine how government could function" if it were subject to the restrictions that the First Amendment imposes on private speech. Summum, supra, at 468, The First Amendment forbids the government to regulate speech in ways that favor some viewpoints or ideas at the expense of others, Lamb's Chapel v. Center Moriches Union Free School Dist., 508 U.S. 384, 394 (1993), but imposing a requirement of viewpoint-neutrality on government speech would be paralyzing. When a government entity embarks on a course of action, it necessarily takes a particular viewpoint and rejects others. The Free Speech Clause does not require government to maintain viewpoint neutrality when its officers and employees speak about that venture.

Here is a simple example. During the Second World War, the Federal Government produced and distributed millions of posters to promote the war effort. There were posters urging enlistment, the purchase of war bonds, and the conservation of scarce resources. These posters expressed a viewpoint, but the First Amendment did not demand that the Government balance the message of these posters by producing and distributing posters encouraging Americans to refrain from engaging in these activities.

But while the government-speech doctrine is important—indeed, essential—it is a doctrine that is susceptible to dangerous misuse. If private speech could be passed off as government speech by simply affixing a government seal of approval, government could silence or muffle the expression of disfavored viewpoints. For this reason, we must exercise great caution before extending our government-speech precedents.

At issue here is the content of trademarks that are registered by the PTO, an arm of the Federal Government. The Federal Government does not dream up these marks, and it does not edit marks submitted for registration. Except as required by the statute involved here, 15 U.S.C. § 1052(a), an examiner may not reject a mark based on the viewpoint that it appears to express. Thus, unless that section is thought to apply, an examiner does not inquire whether any viewpoint conveyed by a mark is consistent with Government policy or whether any such viewpoint is consistent with that expressed by other marks already on the principal register. Instead, if the mark meets the Lanham Act's viewpoint-neutral requirements, registration is mandatory. Ibid. (requiring that “[n]o trademark ... shall be refused registration on the principal register on account of its nature unless” it falls within an enumerated statutory exception). And if an examiner finds that a mark is eligible for placement on the principal register, that decision is not reviewed by any higher official unless the registration is challenged. See §§ 1062(a), 1071. Moreover, once a mark is registered, the PTO is not authorized to remove it from the register unless a party moves for cancellation, the registration expires, or the Federal Trade Commission initiates proceedings based on certain grounds. See 15 U.S.C. §§ 1058(a), 1059, 1064.

In light of all this, it is far-fetched to suggest that the content of a registered mark is government speech. If the federal registration of a trademark makes the mark government speech, the Federal Government is babbling prodigiously and incoherently. It is saying many unseemly things. It is expressing contradictory views. It is unashamedly endorsing a vast array of commercial products and services. And it is providing Delphic advice to the consuming public.

For example, if trademarks represent government speech, what does the Government have in mind when it advises Americans to “make.believe” (Sony), “Think different” (Apple), “Just do it” (Nike), or “Have it your way” (Burger King)? Was the Government warning about a coming disaster when it registered the mark “EndTime Ministries”?

The PTO has made it clear that registration does not constitute approval of a mark. See In re Old Glory Condom Corp., 26 USPQ 2d 1216, 1220, n. 3 (T.T.A.B.1993) (“[I]ssuance of a trademark registration ... is not a government imprimatur”). And it is unlikely that more than a tiny fraction of the public has any idea what federal registration of a trademark means. See Application of National Distillers & Chemical Corp., 297 F.2d 941, 949 (1962) (Rich, J., concurring) (“The purchasing public knows no more about trademark registrations than a man walking down the street in a strange city knows about legal title to the land and buildings he passes”).

None of our government speech cases even remotely supports the idea that registered trademarks are government speech. In Johanns, we considered advertisements promoting the sale of beef products. A federal statute called for the creation of a program of paid advertising “ ‘to advance the image and desirability of beef and beef products.’ ” 544 U.S. at 561. Congress and the Secretary of Agriculture provided guidelines for the content of the ads, Department of Agriculture officials attended the meetings at which the content of specific ads was discussed, and the Secretary could edit or reject any proposed ad. 544 U.S. at 561. Noting that “[t]he message set out in the beef promotions [was] from beginning to end the message established by the Federal Government,” we held that the ads were government speech. Id. at 560. The Government's involvement in the creation of these beef ads bears no resemblance to anything that occurs when a trademark is registered.

Our decision in Summum is similarly far afield. A small city park contained monuments. Eleven had been donated by private groups, and one of these displayed the Ten Commandments. A religious group claimed that the city, by accepting donated monuments, had created a limited public forum for private speech and was therefore obligated to place in the park a monument expressing the group's religious beliefs.

Holding that the monuments in the park represented government speech, we cited many factors. Governments have used monuments to speak to the public since ancient times; parks have traditionally been selective in accepting and displaying donated monuments; parks would be overrun if they were obligated to accept all monuments offered by private groups; "public parks are often closely identified in the public mind with the government unit that owns the land"; and "[t]he monuments that are accepted ... are meant to convey and have the effect of conveying a government message." 129 S.Ct. 1125.

Trademarks share none of these characteristics. Trademarks have not traditionally been used to convey a Government message. With the exception of the enforcement of 15 U.S.C. § 1052(a), the viewpoint expressed by a mark has not played a role in the decision whether to place it on the principal register. And there is no evidence that the public associates the contents of trademarks with the Federal Government.

This brings us to the case on which the Government relies most heavily, Walker, which likely marks the outer bounds of the government-speech doctrine. Holding that the messages on Texas specialty license plates are government speech, the Walker Court cited three factors distilled from Summum. 135 S.Ct. at 2246–2247. First, license plates have long been used by the States to convey state messages. Second, license plates "are often closely identified in the public mind" with the State, since they are manufactured and owned by the State, generally designed by the State, and serve as a form of "government ID." Third, Texas "maintain[ed] direct control over the messages conveyed on its specialty plates." 135 S.Ct. at 2249. As explained above, none of these factors are present in this case.

In sum, the federal registration of trademarks is vastly different from the beef ads in Johanns, the monuments in Summum, and even the specialty license plates in Walker. Holding that the registration of a trademark converts the mark into government speech would constitute a huge and dangerous extension of the government-speech doctrine. For if the registration of trademarks constituted government speech, other systems of government registration could easily be characterized in the same way.

Perhaps the most worrisome implication of the Government's argument concerns the system of copyright registration. If federal registration makes a trademark government speech and thus eliminates all First Amendment protection, would the registration of the copyright for a book produce a similar transformation? See 808 F.3d, at 1346 (explaining that if trademark registration amounts to government speech, "then copyright registration" which "has identical accoutrements" would "likewise amount to government speech").

The Government attempts to distinguish copyright on the ground that it is "the engine of free expression," but as this case illustrates, trademarks often have an expressive content. Companies spend huge amounts to create and publicize trademarks that convey a message. It is true that the necessary brevity of trademarks limits what they can say. But powerful messages can sometimes be conveyed in just a few words.

Trademarks are private, not government, speech.

B

We next address the Government's argument that this case is governed by cases in which this Court has upheld the constitutionality of government programs that subsidized speech expressing a particular viewpoint. These cases implicate a notoriously tricky question of constitutional law. We have held that the Government may not deny a benefit to a person on a basis that infringes his constitutionally protected freedom of speech even if he has no entitlement to that benefit. Agency for Int'l Development v. Alliance for Open Society Int'l, Inc., 133 S.Ct. 2321, 2328 (2013). But at the same time, government is not required to subsidize activities that it does not wish to promote. Determining which of these principles applies in a particular case "is not always self-evident," but no difficult question is presented here.

Unlike the present case, the decisions on which the Government relies all involved cash subsidies or their equivalent. In Rust v. Sullivan, 500 U.S. 173 (1991), a federal law provided funds to private parties for family planning services. In National Endowment for Arts v. Finley, 524 U.S. 569 (1998), cash grants were awarded to artists. And federal funding for public libraries was at issue in United States v. American Library Assn., Inc., 539 U.S. 194 (2003). In other cases, we have regarded tax benefits as comparable to cash subsidies. See Regan v. Taxation With Representation of Wash., 461 U.S. 540 (1983).

The federal registration of a trademark is nothing like the programs at issue in these cases. The PTO does not pay money to parties seeking registration of a mark. Quite the contrary is true: An applicant for registration must pay the PTO a filing fee of $225–$600. 37 C.F.R. § 2.6(a)(1). (Tam submitted a fee of $275 as part of his application to register THE SLANTS. App. 18.) And to maintain federal registration, the holder of a mark must pay a fee of $300–$500 every 10 years. § 2.6(a)(5); see also 15 U.S.C. § 1059(a). The Federal Circuit concluded that these fees have fully supported the registration system for the past 27 years. 808 F.3d, at 1353.

The Government responds that registration provides valuable non-monetary benefits that "are directly traceable to the resources devoted by the federal government to examining, publishing, and issuing certificates of registration for those marks." But just about every government service requires the expenditure of government funds. This is true of services that benefit everyone, like police and fire protection, as well as services that are utilized by only some, e.g., the adjudication of private lawsuits and the use of public parks and highways.

Trademark registration is not the only government registration scheme. For example, the Federal Government registers copyrights and patents. State governments and their subdivisions register the title to real property and security interests; they issue driver's licenses, motor vehicle registrations, and hunting, fishing, and boating licenses or permits.

Cases like Rust and Finley are not instructive in analyzing the constitutionality of restrictions on speech imposed in connection with such services.

C

Finally, the Government urges us to sustain the disparagement clause under a new doctrine that would apply to "government-program" cases. For the most part, this argument simply merges our government-speech cases and the previously discussed subsidy cases in an attempt to construct a broader doctrine that can be applied to the registration of trademarks. The only new element in this construct consists of two cases involving a public employer's collection of union dues from its employees. But those cases occupy a special area of First Amendment case law, and they are far removed from the registration of trademarks.

In Davenport v. Washington Ed. Assn., 551 U.S. 177, 181–182 (2007), a Washington law permitted a public employer automatically to deduct from the wages of employees who chose not to join the union the portion of union dues used for activities related to collective bargaining. But unless these employees affirmatively consented, the law did not allow the employer to collect the portion of union dues that would be used in election activities. A public employee union argued that this law unconstitutionally restricted its speech based on its content; that is, the law permitted the employer to assist union speech on matters relating to collective bargaining but made it harder for the union to collect money to support its election activities. Upholding this law, we characterized it as imposing a “modest limitation” on an “extraordinary benefit,” namely, taking money from the wages of non-union members and turning it over to the union free of charge. Refusing to confer an even greater benefit, we held, did not upset the marketplace of ideas and did not abridge the union's free speech rights. Id. at 189–190.

Ysursa v. Pocatello Ed. Assn., 555 U.S. 353 (2009), is similar. There, we considered an Idaho law that allowed public employees to elect to have union dues deducted from their wages but did not allow such a deduction for money remitted to the union's political action committee. We reasoned that the “the government ... [was] not required to assist others in funding the expression of particular ideas.” Id. at 358 (“The First Amendment ... does not confer an affirmative right to use government payroll mechanisms for the purpose of obtaining funds for expression”).

Davenport and Ysursa are akin to our subsidy cases. Although the laws at issue in Davenport and Ysursa did not provide cash subsidies to the unions, they conferred a very valuable benefit—the right to negotiate a collective-bargaining agreement under which non-members would be obligated to pay an agency fee that the public employer would collect and turn over to the union free of charge. As in the cash subsidy cases, the laws conferred this benefit because it was thought that this arrangement served important government interests. See Abood v. Detroit Bd. of Ed., 431 U.S. 209 (1977). But the challenged laws did not go further and provide convenient collection mechanisms for money to be used in political activities. In essence, the Washington and Idaho lawmakers chose to confer a substantial non-cash benefit for the purpose of furthering activities that they particularly desired to promote but not to provide a similar benefit for the purpose of furthering other activities. Thus, Davenport and Ysursa are no more relevant for present purposes than the subsidy cases previously discussed.

Potentially more analogous are cases in which a unit of government creates a limited public forum for private speech. Rosenberger v. Rector and Visitors of Univ. of Va., 515 U.S. 819, 831 (1995). When government creates such a forum, in either a literal or “metaphysical” sense, some content- and speaker-based restrictions may be allowed. However, even in such cases, what we have termed “viewpoint discrimination” is forbidden. Id. at 831.

Our cases use the term “viewpoint” discrimination in a broad sense, see ibid., and in that sense, the disparagement clause discriminates on the bases of “viewpoint.” To be sure, the clause evenhandedly prohibits disparagement of all groups. It applies equally to marks that damn Democrats and Republicans, capitalists and socialists, and those arrayed on both sides of every possible issue. It denies registration to any mark that is offensive to a substantial percentage of the members of any group. But in the sense relevant here, that is viewpoint discrimination: Giving offense is a viewpoint.

We have said time and again that “the public expression of ideas may not be prohibited merely because the ideas are themselves offensive to some of their hearers.” Street v. New York, 394 U.S. 576, 592 (1969). See also Texas v. Johnson, 491 U.S. 397, 414 (1989) (“If there is a bedrock principle underlying the First Amendment, it is that the government may not prohibit the expression of an idea simply because society finds the idea itself offensive or disagreeable).

For this reason, the disparagement clause cannot be saved by analyzing it as a type of government program in which some content- and speaker-based restrictions are permitted.

IV

Having concluded that the disparagement clause cannot be sustained under our government-speech or subsidy cases or under the Government's proposed “government-program” doctrine, we must confront a dispute between the parties on the question whether trademarks are commercial speech and are thus subject to the relaxed scrutiny outlined in Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of N. Y., 447 U.S. 557 (1980). The Government and amici supporting its position argue that all trademarks are commercial speech. They note that the central purposes of trademarks are commercial and that federal law regulates trademarks to promote fair and orderly interstate commerce. Tam and his amici, on the other hand, contend that many, if not all, trademarks have an expressive component. In other words, these trademarks do not simply identify the source of a product or service but go on to say something more, either about the product or service or some broader issue. The trademark in this case illustrates this point. The name “The Slants” not only identifies the band but expresses a view about social issues.

We need not resolve this debate between the parties because the disparagement clause cannot withstand even Central Hudson review. Under Central Hudson, a restriction of speech must serve “a substantial interest,” and it must be “narrowly drawn.” Id. at 564–565. This means, among other things, that “[t]he regulatory technique may extend only as far as the interest it serves.” Id. at 565. The disparagement clause fails this requirement.

It is claimed that the disparagement clause serves two interests. The first is phrased in a variety of ways in the briefs. Echoing language in one of the opinions below, the Government asserts an interest in preventing underrepresented groups from being ‘bombarded with demeaning messages in commercial advertising.’. An amicus supporting the Government refers to “encouraging racial tolerance and protecting the privacy and welfare of individuals.” Brief for Native American Organizations as Amici Curiae. But no matter how the point is phrased, its unmistakable thrust is this: The Government has an interest in preventing speech expressing ideas that offend. And, as we have explained, that idea strikes at the heart of the First Amendment. Speech that demeans on the basis of race, ethnicity, gender, religion, age, disability, or any other similar ground is hateful; but the proudest boast of our free speech jurisprudence is that we protect the freedom to express “the thought that we hate.” United States v. Schwimmer, 279 U.S. 644, 655 (1929) (Holmes, J., dissenting).

The second interest asserted is protecting the orderly flow of commerce. See 808 F.3d, at 1379–1381 (Reyna, J., dissenting). Commerce, we are told, is disrupted by trademarks that “involv[e] disparagement of race, gender, ethnicity, national origin, religion, sexual orientation, and similar demographic classification.” 808 F.3d, at 1380–1381. Such trademarks are analogized to discriminatory conduct, which has been recognized to have an adverse effect on commerce. See ibid.; Brief for Petitioner 49; Brief for Native American Organizations as Amici Curiae 18–20.

A simple answer to this argument is that the disparagement clause is not “narrowly drawn” to drive out trademarks that support invidious discrimination. The clause reaches any trademark that disparages any person, group, or institution. It applies to trademarks like the following: “Down with racists,” “Down with sexists,” “Down with homophobes.” It is not an anti-discrimination clause; it is a happy-talk clause. In this way, it goes much further than is necessary to serve the interest asserted.

The clause is far too broad in other ways as well. The clause protects every person living or dead as well as every institution. Is it conceivable that commerce would be disrupted by a trademark saying: “James Buchanan was a disastrous president” or “Slavery is an evil institution”?

There is also a deeper problem with the argument that commercial speech may be cleansed of any expression likely to cause offense. The commercial market is well stocked with merchandise that disparages prominent figures and groups, and the line between commercial and non-commercial speech is not always clear, as this case illustrates. If affixing the commercial label permits the suppression of any speech that may lead to political or social “volatility,” free speech would be endangered.

For these reasons, we hold that the disparagement clause violates the Free Speech Clause of the First Amendment. The judgment of the Federal Circuit is affirmed.

It is so ordered.