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**Post-Judgment Remedies in Reaching  
Patents, Copyrights and Trademarks in the  
Enforcement of A Money Judgment**

*David J. Cook*



# Post-Judgment Remedies in Reaching Patents, Copyrights and Trademarks in the Enforcement of A Money Judgment<sup>†</sup>

By David J. Cook\*

Patents, copyrights, trademarks, trade dress and domain registrations serve as the wellspring to compensate an aggrieved judgment-creditor for the catastrophic losses arising from the botched business deal, massive tort, mega-divorce, or seismic fraud. Acquiring this intellectual property through post-judgment enforcement remedies, the judgment-creditor, or more typically the assignee, mines significant value through the specter of infringement claims and ensuing litigation to eject real and imagined infringers, competitors and interlopers out of the marketplace, all of whom will challenge the plaintiff's chain of title as the first round of defense. This article discusses the methodology in securing the judgment-debtor's intellectual property under the penumbra of the anticipated chain of title battle. Welcome to the land of Oz and world of O.J. Simpson.

## I. CAN THE SHERIFF SELL DOROTHY'S RUBY SLIPPERS?

### A. *A Basketful of Intellectual Property*

¶1 With the Ruby Slippers on her feet, Dorothy Gale again clicked her heels. Was she headed back to Kansas? No. Perhaps to California?<sup>1</sup> No. Washington, D.C.?<sup>2</sup> No. Then where? The answer is St. Louis, the shoe manufacturing capital of the United States during the 20<sup>th</sup> Century, until China and Southeast Asia began producing footwear by the boat load.<sup>3</sup>

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<sup>†</sup> I thank Matthew C. Baron, Esq. of the New York bar, for his dedication, insights, eagle-eyed review of this article, and devotion to THE BLUEBOOK: A UNIFORM SYSTEM OF CITATION (18<sup>th</sup> Ed.), and for his research on the topic of cybersquatting. I also thank Nathaniel Dunn, Esq. for his efforts to research current case law, make key insights, and examine all academic authorities to ensure the information is current and accurate. I also thank Robert Perkiss, Esq., for his analysis and key insights.

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<sup>1</sup> THE WIZARD OF OZ premiered in 1939 during the era of the exodus from the "Dust Bowl" states to the Central Valley of California. THE WIZARD OF OZ (Metro-Goldwyn-Mayer 1939).

<sup>2</sup> Scholarly literature discusses that L. Frank Baum's *The Wonderful Wizard of Oz* may have been an allegory for the gold standard debate of 1899, hence the "Yellow Brick Road." See L. FRANK BAUM, THE WONDERFUL WIZARD OF OZ (George M. Hill 1900). Overall, Baum's work has permeated through American culture in a multitude of formats, including the 1975 Broadway musical, *The Wiz*, the 1978 movie of the same name, a children's movie with the Muppets, and reimaginings and works inspired by THE WIZARD OF OZ, such as the Tony Award-winning Broadway musical, *Wicked* (based on the book of the same name), and a SciFi Channel miniseries.

<sup>3</sup> Shoes manufactured in Asia occasionally take a detour. In late May 1990 the container ship Hansa Carrier encountered a severe storm en route from Korea to the United States. A large wave washed five containers of Nike shoes from the deck and dumped them into the ocean. Some 60,000 shoes, ranging from

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Gambling that her newly-acquired Ruby Slippers might captivate the imagination of every teenager, Dorothy manufactured and distributed her famous footwear, and after spending some time in the Oz boot camp of intellectual property,<sup>4</sup> retained clever counsel who procured a design patent for the Ruby Slippers.<sup>5</sup> Counsel also advised Dorothy that she might be able to copyright these utilitarian slippers but only to the extent that the aesthetic features exist independently of the article.<sup>6</sup> Counsel also suggested that the unique shape might serve as a source-indicator, making the Ruby Slippers' shape capable of supporting protection as trade dress.<sup>7</sup>

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kid's shoes to boots, were released into the north Pacific Ocean. These shoes washed ashore in Hawaii and the West Coast of the United States. Press reports suggest that footwear survived the journey, remained in good condition, and only needed a wash and rinse. *See The Nike Shoe Investigation*, [http://www.msc.ucla.edu/oceanglobe/pdf/nike\\_invest.pdf](http://www.msc.ucla.edu/oceanglobe/pdf/nike_invest.pdf).

<sup>4</sup> *Self-help is here.* Dorothy read RICHARD STIM, PATENT, COPYRIGHT & TRADEMARK: AN INTELLECTUAL PROPERTY DESK REFERENCE (10th ed. 2009) and HENRI CHARMASSON & JOHN BUCHACA, PATENTS, COPYRIGHTS, AND TRADEMARKS FOR DUMMIES (2d ed. 2008).

<sup>5</sup> *See* Egyptian Goddess, Inc. v. Swisa Inc., 498 F.3d 1354, 1357–58 (Fed. Cir. 2007); *see also* Smith v. Whitman Saddle Co., 148 U.S. 674, 682 (1893); Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 148 (1989) (“To qualify for protection, a design must present an aesthetically pleasing appearance that is not dictated by function alone, and must satisfy the other criteria of patentability.”); 18 CHISUM ON PATENTS § 23.01 (2010) (“A person may obtain a patent on a new, original and ornamental design for an article of manufacture . . . .”); *id.* § 23.03 (“A design, consisting of the configuration or surface ornamentation of an article of manufacture, is patentable if it meets the general requirements of novelty, originality and non-obviousness and is ornamental.”). Dorothy could potentially secure a design patent.

<sup>6</sup> *See* 35 U.S.C. § 171 (2006); CHISUM ON PATENTS, *supra* note 5, § 23.06. Under 17 U.S.C. §§ 101, 102(a), a copyright may be secured for “the design of a useful article . . . 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.” A useful article is “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.” *Id.* *See also* *In re Yardley*, 493 F.2d 1389 (C.C.P.A. 1974) (eschewing any election between copyright and design patent). *See generally* *Mazer v. Stein*, 347 U.S. 201 (1954) (leaving open the issue of design patent and parallel copyright protection).

Design patents expire in 14 years, while copyrights that were obtained after the enactment of the Copyright Term Extension Act (CTEA) expire as follows: life of author plus 70 years, corporate authorship 120 years after creation, or 95 years after publication. Copyright protection for works published prior to January 1, 1978 was increased by 20 years to a total of 95 years from their publication date. *See* 17 U.S.C. §§ 108, 203(a)(2), 301(c), 302, 303, and 304(c)(2); *see also* *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989 (2d Cir. 1980) (The design for belt buckles supports copyright subject matter.). Burdened by their mortality, design patents and copyrights expire, but renewals and use at hand make trade dress and trademarks immortal and eternally profitable. *See Mazer*, 347 U.S. at 217 (“Neither the Copyright Statute nor any other says that because a thing is patentable it may be copyrighted.”).

<sup>7</sup> “It is well established that trade dress can be protected under federal law. The design or packaging of a product may acquire a distinctiveness which serves to identify the product with its manufacturer or source; and a design or package which acquires a secondary meaning, assuming other requisites are met, is a trade dress which may not be used in a manner likely to cause confusion as to the origin, sponsorship, or approval of the goods. In these aspects protection for trade dress exists to promote competition.” *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 28 (2001); *see also* *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000); *Qualitex Co v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995).

CHISUM ON PATENTS, *supra* note 5, § 23.07. *See also* U.S. PATENT & TRADEMARK OFFICE MANUAL OF PATENT EXAMINING PROCEDURE § 1512 (8th ed. 2001). A design patent and a trademark may be obtained on the same subject matter. The Court of Customs and Patent Appeals, in *In re Mogen David Wine Corp.*, 328 F.2d 925 (C.C.P.A. 1964), *aff'd*, 372 F.2d 539 (C.C.P.A. 1965), held that the purpose and essence of design patents are separate and distinct from a trademark. *See also* *Hubbell, Inc. v. Pass & Seymour, Inc.*, 883 F. Supp. 955, 960 (S.D.N.Y. 1995) (holding that a design patent under 35 U.S.C. § 171 does not preclude enforcement of common law trademark in design feature); Daniel A. Valenzuela, Comment, *Can an Inventor Continue Protecting an Expired Patent Product via Trade Dress Protection?*, 81 NOTRE DAME L. REV. 145 (2005). *See generally*, *TrafFix*, 532 U.S. at 23. Dorothy's shoes fall in the category of trade

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At the urging of counsel, Dorothy embraced the internet as a cutting-edge medium for the advertisement, promotion, marketing, and sale of her Ruby Slippers beyond the bounds of a traditional brick-and-mortar storefront. She registered a series of domain names,<sup>8</sup> all referring back to a centralized URL.<sup>9</sup> Additionally, she hired an accomplished website designer who coded a variety of metatags<sup>10</sup> such as “Dorothy,” “red shoes,” “Ruby Slippers,” “Oz,” and “Yellow Brick Road” into her website. Dorothy

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dress protection under the Lanham Act, 15 U.S.C. § 1125(a)(3). The burden of proof under § 1125(a)(3) gives force to the well-established rule that trade dress protection may not be claimed for product features that are functional. See *TrafFix*, 532 U.S. at 29.

Assuming that the shoes survive the rigors of *TrafFix* and constitute solely a design and not a utilitarian patent, Dorothy’s trade dress protection falls under the Lanham Act. See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773 (1992); 1 GILSON ON TRADEMARKS § 2A.01(1) (“Despite the Supreme Court’s emphatic pronouncement, trade dress owners do face obstacles that word mark and logo owners do not. They must prove nonfunctionality and, for product design, must show secondary meaning.”); see also *id.* § 2A.01(3) (“Trade dress protection in court comes down to a trio of settled factors. It may only be protected if (1) it is distinctive and (2) it is non-functional. In addition, for a plaintiff to obtain judicial relief, (3) consumers must be likely to be confused by defendant’s trade dress as to the course or quality of the product or service.”). Procuring and retaining trade dress trademark protection in the face of a design patent, active or expired, runs into the *TrafFix* bar for trade dress protection for product features that are functional.

<sup>8</sup> In *Kremen v. Cohen*, the Ninth Circuit reversed the lower court, holding that a domain registration constitutes property whose “ownership or right to possession of property, wrongful disposition of the property right and damages” amounts to conversion. 337 F.3d 1024, 1029–1030 (9th Cir. 2003). See also *Bancroft & Master, Inc. v. Augusta Nat’l, Inc.*, 223 F.3d 1082 (9th Cir. 2000) (characterizing defendant’s conversion of a domain name as “tortious conduct”); *FMC Corp. v. Capital Cities/ABC, Inc.*, 915 F.2d 300 (7th Cir. 1990) (allowing conversion of general intangible, with a tangibility requirement); *Astroworks, Inc. v. Astroexhibit, Inc.*, 257 F. Supp. 2d 609, 618 (S.D.N.Y. 2003) (holding that plaintiff could maintain a claim for conversion of a website).

Oz revels in a multiplicity of voices. Virginia’s Supreme Court reached the opposite result in *Network Solutions, Inc. v. Umbro Int’l, Inc.*, 529 S.E.2d 80, 88–89 (Va. 2000), holding that domain registration creates a contract for services and is not intangible property under Virginia law. This decision is important because Network Solutions is a major internet registrar who is located in Fairfax, Virginia, and whose service agreement provides for a Virginia forum selection clause. Network Solutions Service Agreement ¶ 21, available at <http://www.networksolutions.com/legal/static-service-agreement.jsp> (last visited June 25, 2010). It also authorizes Network Solutions to extinguish the registration in the event of a levy. *Id.* ¶ 20. Hunting down domain names, federal judgment-creditors can register their judgment in a creditor-friendly state under 28 U.S.C. § 1963 or a state court judgment-creditor can file a sister state judgment proceeding by seeking to domesticate their judgment; both classes of creditors would take advantage of other local domiciles’ law (but not Virginia). Changing forums might not guarantee the judgment-creditor new remedies because the judgment-creditor can only accede to debtor’s rights. If the contract for the domain name has a forum selection clause and the forum state declared the domain name is a contract for services, and not property subject to enforcement, this result might burden the judgment-creditor who would consider other options to reach the domain name.

In light of commercial appreciation of key domain names, however, the battle in classifying domain names as valuable property or valueless contractual rights will rage for years and its intensity increases directly proportional to the escalation of these values. The Virginia court was wrong and destroyed significant innate capital encapsulated in domain names. The asset base of certain businesses solely revolves around their web address, such as 1800flowers.com, 1800dentist.com, and many other web addresses that editorial guidelines bar from reciting. See also *Kremen*, 337 F.3d at 1036 (deeming the “sex.com” domain to be property supporting claim for conversion); *Wornow v. Register.com, Inc.*, 778 N.Y.S.2d 25, 26–27 (N.Y. App. Div. 2004) (holding that domain name is a contract right that cannot exist separate and apart from the service performed by the registrar.).

<sup>9</sup> URL stands for “Uniform Resource Locator” and is the technical term for a web address.

<sup>10</sup> A “metatag” is a word hidden in the body of the programming code for a website. Search engines such as Google and Bing look for these metatags when running searches. See PC Magazine, [http://www.pcmag.com/encyclopedia\\_term/0,2542,t=meta+tag&i=46845,00.asp](http://www.pcmag.com/encyclopedia_term/0,2542,t=meta+tag&i=46845,00.asp) (last visited Nov. 16, 2010).

tried to protect a pair of slippers with a design patent, copyright, trade dress, trademark, and registered domain names.<sup>11</sup> Oh my.

¶4 In launching her venture, Dorothy successfully amassed significant wealth through her accession of the intellectual property rights, granting her a lawful monopoly<sup>12</sup> for the manufacture, distribution, and sale of film history's most famous memorabilia. Success in business, however, is never guaranteed. Disaster always lurks around the corner. When it does, is Dorothy's intellectual property subject to the claims of creditors? How that could creditors' claims cause Dorothy's business to crumple, crash, and crater.<sup>13</sup>

¶5 Dorothy turned that corner and careened into disaster. Despite the best of intentions and first-rate counsel's advice, Dorothy swerved off the Yellow Brick Road of success when overseas competitors blocked her path with newer, non-infringing, and less-expensive footwear. Dorothy stopped paying her suppliers, who, like the flying monkeys,<sup>14</sup> bombarded her with collection actions, leading to judgments and ensuing writs, levies, and executions. Her creditors retained Elmira Gulch & Associates, LLP

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<sup>11</sup> GILSON ON TRADEMARKS, *supra* note 7, § 2A.10[2](b) ("It is conceivable that sufficiently creative decorative element of a useful item could be covered by a design patent, trade dress and copyright.").

<sup>12</sup> A patentee holds a legal monopoly. See *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 135 (1969). The patentee has no obligation to license the patent to others. *Hartford-Empire Co. v. United States*, 323 U.S. 386, 432 (1945). The power of the patent is the power to exclude others from the use of the invention for a period of years. *United States v. United Shoe Mach. Co. of N.J.*, 247 U.S. 32, 57 (1918). Patentee has an untrammelled right to license or refuse to license the patent. *United States v. Westinghouse Elec. Corp.*, 648 F.2d 642, 647 (9th Cir. 1981).

<sup>13</sup> Intellectual property is the DNA of the software, bio-medical, entertainment, telecommunications, life-science, and all high tech industries. Some ventures succeed and other ventures fail, which leads to a gaggle of judgment-creditors who execute upon the intellectual property and require guidance from primary and secondary sources. Enforcement against intellectual property has been an infrequent visitor in the legal bibliography. J.F.C.G., *Creditor's Rights Against Interests in Patents and Copyrights*, 26 VA. L. REV. 1038, 1044 (1940). See, e.g., *Patents—Execution—Pennsylvania Alias Writ of Fieri Facias Against Corporations Sufficient for Sheriff's Sale of Patent*, 44 COLUM. L. REV. 274, 274–78 (1944); Cherie L. Lieurance, *Debtor and Creditor—Judgment Creditor's Access to Intellectual Property Rights—Is Simple Execution in Sight?*, 7 WHITTIER L. REV. 375, 375–91 (1985); Charles Shafer, *The Virtual Clerk's Office: A Proposed Model Judgment Lien Act for the Computer Age*, 15 J.L. & COM. 295, 295–325 (1995); Teri Rasmussen, *Reaching a Judgment-Debtor's Patents and Other Intangible Property Through a Creditor's Bill*, OHIO PRAC. BUS. L., Oct. 10, 2009, <http://www.ohiopracticalbusinesslaw.com/2009/10/articles/creditors-rights/reaching-a-judgment-debtors-patents-and-other-intangible-property-through-a-creditors-bill/>; see also Laura Hock, Comment, *What's in a Name? Fred Goldman's Quest to Acquire O.J. Simpson's Right of Publicity and the Suit's Implications for Celebrities*, 35 PEPP. L. REV. 347–96 (2008) [hereinafter *The Hock Article*] (comparing generalized right of publicity to a specific asset).

For further reading, see David C. Rose, Comment, *Searching for the Comfort Zone: Issues Related to the Perfection of Security Interests in Trademarks in International Commercial Transactions*, 15 U. PA. J. INT'L BUS. L. 137 (1994); Thomas H. McPeters, Comment, *Creditors and Copyrights*, 12 MERCER L. REV. 239, 241–59 (1960); Charles Shafer, *Creditor's Rights Issues In Copyright Law: Conflict and Resolution*, 11 U. BALT. L. REV. 406 (1981); Doreen J. Gridley, Comment, *The Immunity of Intangible Assets from a Writ of Execution: Must We Forgive Our Debtors?*, 28 IND. L. REV. 755 (1994); Marvin Simensky, *Enforcing Creditor's Rights against Trademarks*, 79 TRADEMARK REP. 569 (1989); Juliet M. Moringiello, *Seizing Domain Names to Enforce Judgments: Looking Back to the Future*, 72 U. CIN. L. REV. 95 (2003); Hastings S. Beard, Note, *Squeezing "The Juice": Can the Right of Publicity be Used to Satisfy a Civil Judgment?*, 15 J. INTEL. PROP. L. 143 (2007); John A. Friedman, *The Manufacturer's Right to Resell Patented Goods and Copyrighted Goods*, N.Y.U. L. REV. 948 (1963); Gregory A. Troxell, Note, *Copyright Reform and the Author's Right to "Vend": The Case Of The Unpaid Manufacturer*, 10 IND. L. REV. 507 (1976).

<sup>14</sup> See *Overstock.com, Inc. v. Furnace Book, L.L.C.*, 420 F. Supp. 2d 1217, 1218 (D. Utah 2005) (listing a collection of journal and law review articles that discuss problems that arise from patent trolls).

(Los Angeles), the premiere collection and enforcement counsel. Elmira Gulch envisioned recovery by seizing the design patent, copyright, trade dress, trademark, and domain registration associated with the Ruby Slippers. Can Ms. Gulch succeed and emerge with a defensible chain of title, the prerequisite for standing in any ensuing infringement action?

¶6 Intellectual property rights grant the owner or assignee the power to exclude others from exploiting the intellectual property and the right of sole exploitation and Article III standing to bring suit on an infringement claim.<sup>15</sup> In order to maintain an action, lawful owners must prove up the chain of title.<sup>16</sup> If the plaintiff's chain of title derives from an acquisition of those rights from a post-judgment enforcement proceeding, the defendant may challenge plaintiff's standing based on a claimed jurisdictional error in the prior enforcement proceedings.<sup>17</sup> In light of the chain of title battle, Ms. Gulch must correctly enforce post-judgment remedies in seizing the intellectual property or face defeat in the ensuing infringement proceedings based upon a defect in the chain of title, destroying her Article III standing.<sup>18</sup> Chain of title is the first high hurdle in an infringement suit. The chain of title for patent ownership is determined by state law, not federal law.<sup>19</sup> Ms. Gulch's claim rests on the efficacy of her post-judgment enforcement under the local state law in the exercise of post-judgment remedies in a state court or federal court under Federal Rule of Civil Procedure 69(a).

¶7 In seeking the intellectual property rights to Dorothy's Ruby Slippers through post-judgment proceedings, Ms. Gulch must anticipate a legion of highly rigorous challenges to her chain of title in light of the economic potential of this iconic object and the likelihood of aggressive infringers.<sup>20</sup> The plaintiff must prove standing at all times, which may be challenged at any time during the litigation by any party. Once lost, standing cannot be revived *nunc pro tunc*. This places a premium upon the plaintiff to ensure standing. Lack of standing will necessarily lead to dismissal of the infringement

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<sup>15</sup> See *Lans v. Digital Equip. Corp.*, 252 F.3d 1320, 1328 (Fed. Cir. 2001) ("If a party lacks title to a patent, that party 'has no standing to bring an infringement action' under the patent.") (citation omitted).

<sup>16</sup> See *Sky Techs. L.L.C. v. SAP AG*, 576 F.3d 1374, 1379 (Fed. Cir. 2009) ("In order to seek damages for infringement of a patent, a party must have standing at the inception of the lawsuit."); *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991) ("A party that has been granted all substantial rights under the patent is considered the owner regardless of how the parties characterize the transaction that conveyed those rights."); *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1249–50 (Fed. Cir. 2000).

<sup>17</sup> Without standing to bring an action for infringement, the court lacks subject matter jurisdiction and will dismiss the action. *Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1338 (Fed. Cir. 2001), *cert. denied*, 534 U.S. 895 (2001).

<sup>18</sup> "District judges cannot overlook a defect in the chain of title, for the entirety of massive litigation might wind up being vacated years later, for lack of threshold standing. As carpenters say, it is wise to 'measure twice and cut once.'" *Quantum Corp. v. Riverbed Tech., Inc.*, No. C 07-04161, 2008 WL 314490, at \*3 (N.D. Cal. Feb. 4, 2008).

<sup>19</sup> "[T]he question of who owns the patent rights and on what terms typically is a question exclusively for the state courts." *Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1572 (Fed. Cir. 1997). However, "the question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases" and "treated . . . as a matter of federal law." *DDB Techs., L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1290 (Fed. Cir. 2008).

<sup>20</sup> Failure to prove up ownership will prompt a dismissal. See *Israel Bio-Eng'g Project v. Amgen, Inc.*, 475 F.3d 1256 (Fed. Cir. 2007); *Propat Int'l Corp. v. Rpost, Inc.*, 473 F.3d 1187 (Fed. Cir. 2007). Transferring the rights in the patent gives the assignee both title and right to sue for infringement of the patent. See *Rite-Hite Corp. v. Kelly Co., Inc.*, 56 F.3d 1538, 1551 (Fed. Cir. 1995). Article III standing is jurisdictional and can never be waived. See *Lewis v. Casey*, 518 U.S. 343, 349 (1996).

action.<sup>21</sup> Post-judgment remedies leading Ms. Gulch's acquisition of Dorothy's intellectual property are the links in the chain of title which enable Ms. Gulch to successfully prosecute an infringement action.<sup>22</sup>

At this time, O.J. Simpson makes his ubiquitous appearance. Famous as a gridiron legend, a one-time advertising icon for Hertz car rentals, Mr. Simpson is the world's most famous judgment-debtor. O.J. Simpson penned *IF I DID IT*,<sup>23</sup> the infamous book that discussed the murders of Nicole Brown Simpson and Ron Goldman.<sup>24</sup> Post-judgment remedies can reach the intellectual property of a judgment-debtor, as shown by Fred Goldman's (father of the murdered Ron Goldman) fight to acquire the intellectual property rights of *IF I DID IT*.<sup>25</sup>

Let's see what happens.

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<sup>21</sup> *Nunc pro tunc* assignments are not sufficient to cover retroactive standing. See *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1309 (Fed. Cir. 2003); *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093 (Fed. Cir. 1998).

<sup>22</sup> Chain of title is the key to the courthouse door for any infringement action. See *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991) (explaining that in order to seek damages for infringement of a patent, a party must have standing at the inception of the lawsuit) (collected authorities). See also *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1249–50 (Fed. Cir. 2000) (standing issues); *Moore v. Marsh*, 74 U.S. 515, 522 (1868) (“[T]he right of action is given to the person or persons owning the exclusive right at the time the infringement is committed.”); *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40–41 (1923) (authorizing the sole owners of the patent to sue for infringement). Patents are monopolies and the infringer seeks to invade that monopoly. The owner ejects the infringer as the unlawful interloper. Paramount in all patent litigation is standing, title, and ownership. As a parenthetical matter, inventors, businesspeople, researchers, academics, universities, and research facilities typically produce, but do not exploit, the patent. Manufacturers, venture capitalists, hedge funds, and others exploit the patent through licensing, assignment, or successorship to the original inventor or patent-holder. Patent trolls join this fray. The issue of standing, title and ownership are common staples in all patent litigation.

CHISUM ON PATENTS, *supra* note 5, § 23.01[f] (“The issue in determining standing is whether the claimant possesses legal title ownership of the patent.”). See also *Rel-Reeves, Inc. v. United States*, 606 F.2d 949, 959 (Ct. Cl. 1979); WILLIAM C. ROBINSON, *THE LAW OF PATENTS FOR USEFUL INVENTIONS* § 937 (1890). Assignee of patent can institute action for prior infringements if assigned along with patent rights itself. See *Crown Die*, 261 U.S. at 41. “Usually, federal law is used to determine the validity and terms of an assignment, but state law controls any transfer of patent ownership by operation of law not deemed an assignment.” *Sky Techs. L.L.C. v. SAP AG*, 576 F.3d 1374, 1379 (Fed. Cir. 2009).

Consider the broken chain of title to be the permanent penalty box in any infringement action. The plaintiff barred from injunctive relief or a damage claim confronts the defendant who gobbles up plaintiff's market share. The broken chain of title, restraining plaintiff from any relief, constitutes a *de facto* license in favor of that defendant or potentially anyone else to infringe and exploit the patent (or copyright) with market driven impunity. By the time that plaintiff has remedied and repaired the gaps in the chain of title, the infringer, anticipating a second lawsuit, deluges the market with the products, reaps gargantuan profits and absconds leaving the plaintiff with the IP crumbs on the plate. The infringer motors away the financial champ by exploiting the capital investment, without cost, of all parties north in the broken chain of title, such as the original inventor, financiers and equity participants, attorneys and advisers, and the dedicated manufacturers whose workforce and its legacy craft institutional skills and transformed the invention or copyright into salable commodities. In plaintiff's IP bad dreams, plaintiff sweats bullets imagining the defense counsel sacrificing plaintiff's billion-dollar IP property on the Aztec altar of the chain of title.

<sup>23</sup> With the help from ghost writer, Pablo Fenvjes. See O.J. SIMPSON, PABLO FENVJES (prologue), DOMINICK DUNNE (Afterword), *IF I DID IT: CONFESSIONS OF THE KILLER*, (Beaumont Books 2007) (original: O.J. SIMPSON, PABLO FENVJES, *IF I DID IT* [Regan Books/HarperCollins 2007]).

<sup>24</sup> *In re Lorraine Brooke Assocs.*, No. 07-12641-BKC-AJC, 2007 WL 7061312, at \*4–5 (Bankr. S.D. Fla July 2, 2007).

<sup>25</sup> *Goldman v. Simpson*, No. SC 036340, 9125 Cal. Rptr. 4, 4–5 (Cal. App. Dep't Super. Ct. Mar. 13, 2007). The proceeds from the publication of the book constituted partial payment of the wrongful death judgment.



### B. Patents & Copyrights, Writs & Receivers

¶10 With a writ of execution in hand, Ms. Gulch immediately sought to execute upon Dorothy's design patent.<sup>26</sup> To Ms. Gulch's chagrin, executing the design patent slammed into the case of *Peterson v. Sheriff of the City and County of San Francisco*,<sup>27</sup> barring a judgment-creditor from reaching a patent using a writ of execution. However, *Peterson* suggests that a judgment-creditor may reach a patent by seeking an order compelling the judgment-debtor to assign the patent to a receiver, who would then sell the patent or copyright in a court of equity. The *Peterson* court reasoned that federal law provides that a patent can be transferred by way of assignment and "that [assignment] is the only method by which it can be transferred."<sup>28</sup> The court held that if a creditor of the patentee can have patent rights subjected to satisfaction of the judgment at all, the judgment-creditor must seek equitable relief, acting *in personam*, and compel the patentee to make an assignment. The court likewise noted that the patent right is a general intangible and is therefore incapable of "manual delivery."<sup>29</sup> The patent right is held by the defendant, not by a third-party, and it does not come under the category of "debts and credits"<sup>30</sup> due from a third-party subject to garnishment. The *Peterson* court reasoned that a patent cannot be advertised and sold under a common execution because a patent is not capable of being levied upon. The mere advertisement and sale of a patent upon notice would convey nothing to the purchaser. In reaching this conclusion, the *Peterson* court cited to *Carver v. Peck*,<sup>31</sup> holding that "the incorporeal and intangible right of an inventor or author in a patent or copyright cannot be taken on execution at law."<sup>32</sup> The *Peterson* court also quoted *Pacific Bank v. Robinson*, saying, "but as a creation of legislation it is transferable only according to the provisions of the statutes which created it, and the only question is, has a court of equity power to compel its assignment and sale for the benefit of judgment-creditors."<sup>33</sup>

¶11 *Peterson* barred relief because the patent statute permitted transfers by way of assignment and only the equitable powers of the court can compel an assignment. Compare this to the statutory process of common execution through the county sheriff. *Peterson* followed the earlier decision in *Pacific Bank*,<sup>34</sup> authorizing the appointment of a receiver and an order compelling the judgment-debtor to assign the patent to the receiver because of the inability of the sheriff to seize a general intangible property. Patents can be transferred based on an instrument in writing. The remedy to reach the patent is to seek equitable relief of an order compelling the patentee (judgment-debtor) to transfer the patent to a court-appointed receiver.

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<sup>26</sup> Doreen J. Gridley, Note, *The Immunity of Intangible Assets from a Writ of Execution: Must We Forgive Our Debtors?*, 28 IND. L. REV. 755, 766–68 (1995) (surveying state post-judgment remedies and liens).

<sup>27</sup> *Peterson v. Sheriff of S.F.*, 46 P. 1060, 1060 (Cal. 1896).

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> *Carver v. Peck*, 131 Mass. 291 (1881).

<sup>32</sup> *Id.* at 292.

<sup>33</sup> *Peterson* at 1060 (quoting *Pacific Bank v. Robinson*, 57 Cal. 520, 523 [Cal. Jan. 1881]).

<sup>34</sup> *Pacific Bank v. Robinson*, 57 Cal. 520, 524 (1881).

¶12 Upon rendition of a money judgment, a judgment-creditor such as Ms. Gulch has the traditional remedy of a writ of execution at her disposal. The judgment-creditor places the writ in the hands of the sheriff (or marshal) to seize the judgment-debtor's personal property. If Dorothy had money in the bank ("the Bank of Oz") or receivables due from a customer, Ms. Gulch, through a writ of execution, could garnish the bank account or the accounts receivable as a debt due from a third-party to the judgment-debtor. *Peterson* and *Pacific Bank* hold that a judgment-creditor cannot use a writ of execution to reach a general intangible such as a patent. Ms. Gulch requested the trial court compel Dorothy as the judgment-debtor to make a written assignment of the patent to a receiver (presumably a professional liquidator or attorney) to take possession of the patent and provide for an orderly sale.

¶13 The Supreme Court firmly established this process as the method to reach the intellectual property of a judgment-debtor in the seminal case of *Ager v. Murray*.<sup>35</sup> In *Ager*, the Supreme Court laid out the underpinnings of current modern day enforcement against patents. Citing to *Pacific Bank*,<sup>36</sup> *Ager*<sup>37</sup> provides for the assignment of the patent

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<sup>35</sup> *Ager v. Murray*, 105 U.S. 126 (1881). *Ager*-style receivers rarely grace the state court appellate benches. For example, *Rosenthal v. Goldstein*, 183 N.Y.S. 582 (N.Y. Sup. Ct. Kings County 1920) qualifies as the New York state law cutting-edge treatment of *Ager* receivers with a small collection of supporting authorities. *Id.* at 585. It should come as no surprise that the district court, sitting in the Eastern District of New York, implicitly acknowledged the dearth of state law, in declaring the law as follows: "Realizing that interests in the Patent cannot be secured through execution, Plaintiffs moved the court by order to show cause—filed one week after briefing was concluded on the motions for summary judgment—for an order pursuant to Fed. R. Civ. P. 69(a), directing delivery of the Patent to the United States Marshal under N.Y. C.P.L.R. § 5225(a), or in the alternative, for an appointment of a receiver under N.Y. C.P.L.R. § 5228(a)." *Gasser v. Infanti Int'l, Inc.*, 353 F. Supp. 2d 352, 357 (E.D.N.Y. 2005). The court, providing the underpinnings of the plaintiff's tactics stated, "Due to their composition, courts have considered patents inaccessible as ordinary property. For example, in *Ager*, the Supreme Court examined the difficulties of selling a patent upon an execution at law. However, in response to difficulties, state legislatures have enacted legislation allowing a judgment-creditor to access intellectual property rights of a judgment-debtor including in New York." *Id.* at 357 n.16 (citations omitted).

Note that the district court did not cite any New York state appellate authority, even though reported authority dates from the 18th century. Facing an involuntary transfer of the company crown jewels for the benefit of a single judgment-creditor through an *Ager* receiver, many judgment-debtors plunge into a Chapter 11 which necessarily halts the state court proceeding under the automatic stay (11 U.S.C. § 362[a]) and provides for a more orderly resolution of the judgment and probably other claims and judgments through a plan of reorganization. *See* 11 U.S.C. § 1129(a) (2006). This strategy succeeds if and only if the judgment-debtor has the stamina, drive, and discipline to prosecute the Chapter 11 to a confirmed plan, and the judgment-creditor was unable to impress, perfect, or retain a non-avoidable lien upon the patent (or copyright).

<sup>36</sup> Holding that the judgment-creditor may reach the patent through a creditor's bill.

<sup>37</sup> *Ager* lumps copyrights into the category of assets subject to the equitable reach of a receiver. Before the judgment-creditor rushes off to liquidate the debtor's assets, the judgment-creditor would run a search through the office of the Secretary of State for any filed financing statements for trademarks and patents and the United States Copyright Office for a security interest in registered copyrights. *See In re Peregrine Entm't, Ltd.*, 116 B.R. 194, 201 (C.D. Cal. 1990).

Professor Charles Shafer of the University of Baltimore School of Law envisions the track of post-judgment receivers to sell the copyright as follows: "Apart from discovery, supplementary proceedings often permit the court to order the debtor to relinquish property for sale in satisfaction of the judgment. Finally, the statute permits the court to appoint a receiver to administer the property of the debtor. Such a receiver could execute the grant necessary to sell the copyright." Shafer, *supra* note 13, at 424–25 (citing *Wilson v. Martin-Wilson Automatic Fire-Alam Co.*, 24 N.E. 784 (Mass. 1890)[master can assign patent]).

To perfect a security interest in a patent, the secured party must file with the Secretary of State. *In re Cybernetic Servs., Inc.*, 239 B.R. 917 (B.A.P. 9th Cir. 1999). This case distinguished between a security interest and patent mortgage in which the patent mortgage who has duly filed with the Patent Office will

and sale through a receiver to satisfy the judgment.<sup>38</sup> Can Ms. Gulch avoid this process and get her hands directly on the Ruby Slippers' design patent without the intervening assignment and receiver? Not yet. Additional steps are required.

¶14

In *Palacio Del Mar Homeowners Association v. McMahon*,<sup>39</sup> the trial court ordered the turnover of a domain name directly to the judgment-creditor under the plenary power of the court to issue a turnover order at the conclusion of a debtor's examination pursuant to California Civil Practice § 708.205(a).<sup>40</sup> The appellate court reversed and held that the trial court could not directly transfer a non-monetary asset to a judgment-creditor. A money judgment entitles the judgment-creditor to monetary satisfaction through payment of money typically arising from a forced sale of a debtor's properties; a garnishment of accounts or receivables; or a levy on wages. The judgment measures the damages in a monetary amount and correspondingly measures satisfaction in a monetary amount. A domain name, however, lacks a precise monetary value necessary to determine whether its transfer satisfies the judgment. This prolongs the litigation and clouds the issue of whether the judgment is satisfied. Is satisfaction of judgment due? Is it overpaid and now a refund is due? Is the judgment underpaid? Execution never ends. Due process wavers frantically here. The defendant would never know the end of the liability or payment and discharge, when property, not money, would be applied on account of the damages. In the ensuing hearing to determine the value of property, a plaintiff could

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defeat the secured party who has not filed as follows:

"We agree with *In re Transportation Design & Technology, Inc.*, 48 B.R. 635, 639 (Bankr. S.D. Cal. 1985), that *Waterman* stands for the proposition that a bona fide purchaser holding a duly recorded conveyance of the ownership rights in a patent or a mortgagee who has recorded its interest as a transfer of title with the Patent Office will defeat the interests of a secured creditor of the grantor or mortgagor who has not filed notice of its security interest in the Patent Office. *Waterman* does not hold that all security interests, even those that do not involve a transfer of an ownership interest, must be recorded in the Patent Office to perfect the lien." *Id.* at 920 n.8.

The judgment-creditor likewise would search through the USPTO for any transfers or "mortgages." This article does not intend to add to the ever rising and relentless tide of literature discussing the multitudinous requirements of perfecting a security interest in copyrights, registered and unregistered, patents and trademarks. The summary of most literature is to file a Financing Statement with the Secretary of State and file a notice with the USPTO to perfect the security interest in a patent, lest be run down by a bona fide purchaser for value. A bona fide transferee or assignee could stymie Ms. Gulch's epic quest to recover those ruby red shoes by claiming a perfected transfer. 35 U.S.C. § 261. Intellectual property counsel specializing in the unsettled area of perfecting security interests in patents and trademarks might want to rename the firm "Belt & Suspenders LLP" for their law practice, along with a trademark (still available). Given that patents, copyrights and trademarks are subject to valid security interests, Ms. Gulch's newly gained prized possession might come with a few strings evidenced by filed financing statements with the Secretary of State or a registration filed with the United States Copyright Office or USPTO. On the other hand, as a bona fide transferee under 35 U.S.C. § 261, Ms. Gulch might escape the clutches of the secured creditors for a patent. (See succeeding sections of this article for further explanation.) These considerations should permeate the drafting of the receivership motion and order, along with the assignment.

<sup>38</sup> For a current and illustrative explanation, see *Olive Branch Holdings, L.L.C. v. Smith Tech. Dev., L.L.C.*, 909 N.E.2d 671, 681–82 (Ohio Ct. App. 2009). See also *Kenyon v. Automatic Instrument Co.*, 160 F.2d 878, 884 (6th Cir. 1947) ("It is no longer open to question that a receiver appointed by a court may execute an assignment of a patent owned by an insolvent debtor.").

<sup>39</sup> *Palacio Del Mar Homeowners Ass'n, Inc. v. McMahon*, 95 Cal. Rptr. 3d 445 (Cal. Ct. App. 2009); see also *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d 80 (Va. 2000).

<sup>40</sup> After an order of examination, the court can compel the debtor, under penalty of contempt, to turn over to the sheriff or receiver non-exempt property to satisfy the judgment. This exercise of power is one of the few instances in which a court has general plenary jurisdiction over a person.

certainly argue that the property to be transferred has marginal value while the defendant could claim the property to have great value.<sup>41</sup>

¶15 The complaint puts the defendant on notice of the judgment which might be entered.<sup>42</sup> Moreover, turning the property over to the judgment-creditor deprives the judgment-debtor of the opportunity to expose the asset to a public sheriff's auction or a receiver's sale, either of which could generate a greater recovery and ameliorate the liability under the judgment. The *Palacio* court held that non-monetary assets are sold by the sheriff or receiver and the proceeds turned over to the judgment-creditor.<sup>43</sup> *Palacio* prohibits a trial court from transferring intellectual property directly to the judgment-creditor—an action that lies outside of the court's jurisdiction which could be a weak link in the chain of title.<sup>44</sup> *Peterson, Pacific Bank*, and *Ager* bar the sheriff from seizing or selling the patent because the debtor can just “join in” in the assignment. These cases also hold that the sheriff ordinarily can only seize and sell tangible and visible property and that equity will aid the judgment-creditor through the exercise of *in personam* judgment over a defendant to compel such defendant to assign the patent to a receiver.<sup>45</sup>

¶16 “Why take chances?” Ms. Gulch contemplated.<sup>46</sup> She stared into her IP crystal ball and saw legions of infringers stocking the shelves with knockoff Ruby Slippers.<sup>47</sup>

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<sup>41</sup> There is an argument that the parties are entitled to a jury trial in valuing property to be applied on account of the dollar damages in the judgment.

<sup>42</sup> See *Becker v. S.P.V. Constr. Co.*, 612 P.2d 915, 917 (Cal. 1980) (Relief cannot exceed default in order to “insure that defendants in cases which involve a default judgment have adequate notice of the judgments that may be taken against them.”).

<sup>43</sup> In *Ho v. Hsieh*, 105 Cal. Rptr. 3d 17 (Cal. Ct. App. 2010), the Court of Appeals reversed a trial court order directing the transfer of debtor's apparently worthless corporate stock to the judgment-creditor.

<sup>44</sup> See *Sleepy Hollow Inv. Co. No. 2 v. Prototek, Inc.*, No. C 03-4792, 2007 WL 2701318 (N.D. Cal. Sept. 13, 2007); see also *Sleepy Hollow Inv. Co. No. 2 v. Prototek, Inc.*, No. C 03-4792, 2006 WL 279349 (N.D. Cal. Feb. 3, 2006) (District court ordered assignment of title to eleven registered patents from the judgment-debtor directly to the judgment-creditor in partial satisfaction of the judgment under CAL. CIV. PROC. § 708.510[a].) (“*Prototek* order”).

As the court noted in its order, a district court has the authority to enforce its money judgment in accordance with the practice and procedure of the state in which it sits. See Fed. R. Civ. P. 69(a); see also *Duchek v. Jacobi*, 646 F.2d 415, 416 (9th Cir. 1981). *Palacio* and *Ager* undermine the viability of this order. “[F]ederal courts are bound by decisions of a state's intermediate appellate courts unless there is persuasive evidence that the highest state court would rule otherwise.” *King v. Order of United Commercial Travelers of Am.*, 333 U.S. 153, 158 (1948); see also *Bravo v. United States*, 577 F.3d 1324, 1325–27 (11th Cir. 2009) (providing a detailed analysis and partial collection of cases). *Palacio* and *Ho* bar a *Prototek* order. The putative infringer surely will seek to snap the jurisdictional metal of a *Prototek* order in a chain of title battle. Hailing *Palacio* and *Ho* as the jurisdictional boundaries of post-judgment enforcement, the infringer would claim a *Prototek* order void, and if the challenge is upheld, it would shatter the plaintiff's chain of title into tiny little pieces. Upon being unceremoniously dumped on the concrete courthouse steps, the disgruntled plaintiff should be sharpening the malpractice stick. Despite the weakness of the *Prototek* order in light of *Palacio* and *Ho*, and prior to the rise of the electronic age, the *Prototek* order would have little impact. However with the rise of the electronic age, unpublished cites may appear in the briefs at the circuit level under Fed. R. App. P. 32.1 and do commonly appear because of the ubiquitous nature of WestLaw. The *Prototek* order might advertise that an assignment order directly reach the judgment-debtor's IP. WestLaw federal cites are routinely cited at the district court and circuit levels, and proliferate in the law reviews and journals. Nothing stopped the parties in *Prototek* from following the Yellow Brick Road to the recompense paved by *Ager*.

<sup>45</sup> *Ager v. Murray*, 105 U.S. 126, 131–32 (1882).

<sup>46</sup> Receivership orders bar nonparties from commencing, prosecuting, continuing, or enforcing any suit against the receivership estate except by order of court. The order shields the receivership estate from subsequent liens and levies sought by Dorothy's competing creditors. See *SEC v. Wencke*, 622 F.2d 1363, 1365 (9th Cir. 1980); *Liberte Capital Group, L.L.C. v. Capwill*, 462 F.3d 543, 552 (6th Cir. 2006);

Litigation beckons and so do the challenges to Ms. Gulch's chain of title. Ms. Gulch would rather acquire good title through a receiver's sale with Dorothy's executed assignment at hand, rather than a potentially void title based on a direct judicial assignment.

### C. Nose to Nose with the Judge

¶17 Confronting a recalcitrant debtor, the judgment-creditor should recall Winston Churchill's description of Russia "as a riddle wrapped inside a mystery inside an enigma." To unravel the enigma of a debtor's inventory of secreted, hidden, and concealed assets, post-judgment remedies compel the judgment-debtor to appear in court and disclose assets and liabilities by testimony and documents through an Order to Appear ("ORAP").<sup>48</sup> ORAPs are *in personam* proceedings that compel the judgment-debtor to physically appear for an examination and disclose assets and liabilities. The judgment-creditor has great latitude in compelling the disclosure of information necessary to discover assets available for enforcement.<sup>49</sup> An ORAP also provides the judgment-creditor with the right to compel the judgment-debtor to turn over assets<sup>50</sup> and subject the debtor to direct enforcement under the power of contempt.<sup>51</sup>

¶18 The procedure to reach the judgment-debtor's property through an ORAP is straightforward. At the conclusion of the ORAP, the judgment-creditor can seek an order compelling the judgment-debtor to transfer or assign property to the sheriff or receiver under Cal. Civ. Proc. § 708.205(a),<sup>52</sup> who would then take the property into possession and provide for an orderly sale. If the asset is a patent, the court may order the judgment-debtor to execute an assignment of the patent in favor of the receiver but not the sheriff.<sup>53</sup>

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Lankenau v. Coggeshall & Hicks, 350 F.2d 61, 63 (2d Cir. 1965) ("Circling the wagons."). Precluding liens, levies, and suits emanating from third-parties, a receivership order enhances title and salability of receivership assets and encourages investment or debt by downstream investors, financiers or vendors who rely on valid title.

<sup>47</sup> Adidas AG and Nike, Inc. have both battled knockoffs for years. In 2008, Adidas was awarded \$304.6 million against Payless ShoeSource and then sued Wal-Mart for selling knockoffs in violation of a 2002 settlement agreement barring Wal-Mart from selling imitation Adidas sneakers. Adidas had also sued Steven Madden Ltd., Polo Ralph Lauren Corp., Target Corp. and Nordstrom Inc. for infringement. See Erik Larson, *Adidas Poised to Win \$1.60/Share on Wal-Mart Copycats*, Bloomberg, June 17, 2008. Also, Erik Larson, *Adidas Settles Three-Stripe Lawsuit Against Wal-Mart*, Bloomberg, Sept. 2, 2008; for court case, see *Adidas America Inc. v. Wal-Mart Stores Inc.*, 05-01297, U.S. District Court, District of Oregon (Portland).

<sup>48</sup> *In re Hilde*, 120 F.3d 950, 952–53 (9th Cir. 1997) (providing a description of process).

<sup>49</sup> See *Hooser v. Superior Court of San Diego County*, 101 Cal. Rptr. 2d 341, 345 (Cal. Ct. App. 2000) ("[W]ide scope of inquiry concerning property and business affairs.").

<sup>50</sup> CAL. CIV. PROC. § 708.205(a) (West 2010).

<sup>51</sup> CAL. CIV. PROC. § 1209(a) provides, in pertinent part, as follows: "The following acts or omissions in respect to a court of justice, or proceedings there, are contempts of the authority of the court: (5) Disobedience of any lawful judgment, order, or process of the court. Federal courts have the inherent power to impose remedial measures against a party in a civil contempt proceeding for disobedience of a court order." See *Chambers v. NASCO, Inc.*, 501 U.S. 32 (1991); see also *Perry v. O'Donnell*, 759 F.2d 702 (9th Cir. 1985).

<sup>52</sup> *Accord* N.Y. C.P.L.R. 5228(a) (McKinney 2010) (providing for the appointments of receivers in New York); TEX. CIV. PRAC. & REM CODE ANN. § 64.001 (2009); MICH. COMP. LAWS § 600.2926 (2010).

<sup>53</sup> Ms. Gulch should not be too quick to file that creditor's bill when the sheriff might be at her beck and call. In *McClaskey v. Harbison-Walker Refractories Co.*, 138 F.2d 493 (3d Cir. 1943), the court validated a sheriff's sale, and labeled the sheriff the "legal representative" of the judgment-debtor and considered the sheriff's bill of sale as the necessary assignment required under 35 U.S.C. § 261. See discussion which

¶19 As a practical matter, Ms. Gulch is no stranger to surprises, such as houses falling from the sky. Naturally, she discovered Dorothy’s patent through a search in the United States Patent and Trademark Office (“USPTO”) database using Google’s online patent search service which taps directly into the USPTO, as patents issued in the United States are public domain government information. She had previously sought the appointment of a receiver as permitted by California’s liberal post-judgment remedy found under Cal. Civ. Proc. § 708.620, authorizing the appointment of a receiver if it is a “reasonable method to obtain the fair and orderly satisfaction of the judgment.”

¶20 Preparation is everything. Given the consequences of transferring a patent to the receiver, Ms. Gulch came to the ORAP hearing with an application; a memorandum of points and authorities; a declaration attesting to the existence of the patent; a proposed order for the Court’s signature; a proposed form of assignment; and, just for good measure, a notary public. At the hearing and in open court, Ms. Gulch sought an order compelling Dorothy to execute the assignment from the court. The judge ordered Dorothy, having personally appeared, to execute the assignment at the ORAP hearing or face being held in contempt of court and taken into custody by the sheriff.<sup>54</sup>

¶21 The appointment of a receiver is not enough and rendering Dorothy’s cameo appearance is *de rigueur*. *Finnegan v. Finnegan*<sup>55</sup> mandates that the judgment-debtor must personally execute the assignment to make any relief effective. The court held that “[t]he mere appointment of a receiver does not itself vest in him the title to the patents.”<sup>56</sup> A receiver cannot assign patent rights so as to pass legal title unless the owner joins in the assignment.<sup>57</sup> The court further explained that “[i]t has been held that a judgment-debtor owning a patent may be compelled, upon examination in proceedings supplementary to execution, to assign by proper instrument all his rights in a patent to a receiver appointed to dispose of it in aid of execution.”<sup>58</sup> With a copy of the *Finnegan* opinion in hand, Ms. Gulch brought the form of assignment to court and a notary in tow.<sup>59</sup> A notarized, judicially-compelled assignment shined up the links in that chain of title to nice, bright luster.

¶22 *Sky Technologies* likewise demands a written assignment as a condition of transfer of title, reading, in pertinent part, as follows:

The Federal Patent Act requires that all assignments of patent interests be in writing. This requirement dates back to the 1881 Supreme Court decision in *Ager v. Murray*, which held that a debtor’s interest in a patent that would be used

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ensues, including the dissent and whether a *McClaskey* sheriff’s bill of sale survives a challenge in other circuits or even a reexamination. *See also* *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 853 (2d Cir. 1963) (assembling case law analyzing the enforcement against a patent through post-judgment receiver).

<sup>54</sup> Sensing trouble, the sheriff would get out of his or her chair and stand closer to the judgment-debtor. Don’t be surprised if the sheriff calls for back-up if he senses the situation is volatile. Signing away a million dollar design patent to a judgment-creditor is always stressful.

<sup>55</sup> *Finnegan v. Finnegan*, 148 P.2d 37, 38 (Cal. Dist. Ct. App. 1944).

<sup>56</sup> *Id.* (citation omitted).

<sup>57</sup> *Id.* (citation omitted).

<sup>58</sup> *See id.*

<sup>59</sup> *See* 35 U.S.C. § 261 (2006) (“A certificate of acknowledgment . . . shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.”).

to satisfy a judgment against him was property, “assignable by him, and, [could not] be taken on execution at law.” The court held that the patentee was required to execute a writing to assign title, or a trustee would be appointed to execute an assignment, “if the patentee should not himself execute one as directed.” This decision was based on the idea that a creditor cannot reach incorporeal property, such as a patent, due to its intangible nature; the transfer (either voluntary or involuntary) to a purchaser must be done by written assignment “in order to vest [the purchaser] with a complete title to the property.”<sup>60</sup>

While these practical pointers may be prosaic, if not downright pedestrian, a trial court or commissioner may be reticent to order such drastic relief and, in the alternative, may suggest that the judgment-creditor file a motion on notice or even advise the judgment-creditor to sue the debtor at equity in a separate action. A device such as a creditor’s bill may, in the eyes of the court, facilitate this draconian relief. Making matters worse, the judgment-creditor must have a receiver in place to accept the assignment, lest the court deny the relief on the basis that it is unable to authorize an assignment to a non-existent entity. With the help of her IP crystal ball, Ms. Gulch adroitly anticipated problems and incorporated language that the receiver be authorized to receive the patent into the order appointing the receiver with further language providing for an orderly sale, possibly including a credit bid. Just to be safe, she brought a form of assignment, a notary, and, for the balky and uncooperative judgment-debtor, a toothbrush, change of clothes, and a couple of quarters to call counsel.

#### D. *Leaving on a Jet Plane is Not a Recognized Form of Asset Protection*

¶23

Dorothy searched the phrase “execution against intellectual property” and found *Ager*, *Peterson*, and *Pacific Bank*, all holding that Dorothy must physically appear in court and sign over her IP rights to the receiver appointed by the court upon the motion of Ms. Gulch. Seeking to avoid the prospect of an involuntary assignment of IP rights to the Ruby Slippers to Ms. Gulch’s receiver, Dorothy fled the jurisdiction, proudly following in the footsteps of such famous fugitives as Robert Vesco (never returned and died while on the lam), Marc Rich (a fugitive until he was pardoned by former-President Bill Clinton on his last day in office), and noted and notorious film director Roman Polanski (an appellate court might review the trial court’s decision).<sup>61</sup> Despite the absence of the judgment-debtor from the courtroom, the judgment-creditor may still reach the patent or

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<sup>60</sup> *Sky Techs. L.L.C. v. SAP AG and SAP Am., Inc.*, 576 F.3d 1374, 1379 (Fed. Cir. 2009) (citations omitted).

<sup>61</sup> Absconding from the jurisdiction, hiding from sheriff or process servers, or violating post-judgment discovery orders might trigger the prospect of appellate disentitlement, which authorizes the appellate court to dismiss an appeal if the appellant engages in conduct contravening an order of the court. Failure to comply with a post-judgment discovery order serves as grounds to seek a dismissal of the appeal. See *TMS, Inc. v. Aihara*, 83 Cal. Rptr. 2d 834 (Cal. Ct. App. 1999). For the Supreme Court bedrock case of disentitlement of appeals, read *Degen v. United States*, 517 U.S. 820 (1996). Also, dodging service of post-judgment examination order and ensuing bench warrant might get the appeal dismissed. See *Empire Blue Cross and Blue Shield v. Finkelstein*, 111 F.3d 278 (2d Cir. 1997) (Post-*Degen* case). Skipping town means skipping the appeal, but *Degen* suggests that heightened standards apply to, but does not bar *per se*, appellate disentitlement. However, an appeal of these post-judgment receivership orders might implode anyway based on the failure to obtain a stay under FED. R. CIV. P. 62(c), and dismissal by the appellate court based on mootness. (See discussion *infra* Section L.).

copyright.<sup>62</sup> *Ager* anticipated the intransigence of the obstinate judgment-debtor<sup>63</sup> and authorized the appointment of a trustee to execute an assignment of the patent in the event that the judgment-debtor declines or refuses to execute the assignment.<sup>64</sup>

¶24

Common practice in most federal and state courts allows the judge to direct the Clerk of the Court or other such subordinate judicial officer (or appoint a trustee for this purpose)<sup>65</sup> to execute various assignments of property, deeds, instruments, conveyances, or any other mandatory writings when a recalcitrant party declines or refuses. Within this broad range of equitable relief, a judicially-appointed surrogate of the judgment-debtor could likewise execute the patent assignment in the name of the judgment-debtor.<sup>66</sup> Most States permit the filing of a creditor's bill (also known as a creditor's suit) to reach property that is normally inaccessible or difficult to reach by way of ordinary execution. Such property may be an intangible asset, including but not limited to, the interests of heirs and legatees; contingent fees due to professionals (such as attorneys, real estate agents and commissioned salespersons); or property in the physical possession of the judgment-debtor or a confederate.<sup>67</sup> This relief seeks the appointment of a receiver to receive the patent (or copyright), along with an order compelling the judgment-debtor to assign the patent or copyright to said receiver. Absent compliance, this relief authorizes a third-party to execute the assignment on behalf of the debtor.<sup>68</sup>

¶25

In *McClasky v. Harbison-Walker Refractories*,<sup>69</sup> the court painted a clear picture that, while an instrument in writing was necessary to facilitate the transfer, the judgment-debtor's signature was not an absolute prerequisite. The *McClasky* court held:

¶26

“This does not mean that the patentee must in every case execute an assignment by his own hand. On a creditor's bill, a court of equity may appoint a trustee to make an

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<sup>62</sup> Getting the defendant or a representative of a corporate defendant physically into court is always problematic based on antipathy of any judgment-debtor of appearing in court. Venue may likewise play a role. To reach the defendant for a physical court appearance in federal court, the judgment-creditor might have to register the judgment in the venue of the defendant's residence under 28 U.S.C. § 1963. In state court, the judgment-creditor might have to initiate a supplemental proceeding to bring the court within 150 miles of the defendant's residence or place of business. See CAL. CIV. PROC. § 708.160(b). Leaping over the barrier of a judgment's debtor's alleged mandatory appearance brings the judgment closer to the goal line of seizing and selling the property at hand.

<sup>63</sup> See *Ager v. Murray*, 105 U.S. 126, 132 (1881).

<sup>64</sup> *Id.*; see *Zanetti v. Zanetti*, 175 P.2d 603, 606 (Cal. Dist. Ct. App. 1947) (If the defendant refuses to execute assignment of the patent, the court can appoint a lower judicial officer, such as a clerk or commissioner or “trustee” to execute the assignment. The court can also order the defendant to execute the assignment and presumptively face contempt, which might include a few days in the county jail. Alternatively, the court can direct the receiver execute the assignment.)

<sup>65</sup> What about the Sheriff or U.S. Marshal? Or a *Prototek* Order?

<sup>66</sup> See *Hart v. Sansom*, 110 U.S. 151, 155 (1884) (“It would doubtless be within the power of the state in which the land lies to provide by statute that if the defendant is not found within the jurisdiction, or refuses to make or to cancel a deed, this should be done in his behalf by a trustee appointed by the court for that purpose.”) (citing *Ager*, 105 U.S. at 132).

<sup>67</sup> See *In re Estate of Mason*, 849 N.E.2d 998 (Ohio 2006). A creditor's bill is both a common law and statutory expression of the court's jurisdiction post-judgment to enforce a judgment against assets inaccessible, or just difficult to reach, through a writ of execution. See 16 ABBOTT'S NEW CASES, *Notes on the Rights of a Creditor to Reach a Trust for the Debtor's Benefit*, 20–42 (Austin Abbott ed., 1886), which discusses *Tolles v. Woods*, 99 N.Y. 616, 1 N.E. 251 (1885), laying out the history of creditor's bills.

<sup>68</sup> Keeping in mind that the infringer's counsel will flyspeck every piece of paper, pleading, order, and notice for the slightest defect, the judgment-creditor must ensure that the judgment-debtor received notice of this potential relief consistent with the local statutory requirements.

<sup>69</sup> See *McClasky v. Harbison-Walker Refractories Co.*, 138 F.2d 493 (3d Cir. 1943).



assignment of a debtor's patent right in case the debtor himself does not make the required assignment, and an assignment executed by the trustee will pass title to a purchaser."<sup>70</sup>

¶27

The facts and outcome in this case, however, clash with *Ager*. The *McClaskey* court held that a state court sheriff was authorized to sell the patent by using a writ of *fieri facias*.<sup>71</sup> At the time of enforcement, Pennsylvania courts possessed no general equitable jurisdiction, leaving a judgment-creditor without the broad powers of equity to facilitate the appointment of a trustee to execute the assignment of the patent consistent with 35 U.S.C. § 261. In validating the sheriff's bill of sale, the *McClaskey* court held that "no particular form of words" is required to manifest the assignment, but only that the instrument of transfer must be unambiguous and show a "clear and unmistakable intent to part with the patent" and that the "bill of sale for the patent executed by the sheriff to the plaintiff shows an unmistakable intention to convey to the plaintiff everything which the sheriff had to sell."<sup>72</sup> The court labeled the sheriff as a "legal representative" of the judgment-debtor and found inconsequential that the sheriff signed the bill of sale, rather than a trustee, master, or sequestrator, all of whom are officers known to a court of chancery.<sup>73</sup> The court then executed the *coup-de-grace* by vesting the authority to sell the patent in the sheriff, holding that "[t]he important thing is the authority of that officer to make the transfer or assignment, an authority which can be determined only through the power of the court whose judgment he executed."<sup>74</sup> In addition, the *McClaskey* court held that "[t]he sheriff acting pursuant to the court's order may be considered a legal representative under R.S. § 4898 in the same manner as a trustee specifically appointed for that purpose."<sup>75</sup> This is predicated upon the notion that the sheriff's bill of sale is the "relief of the same kind which [the judgment-creditor] would have received under a creditor's bill in a court of unlimited equity jurisdiction."<sup>76</sup> Needless to say, the majority opinion drew a stoutly-written dissent rejecting the notion that a sheriff is a legal representative of the judgment-debtor, implicitly impeaching the chain of title.

¶28

*Ager*, *Sky*, and *Finnegan* all mandate a writing, signed by the judgment-debtor or a judicially-appointed designee, that assigns the patent (or copyright) to the receiver as a condition of compliance under 35 U.S.C. § 261. Absent such a § 261 writing or a finding that the order appointing the designee is void,<sup>77</sup> the ostensible holder of the intellectual

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<sup>70</sup> *Id.* at 495 (quoting *Cookson v. Louis Marx & Co., D.C.*, 23 F.Supp. 615, 617 (S.D.N.Y. 1938). *Sky Technologies v. SAP* is required reading for those interested in chain of title. 576 F.3d 1374 (Fed. Cir. 2009). *Sky Technologies* discusses *Ager* in detail and holds that a purchaser at an Article 9 foreclosure sale acquired title to the patents-in-suit. *Id.* at 1380 (citing *Akazawa v. Link New Tech. Int'l, Inc.*, 520 F.3d 1354, 1356 (Fed. Cir. 2008) (finding that "ownership of a patent may be changed by operation of law" in a case concerning a transfer by way of foreign interstate succession)).

<sup>71</sup> Common title for execution in many states on the eastern seaboard and mid-west.

<sup>72</sup> See *McClaskey*, 138 F.2d at 499.

<sup>73</sup> *Id.*

<sup>74</sup> *Id.*

<sup>75</sup> *Id.* at 500.

<sup>76</sup> *Id.*

<sup>77</sup> Post-judgment proceedings are hyper technical and statutory-driven. Judges, sometimes unfamiliar with the nuances and machinery of supplemental remedies, may fail to note a blemish in the proceeding, particularly when the debtor declines to participate in the proceeding. Errors render post-judgment proceedings or the judgment void for jurisdictional reasons. If the supplement process is jurisdictionally flawed, the defect percolates down the chain of title.

property may blindly mount an ill-conceived siege against an infringer on that property only to find that the infringer has raised the drawbridge with a chain of title defense, casting the holder's claim into the moat.<sup>78</sup>

### E. *Heartburn at the O.K. Corral*

¶29

*McClaskey* sidesteps *Ager* by casting the sheriff as the legal representative and surrogate of the debtor with the authority to execute the bill of sale in a procedure that replicates the relief from an *Ager* court of equity. This sleight of hand aids a judgment-creditor who has acquired the patent at the sheriff's sale and brought suit against an infringer challenging the plaintiff's chain-of-title. Deconstructing *McClaskey*, however, justifies the dissent's frank criticism rejecting the legal fiction that the sheriff's bill of sale is the functional equivalent of a trustee's executed assignment and a receiver's sale through a creditor's suit. The villain in this drama is not the court, but the Pennsylvania

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The putative buyer of the patent (or copyright) is typically the judgment-creditor who licenses, sells or assigns the patent to the downstream assignees or successors in interest. These ensuing patent licensees or assignees raise capital to exploit the patent through financing deals in which the patent stands as the collateral securing loans in favor of financiers, venture capitalists, banks, and equity participants, all of whom claim a *Sky* security interest in the intellectual property. The infringer who defeats the assignee or licensee in an infringement action based on a defect in the chain of title upstream and downstream can upset an awful lot of apple carts. See discussion of *RMA Ventures Cal. v. SunAmerica Life Ins. Co.*, 576 F.3d 1070 (10th Cir. 2009) (Levy by state sheriff without accompanying order under Fed. R. Civ. Pro. 4.1[a]).

<sup>78</sup> The judgment-debtor and third-party infringers might attack the judgment and ensuing orders, which are separate from attacking chain of title for the assigned patent or copyright. The judgment-debtor retains the full panoply of jurisdiction strategies and remedies under FED. R. CIV. P. 55(c) and 60(b) to vacate the judgment and any ensuing orders. See Bennett Boskey & Robert Braucher, *Jurisdiction and Collateral Attack: October Term, 1939*, 40 COLUM. L. REV. 1006 (1940). Lack of adequate notice dooms a judgment. *Mullane v. Cent. Hanover Bank & Trust Co.*, 339 U.S. 306, 315–16 (1950). Lack of adequate service voids any ensuing judgment. *Simon v. S. Ry. Co.*, 236 U.S. 115, 132 (1915). Lack of minimum jurisdictional contacts unravels any judgment, even though regular on its face. See *Hanson v. Denckla*, 357 U.S. 235, 251 (1958). The infringer, however, only has standing to attack the default judgment and resulting orders on jurisdictional grounds appearing in the judgment or for lack of subject matter rendering the judgment void. See A. C. FREEMAN, A TREATISE ON THE LAW OF JUDGMENTS ¶ 383 (5th ed. 1925) (Want of jurisdiction or invalidity of judgment must appear on the record itself, but there is a strong presumption against finding judgment void on these grounds.); see also Note, *The Value of the Distinction between Direct and Collateral Attacks on Judgment*, 66 YALE L.J. 526 (1957).

The collateral attack is called the *Cannae Conceit*. Confronting the aggrieved IP complainant (“Take no prisoners” litigation strategist.), the astute infringer engineers a collateral attack upon the plaintiff's chain of title if that chain is built on an involuntary judicial transfer. In embarking upon an infringement, an infringer calculates a return on investment through the costs of manufacturing and distribution, legal expenses to defend any litigation and settlements to facilitate a graceful exit, and transactional costs to conceal or repatriate any profits.

In concert with a full-frontal assault, the infringer facilitates a collateral attack through a double-envelopment upon the chain of title. The infringer contractually engages the judgment-debtor, financing the litigation, to vacate the underlying judgment or ensuing post-judgment orders. Default judgments and ensuing post-judgment orders might bear real or imagined vulnerability predicated upon jurisdictional defects invisible from the judgment roll, or potential relief under FED. R. CIV. P. 60(b)(1)–(5), or even eternal (but elusive) relief under the equitable powers of the court available through FED. R. CIV. P. 60(b)(6). Compensating the judgment-debtor, freed of the judgment or enforcement orders, is just another of the infringer's costs of doing business. Even if the judgment-debtor succeeds only in recapturing the IP by setting aside the post-judgment orders, much less the judgment itself, the judgment-debtor could squeeze value from the IP through a fire-sale to the infringer and abscond with the proceeds. Holding the empty IP bag, the judgment-creditor, or probably assignee, is another victim of Hannibal's classic stratagem.

legislature who had yet to vest its courts of law with the powers of equity, a matter that has since been remedied.

¶130

Left unresolved is whether a *McClaskey* sheriff's bill of sale would survive the rigors brought to bear in other circuits which usually arise from the alleged infringer challenging the standing of the plaintiff to bring the action under the rubric of the chain of title. Given the high stakes,<sup>79</sup> the expense of patent litigation, and the ready access to true equitable relief in facilitating a receiver's sale through a well-understood, well-honed, and time-tested creditor's bill, patent plaintiffs often eschew the slightest risk of being dethroned through a potential chasm in the chain of title. An *Ager*-style receiver's bill of sale serves as the well-recognized link in the chain of title, where a *McClaskey*-style sheriff's bill of sale might crumble in the judicial crucible of a chain of title defense.<sup>80</sup>

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<sup>79</sup> Facing a well-funded infringement action, the infringer files a Chapter 11 or Chapter 7 bankruptcy petition. In Chapter 11, the plaintiff seeks relief from the automatic stay to continue with the civil litigation and quantify the damages. If the debtor infringes post-petition, the plaintiff's automatic stay relief will include injunctive relief in the district court. Post-petition infringement damages and associated attorneys' fees become a priority administrative claim in a confirmed plan. Pursuant to 11 U.S.C. § 1129(a)(9)(A), the plan must guaranty cash payment of administrative claims upon confirmation (absent an agreement otherwise), necessitating the debtor to cash out at 100% the administrative claimants. Tort claims arising during the administration of a Chapter 11 bankruptcy are entitled to administrative status. *See Reading Co. v. Brown*, 391 U.S. 471, 485 (1968). Trademark and patent infringement claims constitute Chapter 11 administrative claims. *See In re Eagle-Pitcher Indus.*, 447 F.3d 461, 464–65 (6th Cir. 2006).

Actions for infringement sound in tort. *See Gaudrea v. Am. Promotional Events*, 511 F. Supp. 2d 152, 156–57 (D.C. Cir. 2007) (collection of cases and detailed analysis); *see also Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 720 (9th Cir. 2004). For further analysis of tort liability for infringement, see Charles W. Adams, *Indirect Infringement from a Tort Law Perspective*, 42 U. RICH. L. REV. 635 (2008).

Bringing the debtor's business operations to an abrupt, terminal, and permanent halt, a Chapter 7 proceeding ends the active current infringement, curtails the plaintiff's continuing losses and necessarily enjoins any future and repetitive infringements. However, the plaintiff's pre-petition losses are still unresolved. Absent settlement with the bankruptcy trustee, a plaintiff may seek relief from the automatic stay to complete the damage action in district court, assuming that the bankruptcy estate might produce a potential dividend justifying the continuing litigation. The plaintiff no doubt savors the infringer's catastrophic denouement. Escaping the grasp of an invisible hand of the marketplace, warped and bent by infringement products, the plaintiff may enjoy a fresh start engendered by the infringer's ignominious exit. *See Local Loan Co. v. Hunt*, 292 U.S. 234, 244 (1934) (finding that bankruptcy provides the debtor with a "fresh start").

With the infringement judgment in hand and collateral estoppel as the key to the bankruptcy courthouse door, the plaintiff must sue to exempt the debt from the discharge under 11 U.S.C. § 523(a)(6) if the conduct was willful and malicious. Section 523(a)(6) requires proof that defendant intended to cause harm or knew that the conduct would cause harm to plaintiff—satisfying the "willful" aspect—and that the debtor acted with subjective intent to commit such harm without justification, just cause, or excuse—satisfying the "malice" aspect. It excludes negligence, gross negligence, or reckless conduct as non-dischargeable. *See In re Su*, 290 F.3d 1140, 1145–47 (9th Cir. 2002); *see also In re Barboza*, 545 F.3d 702 (9th Cir. 2008); *In re Smith*, No. 01-02219-A, 2009 WL 6058677 (B.A.P. 9th Cir. Dec. 17, 2009) (providing current discussion on juxtaposition of infringement claims and Section 523(a)(6) and application of collateral estoppel in ensuing Section 523(a)(6) actions).

<sup>80</sup> Patent and copyright litigation frequently can spiral into a "bet the company" outcome, and the defendants proffer chain of title alleged defects as the first line of defense. Infringement cases are routinely cataclysmic. The putative infringer frequently bases the company strategy in replicating the success of a major competitor's product line in producing similar and allegedly infringing products. If unsuccessful with this tactics, the court effectively enjoins the operation of the infringer's business, leading to a financial collapse or bankruptcy. On the other hand, should the plaintiff lose, the infringer succeeds in co-opting the plaintiff's tremendous capital investment and eviscerating the plaintiff's market share through non-infringing copycat products.

Either way, only one party walks out the courtroom successful. In the face of these company killer

¶31 Given the power of the court to hold the sword of contempt to the judgment-debtor's neck as encouragement to execute an assignment (or to toss the judgment-debtor into the judicial backwater of irrelevance and order a surrogate trustee to execute the assignment), the judgment-debtor sees the harsh reality that the patents are headed to the receiver's auction block. Should Dorothy hop into the Wizard's hot-air balloon in an attempt to escape Oz with her patents and copyrights dangling in hand, inaccessible to Ms. Gulch? Yes and no. Yes, going home is good, but no, Ms. Gulch is going to spool up a creditor's bill and snatch up those rights before Dorothy leaves Oz's airspace.

#### F. Winner Takes All

¶32 *Pacific Bank* and *Ager*, both decided in 1881, bar a creditor from reaching a patent through a writ of execution but authorize enforcement through a receiver and an order

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stakes, the defendant will mercilessly attack the plaintiff's chain of title. *Sky Technologies* is the most recent example of a defendant seeking to derail any claims of infringement by attacking the plaintiff's chain of title. In that case, the plaintiff was a successor in interest to a secured party who acquired the patents through a foreclosure under a perfected security interest. However, even staring down the barrel of an infringement action prosecuted by a patent troll, the infringer might escape injunctive Armageddon or maybe exit slightly singed. See *Ebay, Inc. v. Mercexchange, L.L.C.*, 547 U.S. 388, 393–94 (2006) (holding that traditional injunctive principles apply in a patent infringement action and not an automatic injunction).

The *Prototek* order is likewise vulnerable to a collateral attack based on voidness and serves as the IP hall-pass allowing any infringer to escape the courthouse and any damage claim or injunctive relief. Whether the original judgment-debtor (as the original patentee or copyright holder) still vested with title to the eleven patents would seek action is problematic given the fact that the judgment is probably defunct and insolvent. In defending any claim of infringement brought by a purchaser, or assignee of the purchaser, from a judicial sale, counsel should reconfirm that the court acquired continuous jurisdiction over the judgment-debtor and exercised its powers within post-judgment jurisdiction confines in discovering a break in the chain of title. These issues focus on (1) subject matter and personal jurisdiction, (2) a remedy built on deep jurisdictional pilings, (3) proper service of any moving papers, (4) clear notice what the relief was sought through the moving papers, (5) notice of the date, time, and place of all hearings, (6) service of any post-hearing orders, (7) filing any order, and assignment, with the U.S. Copyright Office or USPTO, and (8) compliance with any unique statutory mandates. Arguing that the defect in the chain of title is jurisdictional, the infringer will collaterally attack plaintiff's standing.

A copyright and related state law claims case, *Bryant v. Mattel, Inc.*, No. CV 05-2727, 2008 WL 5598275 (C.D. Cal. Dec. 3, 2008) (referred to as *Barbie v. Bratz*), is another example of the "bet the company" litigation. With victory in hand, Mattel knocked out an aggressive competitor who had gained market share on Mattel. Had MGA survived this epic siege or if it does survive through the appeal, MGA could crack, if not shatter, Mattel's market share and repopulate the toy store shelves with dolls named "Yasmin," "Cloe," "Sasha," "Jade," "Roxxi," "Finana," "Katia," "Sharidan," "Nerva," etc., whose presence might depopulate the shelves of dolls named "Barbie," "Ken," "Christie," "Midge," and "Teresa." Mattel's stock price rose and fell based on its apparent victories or setbacks during the litigation. The case is currently on appeal. On July 22, 2010 the Ninth Circuit reversed the lower court judgment for damages due Mattel, vacated the district court imposed constructive trust, order transferring the Bratz line to Mattel, and injunction against MGA from further commercialization of the Bratz line. *Mattel, Inc. v. MGA Entm't, Inc.*, No. 09-55673, 2010 WL 2853761 (9th Cir. Jul. 22, 2010). "America thrives on competition; Barbie, the All-American girl, will too." *Id.* at \*11.

Exploitation of a patent through any commercial development or manufacture consumes vast quantities of equity and debt financing. Venture capitalists, commercial lenders, and equity financiers typically condition any advance upon a security interest in the patent (or copyright) and ensuing products. Any attack, or even a threat, or an appeal from adverse ruling rejecting an attack, upon the chain of title might dissuade any potential investors, lenders or participants from financing development of the patent. Any successful attack would turn this equity or debt into financial rubble, leaving the debt and equity participants unsecured and probably unpaid. Virtually all states, except Delaware, reposed their trial court with the broad equitable powers, rendering the stilted logic of *McClaskey* moot. See Xuan-Thao N. Nguyen, Article, *Commercial Law Collides with Cyberspace: The Trouble with Perfection—Insecurity Interests in the New Corporate Asset*, 59 WASH. & LEE L. REV. 37, 69 (2002).

compelling an assignment. Further, a court has clear justification in appointing a receiver. As a practical matter, the most likely candidates for appointment as receivers are the standing bankruptcy trustees in the community, whose reputation, skill and experience are stellar since they regularly sell patents and copyrights through bankruptcy proceedings.<sup>81</sup> With patent rights and copyrights in hand, the receiver may proceed with an orderly sale under traditional principles of equity found in Cal. Civ. Proc. § 568.5.<sup>82</sup> Nothing prevents a judgment-creditor from competitively bidding in part or all of the judgment as an open and competitive receiver's sale and presumably indemnifying (*e.g.*, paying for) the receiver and receiver's attorneys' fees and charges inasmuch as the receiver stands in the shoes of the levying officer in the sale of personal property, thereby justifying the judgment-creditor to credit bid authorized under Cal. Civ. Proc. § 701.590(a) (right of a judgment-creditor to credit bid, subject to payment of costs, labor claims, any exemption, and other claims mandated by statute). With a receiver's bill of sale in hand, Ms. Gulch might walk out of the courthouse with the design patent to the Ruby Slippers in hand and her chain of title secured.<sup>83</sup>

### G. Transformative Results

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The involuntary transfer of a patent or copyright through the labyrinth of post-judgment receivers and credit bids has market-altering implications by permitting a

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<sup>81</sup> See the National Association of Bankruptcy Trustees website for bankruptcy sales (<http://www.bankruptcysales.com/>) for some wonderful deals. Chain of title emanates through the bankruptcy court order for sale.

<sup>82</sup> See *City of Santa Monica v. Gonzalez*, 182 P.3d 1027, 1043–44 (Cal. 2008); *People v. Riverside Univ.*, 111 Cal. Rptr. 68, 75–77 (Cal. Ct. App. 1973) (discussing the wide berth granted to trial courts in the management of receivers, and order authorizing and approving sales). *Gonzalez* is particularly instructive in authorizing the receiver to demolish the building, the receiver *res*, and it is even more instructive because a unanimous California Supreme Court was required to approve this end of life treatment. See also *Burrows v. Jorgensen*, 323 P.2d 150, 154–55 (Cal. Dist. Ct. App. 1958) (providing a string of receivership cases showing that the receiver can take possession of a wide array of difficult-to-reach assets, such as seat on a stock exchange, patents, joint venture, fraudulently conveyed property or leasehold interests). Courts can use discretion in setting procedures for receiver to sell estate property. *Tanzer v. Huffines*, 412 F.2d 221, 222–23 (3d Cir. 1969); *SEC v. Am. Capital Invs.* 98 F.3d 1133, 1144 (9th Cir. 1996) (later abrogated on other grounds); *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 93–94 (1998); *SEC v. Lincoln Thrift Ass'n*, 577 F.2d 600, 606 (9th Cir. 1978) (supporting broad powers and wide discretion to determine relief in equity receivership); see also 2 RALPH EWING CLARK, TREATISE ON THE LAW AND PRACTICE OF RECEIVERS ¶ 482 (3d ed. 1992) (Court has inherent power to take custody and control and power to preserve and sell.).

<sup>83</sup> The template for this note is the transfer of patent, copyright or trademark, as opposed to a license for the patent, copyright, or trademark. Under state law, a patent license is property which can be transferred. See *Farmland Irrigation Co. v. Dopplmaier*, 308 P.2d 732 (Cal. 1957). However, under federal law, the patent licensee has only a personal and not a property interest in the patent that is not transferrable, unless the patent owners authorize the assignment of the license itself. See *Everex Sys., Inc. v. Cadtrack Corp.*, 89 F.3d 673, 679 (9th Cir. 1996); *In re Hernandez*, 285 B.R. 435 (Bankr. D. Ariz. 2002).

In state court, a judgment-creditor through a receivership and order directing an assignment might be able to reach the patent license, but in federal court the judgment-creditor might be barred from such relief. See the ensuing discussion regarding whether the judgment-creditor would seek to convert the federal judgment into a state court judgment to reach the patent license. Copyrights licenses are typically not subject to transfer absent the consent of the copyright holder. See *Gardner v. Nike, Inc.*, 279 F.3d 774, 780 (9th Cir. 2002). A federal judgment-creditor would probably crater in seeking through a receivership, and order compelling an assignment, in district court of a copyright license. Using *Farmland* as an analogy, the judgment-creditor might succeed in compelling an assignment of copyright license to the receiver. This is a case of judge-shopping and, like all good consumers, one should shop carefully.

judgment-creditor to seize intellectual property assets for essentially the price of attorney's and receiver's fees and costs, and a reduction in the amount of a judgment.<sup>84</sup> A judgment-creditor can transform an asset of dubious worth (the difficult-to-collect judgment) into a worthwhile and potentially lucrative asset (the intellectual property).<sup>85</sup> In the entertainment industry, blockbuster risks permeate every business transaction. The Los Angeles County Superior Court docket is chock full of multi-million dollar judgments against participants in entertainment deals gone sour. Seizing a judgment-debtor's copyright through the receivership process serves as remuneration for the damaged participant in the business deal gone wrong, potentially unlocking the economic potential of a patent or copyright, which would otherwise remain moribund based upon the judgment-debtor's financial straits.

¶34

Given California's liberal post-judgment receivership rules under Cal. Civ. Proc. § 708.620 and the adoption of the state post-judgment remedies as part of the federal post-judgment remedies under Fed. R. Civ. P. 69(a)(1), federal judgment-creditors might contemplate migrating their judgments to California under 28 U.S.C. § 1963 for easier access to the judgment-debtor's patents or copyrights.<sup>86</sup> Greater implications in the transfer of key assets from the judgment-debtor to the judgment-creditor would arise given the outcome of *Bilski vs. Kappos*,<sup>87</sup> which affirmed in part the validity of a business method patent. In *Bilski*, the Supreme Court affirmed the lower court ruling rejecting the patent application for a claimed invention that explained how commodities buyers and sellers in the energy market can protect (i.e., hedge) against the risks arising from sudden price changes. The patent examiner rejected the application on the grounds that the claimed invention was not implemented (tied) to a specific apparatus but, instead, constituted an abstract solution to a mathematical problem which is not subject to a patent. The Board of Patent Appeals and Interferences agreed and affirmed the determination, along with the Federal Circuit, who likewise affirmed. The Supreme Court held that the process is patentable if it was tied to a particular machine or apparatus or transformed a particular article into a different state or being.<sup>88</sup> The Supreme Court rejected the Circuit Court's "machine or transformation test" but held nevertheless held that the concept of hedging as a mathematical formula is an unpatentable abstract idea. The Supreme Court stated that a business method might be the subject of patent

<sup>84</sup> A credit bid permits the judgment-creditor to bid in part or all of the judgment as the purchase price.

<sup>85</sup> See *McClaskey v. Harbison-Walker Refractories Co.*, 138 F.2d 493 (3d Cir. 1943). The judgment-creditor bought the patent at the sheriff's sale and thereafter sued an infringer. *Id.* at 494. This case serves as the poster child of turning a sow's ear into a silk purse and inserting sheriff's deed as a link in the chain of title. The *Prototek* order circumvented obligatory remedy of selling the judgment-debtor's IP asset at a Marshal's auction and handed the asset directly to the judgment-creditor. Clearly the *Prototek* plaintiff will argue that the assignment order is a transfer by operation of law and rides on the laurels of *Akazawa*.

<sup>86</sup> Federal courts are a potentially cumbersome venue in which to enforce a money judgment. Current federal judgment interest rates hover at less than one percent. The U.S. Marshal for the Central and Northern District of California compels judgment-creditors to employ process servers to serve basic garnishments. In comparison, state courts beckon with open arms. Ms. Gulch could convert the district or bankruptcy court judgment into a state court judgment. See *Goldman v. Simpson*, 72 Cal. Rptr. 3d 729, 734 n.3 (Cal. Ct. App. 2008) (finding a right to file suit on a judgment and convert it to a new judgment). State court judgment accrues interest at rates which may exceed ten percent. State courts might provide for a specialized department (a court commissioner) to hear post-judgment matters and a daily law and motion calendar. Additionally, sheriffs maintain an extensive staff to enforce civil judgments.

<sup>87</sup> *Bilski vs. Kappos*, 130 S. Ct. 3218 (2010).

<sup>88</sup> *Id.* at 3221 (2010).

protection, stating “what Section 273 does is clarify the understanding that a business method is simply one kind of ‘method’ that is, at least in some circumstances, eligible for patenting under Section 101.”<sup>89</sup> The Court left open the possibility that business methods are subject to limited patentability, saying “[f]inally while Section 273 appears to leave open the possibility of some business methods patents, it does not suggest broad application of such claimed inventions.”<sup>90</sup>

¶35 This is good news for Ms. Gulch. While *Bilski* kept business method patents on life support for the near future,<sup>91</sup> these patents still prosper and further enhance the value of the Ruby Slippers. Never missing an intellectual property beat, Dorothy successfully scored a viable, post-*Bilski* business method patent for the Ruby Slippers, because she could click her magical Ruby Slippers together three times, repeat “there’s no place like home,” and return home to Kansas.<sup>92</sup>

¶36 Successfully reaching a viable post-*Bilski* business methods patent is a coup by any standards, particularly for Ms. Gulch, who would be able to upgrade her ride from her current broom. Post-*Bilski* and via *Ager*, the judgment-creditor, through a receivership and credit bid process, could literally cannibalize the judgment-debtor for its key capital asset<sup>93</sup> and savor the spoils of a rare, valuable, and viable business method patent without the slightest investment of capital, equity, or risk inherent in any patent process. With the debtor’s business methods patent in the back pocket, the judgment-creditor can knock off key competitors through infringement actions and stave off competition in the marketplace through the threat of patent (or copyright) infringement litigation. All of this would be supported by a judicially-sanctioned chain of title and a few dollars for successful enforcement.

#### H. Asset Protection Deus Ex Machina

¶37 Dorothy sought to flee this forest full of rapacious judgment-creditors, pesky receivers, and unforgiving judges. Googling “asset protection,” Dorothy unearthed an entire practice area of asset protection whose sole function is to shield assets from the grasping hands of judgment-creditors, litigants, taxing authorities, aggrieved spouses, and

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<sup>89</sup> *Id.* at 3228.

<sup>90</sup> *Id.*

<sup>91</sup> “But beyond this or some other limitation consistent with the statutory text, the Patent Act leaves open the possibility that there are some processes that can be fairly described as business methods that are within patentable subject matter under Section 101.” *Id.* at 3229.

<sup>92</sup> For the movie buffs, consider the Ruby Slippers as a pre-digital, analog-driven transporter which later digitally appeared in *Star Trek*. A *Star Trek* transporter converts a person or object into an energy pattern (a process called *dematerialization*), then “beams” it to a target, where it is reconverted into matter (*rematerialization*) (for a more detailed discussion, or to just satisfy your inner nerd, see LAWRENCE M KRAUSS & STEPHEN HAWKING, *THE PHYSICS OF STAR TREK* [Harper Perennial 1995]). The process generally describes Dorothy’s return from Oz. The alternative business method patent applies here inasmuch as the Ruby Slippers protected Dorothy while she was alive. Either process would survive the *Bilski* gauntlet of the patent application process.

<sup>93</sup> *The Wizard of Oz* replicates intellectual property litigation. The patent, copyright, domain name, business methods patent, or trade dress authorize a legal monopoly, oust competitors from the marketplace, expand imbue market share, and create marketing “power.” Ensuing infringement actions pit competitors against each other seeking to seize the intellectual property if they are the infringer, or protect the intellectual property if they are the owner. The film depicts the quest by Wicked Witch of the West to seize the Ruby Slippers originally owned by her sister, the late Wicked Witch of the East. Of course, as long as Dorothy was alive, the Wicked Witch of the West would be thwarted.

unhappy partners.<sup>94</sup> Dorothy learned that asset protection schemes typically transform the title or form of the assets but still repose the beneficial interest in the hands of the debtor.<sup>95</sup> The typical transfer transforms the individually-owned business into a limited liability company. For example, it might transfer the family home into a trust or family partnership; it might even parcel a business into various cells represented by limited liability companies, each housing the business assets. Other schemes retitle assets in Nevada (a popular State for asset protection) or form limited liability companies with nominal directors and officers. The outcome of asset protection is that the debtor retains beneficial control while title to the asset is vested in an ostensible and separate entity, making it apparently inaccessible to the reach of the creditor.<sup>96</sup> Asset protection methods can exponentially increase the cost, risk and effort borne by the creditor in reaching an asset, thereby discouraging active enforcement and driving away most commercial creditors who may be unwilling to shoulder the draining and uncontrollable costs of continuing enforcement.<sup>97</sup>

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<sup>94</sup> This list describes the parade of the enemies besieging victims of financial misfortune presented in asset protection ads.

<sup>95</sup> Fraudulent conveyance laws date back to the reign of Queen Elizabeth (1 Statute of 13 Eliz.) and are typically codified in the Uniform Fraudulent Transfer Act and its predecessor, the Uniform Fraudulent Conveyance Act, whose remedies might carry over to the UFTA. *See Cortez v. Vogt*, 60 Cal. Rptr. 2d 841, 851–52 (Cal. Ct. App. 1997); *see* 5 COLLIER ON BANKRUPTCY, § 548.01 (15th ed. Revised 2004). The purpose of a fraudulent conveyance doctrine is to prevent assets from being transferred away from a debtor in exchange for less than fair value, leaving a lack of funds to compensate the creditors. *Id.* In the foundational fraudulent conveyance case, *Twyne Case*, (1601) 76 Eng. Rep. 809 (Star Chamber), the Star Chamber examined the facts surrounding such transfers to determine whether they had signs and marks of a fraudulent or malicious intent, such as secret transfers, continued ownership or possession of property after its alleged transfer, self-serving representations in transfer documents that the transfer was not intended to defraud creditors, transfers of substantially all assets, or transfers made while action was pending against the transferor. Fraudulent conveyance law prevents debtors from making collusive transfers to others, often friendly recipients, in an attempt to avoid their creditors. *See Douglas G. Baird & Thomas H. Jackson, Fraudulent Conveyance Law and Its Proper Domain*, 38 VAND. L. REV. 829, 830 (1985) (A debtor cannot manipulate his affairs in order to shortchange his creditors and pocket the difference. Those who collude with a debtor in these transactions are not protected either.); *In re Abatement Env'tl. Res., Inc.*, 102 F. App'x. 272, 276 (4th Cir. 2004).

<sup>96</sup> Rendering the asset more difficult to reach by transforming title or its character is *per se* a fraudulent conveyance. *See In re Bernard*, 96 F.3d 1279 (9th Cir. 1996) (cashing out account with financial institution is a fraudulent conveyance on the basis that cash in the possession of the debtor is more difficult to reach than a garnishment upon the account). Nearly all asset protection schemes render assets inaccessible to the creditor by changing the ostensible title but not the beneficial use.

<sup>97</sup> For an illustrative example of asset laundering, *see In re Marriage of Dick*, 18 Cal. Rptr. 2d 743, 751–53 (Cal. Ct. App. 1993) (The case involved an English manor house on Isle of Jersey held in the name of Manorhouse Trust, controlled by the debtor, ownership mansion outside Denver in name of Alkobel, controlled by judgment-debtor, and transfer of millions to former secretary and business associates. No cash changed hands and the judgment-debtor received sham note transfer of doll collection, two Palm Springs homes, automobiles and condominium to trusts controlled by judgment-debtor.).

The California Legislature has a general public policy of protecting creditors from fraudulent transfers, including transfers between spouses. *See Mejia v. Reed*, 74 P.3d 166, 173 (Cal. 2003). The business of illicit asset protection is against public policy.

Aggressive asset protection schemes suggest the filing of twenty financing statements encumbering the judgment-debtor's assets in which the claimed secured creditors are foreign domiciled trustees (Cayman Islands, The Bahamas, Aruba or Antigua), minor children, or foreign corporations; the recording of serial grant deeds and deeds of trust; or the establishment of bank accounts in the name of out of state limited liability companies in which the members are minor children whose membership interests are held in trust. In *Ager*, the judgment-debtor apparently fraudulently conveyed his interests in the patents to a family member, and that judgment-creditor sought an injunction against any further conveyances. *See Ager v.*



¶38 Wary of falling into the clutches of attorneys or accountants peddling expensive, fee-driven asset protection schemes, Dorothy hired an intellectual property attorney who advised her of the anomaly found in the battle between the creditor holding a security interest in a patent filed with the Secretary of State and the purchaser (or mortgagee) of the patent rights for value consideration and without notice of any competing claim.<sup>98</sup> Dorothy advised counsel that Ms. Gulch had served an ORAP, imposing a judicial lien upon Dorothy's assets under Cal. Civ. Proc. § 708.110(d).<sup>99</sup> Counsel suggested that Dorothy sell and assign her design patent to a *bona fide* purchaser for value and without notice. The purchaser would take title free and clear of the ORAP lien claim by Ms. Gulch in light of such cases as *Chesapeake Fiber Packaging Corp. v. Sebro Packaging Corp.*,<sup>100</sup> and *In re Transportation Design & Tech., Inc.*<sup>101</sup> "Interesting option," Dorothy thought. She could convert the design patent into cash, which is more difficult to reach, and free the design patent of the ORAP lien.<sup>102</sup>

### I. Bankruptcy Lawyers Cannot Count Past Ninety

¶39 Dorothy contemplated filing for Chapter 11 which would return her to the catbird seat as a debtor-in-possession and the proponent of a plan of arrangement, which might hold the judgment-creditor at bay.<sup>103</sup> At the outset, Dorothy would enjoy the benefits of

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Murray, 105 U.S. 126 (1881).

From the trenches in the battle of post-judgment remedies, fraudulent conveyances serve as the concertina wire first line of defense and deters everybody less than a zealot from reaching the IP asset. In seeking the company crown jewels, the judgment-creditor should anticipate some effort by the judgment-debtor to obstruct, delay, or hinder this quest and juxtapose the framework of asset protection schemes upon the text of post-judgment remedies in reaching intellectual property. Proof? Exhibit "A": O.J. Simpson hid the book rights to *IF I DID IT* in a shell corporation, bearing the name of his children, that actually contracted with Harpers Collins as the publisher. Asset protection, fraudulent conveyance and demise of liability are featured in Lynn M. Lopucki, *The Death of Liability*, 106 YALE L.J. 1, 32–38 (1996), which serves as the seminal article on the subject.

<sup>98</sup> 35 U.S.C. § 261 (2006).

<sup>99</sup> "Service of the order creates a lien on the personal property of the judgment-debtor for a period of one year from the date of the order unless extended or sooner terminated by the court." CAL. CIV. PROC. CODE § 708.110(d) (West 2010).

<sup>100</sup> *Chesapeake Fiber Packaging Corp. v. Sebro Packaging Corp.*, 143 B.R. 360, 369–70 (Bankr. D. Md. 1992), *aff'd*, 8 F.3d 817 (4th Cir. 1993).

<sup>101</sup> *See In re Transp. Design & Tech., Inc.*, 48 B.R. 635, 639 (Bankr. S.D. Cal. 1985).

To perfect a security interest in a patent, the secured party must file with the Secretary of State. *In re Cybernetic Servs., Inc.*, 239 B.R. 917 (B.A.P. 9th Cir. 1999). This case distinguished between a security interest and patent mortgage in which the patent mortgagee who has duly filed with the Patent Office will defeat the secured party who has not filed as follows:

"We agree with *In re Transportation Design & Technology, Inc.*, 48 B.R. 635, 639 (Bankr. S.D. Cal. 1985), that *Waterman* stands for the proposition that a bona fide purchaser holding a duly recorded conveyance of the ownership rights in a patent or a mortgagee who has recorded its interest as a transfer of title with the Patent Office will defeat the interests of a secured creditor of the grantor or mortgagor who has not filed notice of its security interest in the Patent Office. *Waterman* does not hold that all security interests, even those that do not involve a transfer of an ownership interest, must be recorded in the Patent Office to perfect the lien." *Id.* at 920 n.8.

<sup>102</sup> Not so fast, Dorothy. *In re Bernard* would view the transformation of the design patent into cash unburdened by the ORAP lien as a fraudulent conveyance because Dorothy rendered the design patent unreachable by a receiver, and the cash-at-hand is far more difficult to reach. If Dorothy files bankruptcy, she might face an action to bar her discharge based on a fraudulent conveyance. *See* 11 U.S.C. § 727(a)(2)(A) (2006).

<sup>103</sup> *See* 11 U.S.C. § 1129(a). As a general matter, the debtor is the classic protagonist in a Chapter 11

the automatic stay under 11 U.S.C. § 362(a) and would be provided with some breathing room. In due course, Ms. Gulch would file a motion for relief from the automatic stay to continue with enforcement of the judgment.

¶40 Dorothy's bankruptcy options were limited. The receivership order could bar Dorothy from filing for bankruptcy. In *United States v. Vulpis*, the court upheld a trial court order enjoining the defendant from filing for bankruptcy when the defendant stipulated to the appointment of a receiver and acknowledged the extension of a restraining order prohibiting interference with estate assets.<sup>104</sup> Of course, Dorothy did not stipulate to the appointment of a receivership but this fact is not relevant. A debtor subject to a federal receivership has no absolute right to file a bankruptcy petition and federal courts enjoin a voluntary or involuntary bankruptcy where liquidation by a receiver is substantially under way.<sup>105</sup> Dorothy could file for Chapter 11 before the receivership motion is granted and within 90 days of the earliest liens to insure that she could avoid judgment liens, imposed by Ms. Gulch, a bankruptcy preference.<sup>106</sup>

¶41 On the other hand, judgment liens survive bankruptcy if perfected outside the ninety-day preference period under 11 U.S.C. § 547(b).<sup>107</sup> Ms. Gulch might very well succeed in obtaining relief from the automatic stay to continue enforcement of the judgment and commence (or probably recommence) the process of the post-judgment

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proceeding in proposing a plan of arrangement and from a practical standpoint takes the initiative in resolving the claims against it. Absent the creditors offering a plan after the exclusivity period expires, most Chapter 11 case are battles fought by the debtor to seek confirmation of its own plan over the objections of the creditors, secured and unsecured. While the court does not necessarily favor the debtor or creditor in a plan confirmation battle, the debtor as the plan proponent enjoys the inherent advantage of shaping the battle in that plan adversaries object to terms of the debtor's plan as opposed to proposing their own plan. See 11 U.S.C. § 1121(c).

<sup>104</sup> *United States v. Vulpis*, 961 F.2d 368, 371–72 (2d Cir. 1992); see also *United States v. Royal Bus. Funds. Corp.*, 724 F.2d 12, 16 (2d Cir. 1983). Debtor and related entity borrowed substantial funds from the SBA, but defaulted. The SBA called the loan which prompted the filing of enforcement action in district court. The debtor stipulated to the appointment of a receiver, and the SBA advanced another \$3.5 million to assist in the debtor real estate ventures, plus other advances. The debtor and the SBA clashed over the management by the operating manager, and the debtor filed Chapter 11 to exit the receivership and emerge as debtor in possession with all powers of independent management in Chapter 11. The district court stayed the Chapter 11, leading to the appointment. While the court noted that the general rule is that a debtor may not agree to waive the right to file a bankruptcy petition, and pendency of equitable proceeding rarely precludes a petition in bankruptcy, nonetheless a debtor subject to a federal receivership has no absolute right to file a bankruptcy and federal courts have disallowed a bankruptcy when a liquidation by a receiver is substantially underway. *Id.* at 16. The short summary of this case is that the debtor cannot escape or upset a federal receivership, which is substantially consummated, by filing bankruptcy.

<sup>105</sup> *SEC v. Lincoln Thrift Ass'n*, 577 F.2d 600, 609 (9th Cir. 1978) (trial court's intimate knowledge of proceedings, receiver's expertise in management of assets, initial \$4,600,450 distribution as well as payment to creditors having claims of \$25.00 or less; bankruptcy proceeding would generate additional fees and expenses over and beyond the \$1,000,000 already paid out).

<sup>106</sup> Under Bankruptcy Code § 547(b), the debtor avoids liens and levies if perfected within 90 days of the petition date. 11 U.S.C. § 547(b) (“[T]he trustee may avoid any transfer . . . to for the benefit of a creditor . . . for or on account of an antecedent debt owed by the debtor before such transfer was made . . . while the debtor was insolvent . . . on or within 90 days before the date of the filing of the petition. . . .”).

<sup>107</sup> See *In re Hilde*, 120 F.3d 950 (9th Cir. 1997); see also *In re Franchise Pictures, L.L.C.*, 389 B.R. 131 (Bankr. C.D. Cal. 2008) (holding that the preference clock starts upon the lien imposed by post-judgment remedies). The purpose of a preference under Bankruptcy Code § 547(b) is to equalize payment due creditors, recoup funds paid on account antecedent debts, redeploy as payment for administrative, tax and labor claims, and provide the debtor with a bankruptcy moat slowing down or stopping some creditors from breaching the debtor's walls for fear of returning the money after expending costs and attorney's fees.

receiver and credit bid.<sup>108</sup> Timing is everything in bankruptcy; Dorothy would need to file a bankruptcy petition before the ORAP lien becomes preference-proof and forfeit her passage to Kansas.

### J. Squeeze Play

¶42 Seeking to squeeze every last penny out of Dorothy, Ms. Gulch opted for the additional remedy of an assignment order under Cal. Civ. Proc. § 708.510(a), authorizing the court upon motion to compel the judgment-debtor to assign an obligation (right to payment of money) to the judgment-creditor.<sup>109</sup> Unlike a direct garnishment upon the obligor, an assignment order is the classic act of *in personam* jurisdiction in which the court directly orders the judgment-debtor to assign a right to payment of money, due now or in the future, or even a conditional contingent right. An assignment order stands in stark contrast to a garnishment, which reaches an obligation immediately due and payable at the time that the garnishment is served. For example, in *First Central Coast Bank v. Cuesta Title Guaranty Company*,<sup>110</sup> the Court held that a premature levy upon an escrow holding failed to reach the real estate commission due to the real estate broker. *First Central* illustrates the instantaneous nature of a garnishment as contrasted with an assignment order, which might have reached the commission on the basis that an assignment order reaches a right which is either conditional or due in the future.

¶43 Assignment orders derive their inherent equitable power from *Fall v. Eastin*,<sup>111</sup> in which the court ordered a party to transfer real property as an exercise of *in personam* jurisdiction even though the property was outside of the court's jurisdiction.<sup>112</sup> In her efforts to peddle her Ruby Slippers, Dorothy provided her adoring public with the name, address, and telephone number of every retailer who would carry her line of sparkling footwear. Of course, this also provided Ms. Gulch with the complete list of potential obligors subject to an assignment order. With an assignment order in hand and a few dollars to pay a private process server, Ms. Gulch could serve every shoe store (*read* obligor) carrying Dorothy's Ruby Slippers and collect the accounts receivable. Dorothy

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<sup>108</sup> Upon the filing of a bankruptcy, the secured creditors routinely file motions for relief from the automatic stay under 11 U.S.C. § 362(d) by which the secured creditor seeks leave to enforce the security interest, deed of trust, mortgage or judicial lien. The secured creditor typically claims that the debtor lacks any equity in the property, that the property is not necessary to the effective reorganization, or a lack of adequate protection, such as a depreciating asset, like equipment. If the debtor needs the asset for an effective reorganization, the bankruptcy court generally orders the debtor to provide adequate protection payments to compensate the secured creditor for any diminution during the proceedings. If Ms Gulch's liens are beyond the 90-day preference period, and exempt from any avoidance, Ms Gulch will file a motion for relief from the automatic stay and seek to recycle enforcement or seek adequate protection payments from the diminution of the property subject to the judgment liens.

<sup>109</sup> Cal. Civ. Proc. § 708.510(a)(5).

<sup>110</sup> *First Cent. Coast Bank v. Cuesta Title Guar. Co.*, 191 Cal. Rptr. 433, 436 (Cal. Ct. App. 1983).

<sup>111</sup> *Fall v. Eastin*, 215 U.S. 1 (1909).

<sup>112</sup> The latest interpretation of CAL. CIV. PROC. CODE § 708.510(a) is *UMG Recordings v. BCD Music Group, Inc.*, No. CV 07-05808, 2009 WL 2213678 (C.D. Cal. Jul. 9, 2009), in which the assignment order reached accounts due the judgment-debtor from the distribution of music. *See also* *Philippine Exp. and Foreign Loan Guar. Corp. v. Chuidian*, 267 Cal. Rptr. 457 (Cal. Ct. App. 1990) (The court circumscribed the power of the assignment order to the parameters of the Foreign Sovereign Immunities Act (FSIA), 28 U.S.C. § 1601, but did authorize an assignment for any obligor located in the United States.); *see also In re Rollins*, 175 B.R. 69, 76 n.5 (Bankr. E.D. Cal. 1994) (discussing the extensive reach of an assignment order which might reach an identifiable contingent right, such as an inheritance).

also licensed her design patent to other manufacturers, who would presumably pay Dorothy royalties and commissions from the continuing sale of their licensed Ruby Slippers. Similarly, this stream of income would fall within the scope of an assignment order.

*K. Will Traffix Ride to Dorothy's Rescue?*

¶44 “Not so fast.” said Dorothy’s attorney, waving trade dress *and* trademark protection.<sup>113</sup> Dorothy was awarded trade dress protection for the unique shape and design of the Ruby Slippers<sup>114</sup> and a trademark for the name “Dorothy’s Ruby Slippers,” being the word, name, symbol, or device to identify her apart from others as the manufacturer of these particular shoes. Fearless, Dorothy warned that while Ms. Gulch might have grabbed the design patent through an *Ager* receiver, any reproduction and/or distribution of “Dorothy’s Ruby Slippers” by Ms. Gulch might run afoul of the trade dress and trademark protection leading to a potential firestorm of scorched-earth<sup>115</sup> litigation. Ms. Gulch had seized the design patent and related copyright through a receiver’s sale, but Dorothy still retained the business, which included the same product line, goodwill, vendor, customer lists, trade name, phone number, and advertising campaign. Ms. Gulch was not about to walk away empty-handed and sought to execute upon the trade dress or trademark registration.

¶45 Trademark and trade dress are two separate and distinct forms of Lanham Act protection.<sup>116</sup> In order to claim trade dress rights, the trade dress or trademark features

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<sup>113</sup> Many writers have struggled with this area of law. Professor Juliet M. Moringiello, Associate Professor at Widener University School of Law, writes: “The foregoing description belies the actual confusion in state law, and in respect are the governing laws more confusing than they are with respect to intellectual property. While judgment-creditors everywhere can seize tangible personal property through the execution process, a comparable mechanism for the seizure of intangible property is not universally available.” Moringiello, *supra* note 13, at 133. Professor Moringiello surveys the differences in enforcement remedies and labels some of them a “confusing conglomeration of state legislation, much of it antiquated.” *Id.* at 130. Professor Moringiello’s statement is unfortunately correct, and some states, such as California, have an up-to-date, modernized body of post-judgment remedies, while many Eastern seaboard states still use the writ of *fieri facias*. What Professor Moringiello meant to write is that a plaintiff who anticipates post-judgment enforcement action to reach the defendant’s intellectual property should recalculate forum selection clause, choice of law, and venue consideration in contract drafting. In the face of litigation, a plaintiff should carefully lay venue in the most “creditor” friendly jurisdiction, if possible under 28 U.S.C. § 1391.

<sup>114</sup> A trade dress is not to be confused with a registerable trademark. *See Two Pesos, Inc. v. Taco Cabana Inc.*, 505 U.S. 763, 775 (1992).

<sup>115</sup> In *Minstar Acquiring Corp. v. AMF, Inc.*, the court refers to the term “scorched earth” as “a military term—in fact, the analogy to war seems to run through much of the takeover vernacular. When a battle is lost and a force must retreat from its position, it burns the town and fields, so that the conquerors get nothing for their troubles but scorched earth.” 621 F. Supp. 1252, 1260 (S.D.N.Y. 1985).

<sup>116</sup> However, trademark and trade dress are two distinct concepts under the Lanham Act. *See Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209–10 (2000). The Lanham Act defines a trademark as “any word, name, symbol, or device, or any combination thereof” which is used or intended to be used by a person “in commerce . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.” 15 U.S.C. § 1127 (2006). By contrast, trade dress is not explicitly defined in the Lanham Act, but has been described by the Supreme Court as the “design or packaging of a product” which has acquired a “secondary meaning” sufficient “to identify the product with its manufacturer or source.” *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 28 (2001); *see also Gibson Guitar Corp. v. Paul Reed Smith Guitars, L.P.*, 423 F.3d 539, 547 (6th Cir. 2005).

must be non-functional. Conversely, a product feature or aspect “cannot serve as trademark, if it is essential to the use or purpose of the article or if it affects the costs or quality of the article, that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.”<sup>117</sup> Whether trade dress or trademark, given the differentiation laid down by *TrafFix*, Dorothy registered the trademark constituting a word, name, symbol, or device which she developed to connote a secondary meaning attributable to shoes manufactured by her, as well as the trade dress design or packaging of a product which has acquired a secondary meaning sufficient to identify the product with her manufacture or source.<sup>118</sup>

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Is this a “burning broom” teachable moment?<sup>119</sup> In *Marshak v. Green*,<sup>120</sup> the court barred the judgment-creditor from executing upon a trademark alone and without the associated goodwill.<sup>121</sup> In *Ward-Chandler v. Caldwell*,<sup>122</sup> the court likewise barred the judgment-creditor from reaching the trademark alone.<sup>123</sup> The buzzwords are, of course, “an assignment in gross.” *Marshak* holds that a trademark “in gross” is a purported transfer of a trademark divorced from goodwill and is generally invalid.<sup>124</sup> Ms. Gulch may not solely grab the trademark or trade dress. Without the trademark or trade dress in hand, Ms. Gulch’s scheme would melt as if Dorothy had doused it with a bucket of

<sup>117</sup> See *Qualitex Co v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995) (Color of dry-cleaning pad protectable as trade dress since color was not functional and served as source identifying feature.).

<sup>118</sup> See J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 8:1 (West 4th ed. 2007) (“Today, many types of designations protectable as ‘trade dress’ are also registrable as ‘trademark.’”).

<sup>119</sup> Ms. Gulch was fond of riding a bicycle with the picnic basket carrying Toto, sans helmet and, as the *Witched Witch of the West*, her ride was a broom, sans seatbelt. Either way, see RALPH NADER, UNSAFE AT ANY SPEED (Grossman Publishers) (1965).

<sup>120</sup> *Marshak v. Green*, 746 F.2d 927 (2d Cir. 1984).

<sup>121</sup> *Id.* at 929–30. For a more recent and likewise enlightening case, see *Topps v. Cadbury Stani S.A.I.C.*, 526 F.3d 63 (2d Cir. 2008).

<sup>122</sup> *Ward-Chandler Bldg. Co. v. Caldwell*, 47 P.2d 758 (Cal. Dist. Ct. App. 1935).

<sup>123</sup> Some writers have opined that the sole remedy to involuntarily encumbering a trademark is a lien recorded with the USPTO. Professor Moringiello writes: “As a result, courts have found that the only remedy available to judgment-creditors trying to seize a debtor’s trademark rights is the imposition of an equitable lien on the trademark, which lien is recorded in the United States Patent and Trademark Office.” Moringiello, *supra* note 13, at 134.

The erroneous statement is saying that it is the “only remedy.” *Adams Apple Distrib. Co. v. Papeleras Reunidas, S.A.*, laid down the marker that a trade name is property subject to enforcement, and that a judgment-creditor may impose an involuntary lien and entitled the lien “equitable” under Illinois law. 773 F.2d 925, 931 (7th Cir. 1985). The court defined the rights as follows: “[I]mposing an equitable lien on a trademark does not seek to give the lienholder an in gross property right to the trademark itself. For these reasons, we hold that it is permissible to impose an equitable lien on a business’s trademark.” *Id.* Admittedly, the trademark is not a property right in gross which may be so part from the business or goodwill, see *Marshak*, 746 F.2d at 927, but may be transferred along with the goodwill even though no tangible assets are transferred. See *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 676 (7th Cir. 1982).

Parceling out Professor Moringiello’s statement reveals the confusion over lien rights, levy remedies and *sui generis* nature of each state’s post-judgment remedies. Professor Moringiello states that the only remedy is to seize a passive lien. That is incorrect. The process of seizure is by a writ of execution, which is unavailable in reaching general intangibles in most instances. To reach a trademark the remedy is to appoint an *Ager* receiver, in which the estate would include the trademark and the associated goodwill, such as the trade name, trade style, line of products, customer list, and business assets and continue to market the products associated with the trademark consistent with *Marshak*. The *Adams Apple* lien would give the creditor priority in the event of a future bankruptcy, bona fide sale, or enforcement by other creditors.

<sup>124</sup> See *Marshak*, 746 F.2d at 929.

water.<sup>125</sup> Making matters worse, Dorothy ratcheted up her asset protection scheme by imprinting her trademarked name, “Dorothy’s Ruby Slippers,” into each shoe written in a distinctive scroll font, with the logo—the outline of the shape of the Ruby Slippers.<sup>126</sup> Did Dorothy beat back Ms. Gulch in her battle for Dorothy’s intellectual property and escape to Kansas with her Ruby Slippers in hand? Not so fast, Dorothy.

¶47 *Marshak* only bars a transfer in gross but authorizes a forced transfer of the trade dress or trademark if associated with the goodwill of the business. Ms. Gulch’s perceived error was thinking too small. Instead of just grabbing the trade dress and trademark, Ms. Gulch should have sought the appointment of a receiver of Dorothy’s entire business, including such assets as the inventory on hand, vendor contracts, customer lists, and goodwill. Better yet, Ms. Gulch could serve Dorothy with an ORAP or procured an order for application of the assets to satisfy the judgment (*i.e.*, turnover order), creating liens pursuant to Cal. Civ. Proc. §§ 708.110(d) and 708.205(a), which would include the trade dress itself or the trademark.<sup>127</sup> Additionally, *TrafFix* differentiates these separate forms of protection and Dorothy could achieve two levels of Lanham Act protection for the shoe line. Both the trade dress and trademark are subject to a lien as property. A judgment-creditor may impose a lien upon a trademark, being a form of property. Given that trade dress is another form of rights under federal law, trade dress is presumably also capable of supporting a lien for purpose of enforcement.<sup>128</sup>

¶48 With a lien on the trademark and trade dress at hand and a receiver of Dorothy’s business at her fingertips, Ms. Gulch could engineer a sale of the trademark (or trade dress) and associated goodwill through a receiver and could even bid her judgment (or any part of it) to become the owner and continue the business itself. A trademark is property that exists in connection with the goodwill or tangible assets of a business.<sup>129</sup> The court might authorize the forced sale of a trademark and trade dress along with goodwill even though no tangible assets are actually being transferred.<sup>130</sup>

¶49 In *Vittoria North America LLC v. Euro-Asia Imports Inc.*,<sup>131</sup> the court upheld an assignment if the assignee is producing a product or performing a service similar to that of the assignor and if consumers would not be deceived or harmed. The court held that “[t]he traditional requirement of accompanying transfer of goodwill can be understood as requiring that the assignment not disrupt the existing significance of the mark to the consumer.”<sup>132</sup> Paramount to Ms. Gulch was that she reached the trade dress and

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<sup>125</sup> The article treats the bar from a transfer in gross to apply to both trade dress and trademark.

<sup>126</sup> Dorothy could develop “word, name, symbol, or device, or any combination thereof” to identify her shoes from competitors and indicate the source of the goods consistent with U.S. Code as a trademark. 15 U.S.C. § 1127 (2006).

<sup>127</sup> Professor Juliet Moringiello likewise concludes that a writ of execution is an ineffective remedy to reach intellectual property: “Neither levy nor garnishment will generally suffice to reach a debtor’s interest in a patent or copyright, so to reach those assets a creditor must resort to a creditor’s bill. As a result, judgment-creditors must go court to compel the debtor to transfer its rights to such intellectual property.” Moringiello, *supra* note 13, at 134 (citing *Ager v. Murray*, 105 U.S. 126 (1881)).

<sup>128</sup> See *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 633 F.2d 912, 919 (9th Cir. 1980); see also, *e.g.*, *Jacobs, Bell & Baumol v. Curtis*, 556 A.2d 817, 818 (N.J. Super. Ct. Law Div. 1989); *Adams Apple*, 773 F.2d at 931.

<sup>129</sup> See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918).

<sup>130</sup> See *Money Store v. Harriscope Fin., Inc.*, 689 F.2d 666, 676 (7th Cir. 1982); *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 956 (7th Cir. 1992).

<sup>131</sup> *Vittoria N. Am., L.L.C. v. Euro-Asia Imps., Inc.*, 278 F.3d 1076 (10th Cir. 2001).

<sup>132</sup> *Id.* at 1083.

trademark. Her success was contingent upon having the receiver sell, along with the trade dress and trademark, the associated goodwill and the tangible assets of the business. Ms. Gulch then, in fact, could go into a similar business of manufacturing Ruby Slippers. With the design patent, trade dress, and associated goodwill in hand, Ms. Gulch finally grabbed hold of the Ruby Slippers; at least she hoped to have a hold of them until she sued infringing makers of counterfeit Ruby Slippers, all of whom would test and retest her chain of title.

¶50 Now, before going further, let's consider the outcome. Take the hypothetical situation of competitors in the marketplace, each one hunting down the other and haling them into court for antitrust, IP infringement, unfair competition, unfair business practices, or any other claims in a complaint or counterclaim. By dint of force and good fortune, the plaintiff achieved the multi-million-dollar company-killing judgment. Quickly encumbering the assets of the judgment-debtor who fails to liquidate the liens through a bankruptcy petition filed within ninety days, the judgment-creditor moves the court for an order appointing a receiver and an order compelling the judgment-debtor to assign the trade dress and trademark to the receiver (or surrogate to sign the assignment). At the ensuing sale conducted by the receiver, the judgment-creditor credit bids part of the judgment at the receiver's sale, and acquires the rights. As long as the judgment-creditor continues to provide the same or similar product which is attached to the trade dress or trademark and prevents consumer confusion, *Vittoria* upholds the transfer and circumvents a challenge of a "transfer in gross," the attempted transfer of a trademark without the corresponding product or service and underlying goodwill.

¶51 Ms. Gulch can pull another rabbit out of her witch's hat. Instead of seizing Dorothy's trade dress protection for the shoes, Ms. Gulch could claim that the trade dress registration sought to protect the functionality of the product and not its non-functional aspects under *TrafFix*, defeating Dorothy's claims of putative infringement by attacking the underlying trade dress claims themselves. Fending off Dorothy's challenges through *TrafFix*, however, Ms. Gulch would necessarily face years of expensive and unpredictable litigation, which would undermine, if not outright tarnish, Ms. Gulch's unfettered entitlement to exploit the design patent and related copyright. It could also drive away lenders, equity participants, licensees, and manufacturers. The sword to cut the Gordian knot of functionality/non-functionality and *TrafFix* is the post-judgment remedy to execute upon the trade dress registration and effectively take it away from Dorothy through an *Ager* receiver.

*L. Domain Names are a Property Interest Subject to Enforcement or  
Don't Leave Home Without It*

¶52 Taking a page from the Donna Summer songbook,<sup>133</sup> Dorothy lived the dream of "If You Got It, Flaunt It" through a Technicolor website showcasing the Ruby Slippers, inviting visitors to browse, and purchase, her various lines of ruby shoes. Clutching the design patent, copyright, trade dress, and trademark, Ms. Gulch sought to acquire Dorothy's many domain names, already deemed personal property subject to enforcement under a money judgment, driving Dorothy's loyal customer base to the new

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<sup>133</sup> This of course refers to a hit single by Donna Summer, one of the great disco divas. DONNA SUMMER, ONCE UPON A TIME (Casablanca 1978).

website.<sup>134</sup> At first, Ms. Gulch considered a judicially-imposed assignment or turnover of the domain registration from the debtor to herself directly. A *Prototek* direct order could transfer the rights to the Ruby Slippers to Ms. Gulch, avoiding the intervening receiver and assignment, and the attendant risk of exposing the domain name to a receiver's very public auction.<sup>135</sup> Aware of the historical and very newsworthy pending victory in seizing the Ruby Slippers from Dorothy, rendering Ms. Gulch the most powerful witch in the land of Oz, Ms. Gulch stared into her IP crystal ball to see if any modern day interlopers might snatch up the domain name and diminish the value of Ms. Gulch's IP rights. To Ms. Gulch, an order directing the transfer of the domain name to her was as dead as the Wicked Witch of the East. *Palacio* and *Ho* both bar a judicially-ordered transfer of debtor property to the judgment-creditor, which fully expresses California law and applies in post-judgment proceedings in Federal Court under Fed. R. Civ. Pr. 69(a)(1). Ms. Gulch abandoned *Prototek* because *Palacio* and *Ho* bar a direct transfer.<sup>136</sup>

¶53 Had Ms. Gulch cut corners with a *Prototek* order and prosecuted an infringement action for the domain name, she would have literally invited a full frontal attack on her chain of title based on voidness and faced a potential ouster from the court only to witness the value of her Ruby Slippers degrade under the weight of predatory suit-proof internet merchants redirecting key internet traffic to their sites.<sup>137</sup>

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<sup>134</sup> See *Kremen v. Cohen*, 337 F.3d 1024, 1029–1030 (9th Cir. 2003). A similar result was reached in *Palacio*, which cited *Kremen* with approval, leading to the court in *Office Depot, Inc. v. Zuccarini* to hold, in pertinent part, as follows: “First, we have already held under that domain names are intangible property under California law . . . . However, the court [*Palacio*] left open the question whether domain names constitute intangible property generally, and it cited *Kremen* with approval. Moreover, the ‘taking into custody’ language in Section 699.040 does not appear in Section 708.620, which governs the appointment of receivers. We conclude that *Kremen* is still an accurate statement of California law, and that domain names are intangible property subject to a writ of execution.” *Office Depot, Inc. v. Zuccarini*, 596 F.3d 696, 702 (9th Cir. 2010).

The *Office Depot* court noted that, under California law, all property of the judgment-debtor, unless statutory excepted, is subject to enforcement of a money judgment, and all property subject to enforcement is subject to levy under a writ of execution to satisfy that judgment. *Id.* at 701. Specifically, the *Palacio* court held that “[u]nder these provisions, all property of a judgment-debtor can be used to satisfy a writ of execution.” *Id.* Whether the judgment-creditor could truly reach the domain name through a levy cycling through the sheriff's office is difficult to predict as the domain name is a general intangible (unless due from a third-party as an obligation) and, the preferable method is the appointment of a receiver. The Ninth Circuit notes that the District Court follows the laws of the domicile state under FED. R. CIV. P. 69(a) and specifically California liberal post-judgment statute for the appointment of a receiver. See CAL CIV. PROC. CODE § 708.620 (West 2010).

Accord FED. R. CIV. P. 66; see also TEX CIV. PRAC. & REM. CODE ANN. § 64.001(2) (Vernon 2009) (Texas provision for appointment of a receiver in actions by a creditor to collect against a debtor); 735 ILL. COMP. STAT. 5/2-415 (2009) (Illinois provision for appointment of receivers).

<sup>135</sup> *Sleepy Hollow Inv. Co. v. Prototek, Inc.*, No. C 03-4792, 2007 WL 2701318, at\*1 (N.D. Cal. Sept. 13, 2007).

<sup>136</sup> *Palacio Del Mar Homeowners Ass'n, Inc. v. McMahon*, 95 Cal. Rptr. 3d 445, 447–48 (Cal. Ct. App. 2009) (“A turnover order may direct the examinee to deliver (1) property to a levying officer, and (2) funds directly to the judgment creditor-but not property directly to the judgment creditor.”); *Ho v. Hsieh*, 105 Cal. Rptr. 3d 17, 24 (Cal. Ct. App. 2010) (“The securities at issue were found to have no value and cannot satisfy Creditor's judgment in any amount. It was an abuse of discretion to order property that cannot be applied to satisfy the outstanding money judgment in any measure transferred to Creditor in an action to enforce the judgment.”). *Palacio Del Mar Homeowners Ass'n, Inc.*, 95 Cal. Rptr. at 447–48 (The court comments that a domain name cannot be assigned to a creditor. It must be assigned to a sheriff or other court entity for auction because an auction creates at least the possibility that a competitor will gain access to the domain name and direct key internet traffic to their site.).

<sup>137</sup> *Prototek, Inc.*, 2007 WL 2701318, at\*1.



¶154 To reach Dorothy's domain names, *Ager* counsels Ms. Gulch to seek the appointment of a post-judgment receiver and ensuing receiver's sale, which are the remedy authorized by the trial and circuit courts in *Office Depot Inc./DS Holdings, LLC v. John Zuccarini*.<sup>138</sup> While the central issue in *Office Depot* was jurisdiction over the judgment-debtor's intangible property of 248 domain registrations, the proceedings at the trial court level are instructive.<sup>139</sup> The judgment-creditor first sought a direct turnover order compelling the judgment-debtor to turn over the domain names to the judgment-creditor. The trial court denied this relief, finding no basis to compel a third-party (the registrant for the domain names) to turn over the domain names to a judgment-creditor.<sup>140</sup> If at first the judgment-creditor does not succeed, *Office Depot* instructs, the judgment-creditor should move for the appointment of a post-judgment receiver, which is exactly what the judgment-creditor sought and received.<sup>141</sup> The judgment-creditor received a remedy discussed without comment, criticism, or even question in *Office Depot*, leading to an inference that the court impliedly recognized a receivership as a potential remedy to reach domain registrations.

¶155 Other remedies exist to permit the seizure of a domain name if the domain name is "due" from a third-party who issued the domain name to the judgment-debtor. Receiverships are expensive remedies, starting with the fees and charges to appoint the receiver, together with the fees and charges due the receiver in the administration of the estate and the fees and charges due the receiver's attorneys. To avoid this avalanche of expenses, may the judgment-creditor levy on the domain name through a writ of execution (U.S. Marshal's cost: \$55.00)?<sup>142</sup> A direct levy upon the registrar who issued the domain name to its customer should be effective enforcement. The direct levy authorizes the sheriff to proceed with a sheriff's sale and Ms. Gulch would thereby acquire the domain through a credit bid. Would this process end Ms. Gulch's eternal quest to recover the Ruby Slippers or at least the intellectual property rights which constitute the Ruby Slippers?

¶156 Maybe not. The service agreement between the registrar and registrant may preclude enforcement against a domain name. For example, Network Solutions LLC, the leading registrar of domain names, precludes enforcement against a domain name in paragraph 20 of its Terms and Conditions, as follows: "Any attempt by your creditors to obtain an interest in your rights under this Agreement, whether by attachment, levy, garnishment or otherwise, renders Agreement voidable at our option."<sup>143</sup> The service agreement for GoDaddy (the tenth largest domain registrar) likewise provides as follows:

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<sup>138</sup> See *Office Depot*, 596 F.3d at 696.

<sup>139</sup> See *Office Depot, Inc. v. Zuccarini*, 488 F. Supp. 2d 920 (N.D. Cal. 2007).

<sup>140</sup> *Id.*

<sup>141</sup> See *Office Depot, Inc. v. Zuccarini*, 621 F. Supp. 2d 773 (N.D. Cal. 2007). That victory might be pyrrhic. See *id.* at 778 n.7 ("The Court is concerned, however, with DS Holding's ultimate plan to auction off the domain names at issue. As Zuccarini points out, many of the domain names at issue are deliberate misspellings and variations of legitimate domain names, both generic and proprietary. Such names may have legitimate purposes, as counsel argued at the hearing, but they may also be used to misdirect consumers, as apparently Zuccarini himself did."). The technical term is "toxic asset."

<sup>142</sup> 28 C.F.R. § 0.114 (2010).

<sup>143</sup> Network Solutions Service Agreement, available at <http://www.networksolutions.com/legal/static-service-agreement.jsp> (last visited June 25, 2010).

While the Virginia Supreme Court held that a domain name is not property in *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d. 80 (Va. 2000), enforcement of a termination clause at the discretion of the

Go Daddy expressly reserves the right to deny, cancel, terminate, suspend, lock, or modify access to (or control of) any Account or Services (including the right to cancel or transfer any domain name registration) that it deems necessary, in its sole and absolute discretion . . . (vi) to defend any legal action or threatened legal action without consideration for whether such legal action or threatened legal action is eventually determined to be with or without merit, or (vii) to avoid any civil or criminal liability on the part of Go Daddy, its officers, directors, employees and agents, as well as Go Daddy's affiliates.<sup>144</sup>

Register.com similarly provides that “[a]ny attempt by your creditors to obtain an interest in your rights under this Agreement, whether by attachment, levy, garnishment or otherwise, renders this Agreement voidable at our option.”<sup>145</sup>

¶57 These service agreements represent an interest of the registrar to avoid any entanglements in enforcement proceedings through the draconian sanction of termination of the domain registration in the event of a levy, garnishment, or other enforcement, such as a receivership. On the other hand, these agreements provide the registrar the option of termination or cooperation in the post-judgment enforcement process. Should the registrar exercise the “nuclear option” and revoke the domain name registration (registered in the judgment-debtor’s name), nothing would stop the judgment-debtor from simply re-registering the domain name with another service provider, rendering a further direct levy burdensome or near impossible if the local jurisdiction refuses to recognize a default judgment from a United States court.

¶58 On the other hand, nothing stops Ms. Gulch, clutching all IP rights, from registering the domain name directly. Owning the intellectual property rights to the Ruby Slippers may give Ms. Gulch deference for her right of ownership of the domain name by the courts on the grounds that Dorothy’s use of the domain name amounts to trademark dilution. In *Panavision Int’l, L.P. v. Toeppen*,<sup>146</sup> the Ninth Circuit held that the infringing defendant was “cybersquatting” where he had registered the plaintiff’s trade names as a variety of domain names in an effort to sell the domain names to the plaintiff for a profit. By registering the domain names to himself, the defendant posted placeholder pages that contained no information regarding the plaintiff (in a failed effort to not run afoul of other anti-infringement laws). For example, his website for “Panavision.com” showed an aerial map of Pana, Illinois.<sup>147</sup> The Ninth Circuit ruled that the defendant’s registration of Panavision’s trademarks as his own as domain names diluted those marks within the meaning of the Federal Trademark Dilution Act, 15 U.S.C. § 1125(d), and the California Anti-dilution statute, Cal. Bus. & Prof. Code § 14330.<sup>148</sup> Known as “cybersquatting,” this practice is illegal in many jurisdictions.<sup>149</sup>

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registrar constitutes a forfeiture and penalty and is subject to potential equitable relief. Equitable relief should bar the registrar from extinguishing a valuable domain name and compel an execution sale to compensate aggrieved judgment-creditors for losses sustained at the hands of the domain registrant.

<sup>144</sup> GoDaddy.com Legal Agreements, available at <http://www.godaddy.com/Legal-Agreements.aspx> (last visited Aug. 4, 2010).

<sup>145</sup> Register.com Services Agreement, available at <http://www.register.com/policy/servicesagreement.rcmx> (last visited Aug. 4, 2010).

<sup>146</sup> *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1318 (9th Cir. 1998).

<sup>147</sup> *Id.* at 1319 (9th Cir. 1998).

<sup>148</sup> *Id.* at 1327.

<sup>149</sup> See, e.g., N.Y. GEN. BUS. LAW § 149 (McKinney 2009); TEX. BUS. & COM. CODE ANN. § 325.004

¶59

Let's reexamine Ms. Gulch's predicament for a second. Ms. Gulch is owner and holder of a valid registered trademark and trade dress for Dorothy's Ruby Slippers. Ms. Gulch intends to proceed with the manufacturing of this footwear and plans to sell her product line over the internet. As the *Panavision* court noted:

A domain name is the simplest way of locating a web site. If a computer user does not know a domain name, she can use an Internet search engine. To do this, the user types in a key word search, and the search will locate all of the web sites containing the key word. Such key word searches can yield hundreds of web sites. To make it easier to find their web sites, individuals and companies prefer to have a recognizable domain name.<sup>150</sup>

Consumers seeking to send flowers to family and friends would likely type in the word "flowers" and readily find sites such as Flowers.com or 1-800-Flowers.com. The better the domain name describes the products or services, the more likely the domain name drives traffic to the site, thereby enhancing the domain name's commercial value. Dorothy still holds the domain name of DorothyRubySlippers.com. With the cooperation of the registrar, and prosecution of a post-judgment receiver to reach the domain name, Ms. Gulch might succeed in reaching the domain name as part of the enforcement process. However, Ms. Gulch could proceed under the Anticybersquatting Consumer Protection Act (ACPA)<sup>151</sup> on the basis that Dorothy's domain name is an act of cybersquatting because Dorothy has the "bad faith intent to profit that mark . . ." and "registers traffic in, or uses a domain name that—is a trademark, word or name protected by reason of Section 706 of Title 18, United States Code . . ."<sup>152</sup>

¶60

Unlike post-judgment remedies, Ms. Gulch would have to file a new action and seek a transfer of the domain name from Dorothy to her. Further, establishing jurisdiction over the infringing defendant may also be difficult because jurisdiction is limited to specific jurisdiction.<sup>153</sup> A cybersquatting suit might enable Ms. Gulch to reach Dorothy's domain name through the power of transfer,<sup>154</sup> assuming Ms. Gulch can prove specific jurisdiction over Dorothy. A cybersquatting action and ensuing machinery may or may not be as efficient in reaching the domain name when Ms. Gulch could reach the domain name through a post-judgment receiver. The registrar may be immune to injunctive relief absent a showing of willful non-compliance with court orders.<sup>155</sup>

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(Vernon 2009).

<sup>150</sup> *Panavision*, 141 F.3d at 1319.

<sup>151</sup> 15 U.S.C. § 1125(d).

<sup>152</sup> See 15 U.S.C. § 1125(d)(1)(A) (2006).

<sup>153</sup> *Panavision*, 141 F.3d at 1320; see also *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997).

<sup>154</sup> See 15 U.S.C. § 1125(d).

<sup>155</sup> See 15 U.S.C. § 1114(2)(D)(II) ("A domain name registrar, domain name registry, or other domain name registration authority described in sub clause (I) may be subject to injunctive relief only if such registrar, registry, or other registration authority has: (aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to establish the court's control and authority regarding the disposition of the registration and use of the domain name; (bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of the court; or (cc) willfully failed to comply with any such court order.").

¶61 Patent, trademark, trade dress and copyright rights in the bag, together with a writ of execution in hand, Ms. Gulch levies on the domain name by serving the registrar with a writ of execution and notice of levy and describes the property (see ensuing section, *infra*) as Dorothy’s rights and license for the domain name of DorothyRubySlippers.com. Fearful of the maelstrom of litigation stirred up by Ms. Gulch’s quest for Ruby Slippers, the registrar voids Dorothy’s registration. Is Ms. Gulch out of luck? No. If the registrar cancels Dorothy’s registration, nothing stops Ms. Gulch from registering DorothyRubySlippers.com as her own. By the registrar canceling the registration in the face of enforcement, Ms. Gulch engineers an extra-judicial *de facto* direct transfer through the registration.

¶62 Assuming that the registrar lacks the right of immediate cancellation or declines to exercise that right, the question of whether the creditor can reach the domain name is found in defining a domain name. A domain name is a general intangible which is registered with a domain name registrar that is accredited by the Internet Corporation for Assigned Names and Numbers (“ICANN”).<sup>156</sup> Generally, an individual seeking to use a domain name submits an online application to a registrar and might succeed (or fail) depending on whether the name is available. Registrars control the IP addresses associated with the particular domain name. A customer seeking to register specific domain names must interact with the registrar.<sup>157</sup> Owners may freely transfer domain names subject to the Terms of Service of the particular registrar.

¶63 A domain name is a general intangible, held or possessed by the registrar, and due to and in favor of the person (i.e., the owners) who registered the domain name. A judgment-creditor may reach a domain name as a general intangible if the rights to the general intangible are owed by a third-party to a judgment-debtor.<sup>158</sup> General intangibles owed by a third-party to the judgment-debtor might include transferable licenses to conduct a business or franchise, a license to use a patent, or another activity in which the right itself is transferable. The judgment-creditor serves the “third-party” with a writ of execution and notice of levy, which would describe the property levied upon as:

¶64 “All right, title and interest consisting of general intangibles, contract rights, rights under any license, agreement, or contract, rights to use, transfer, sell or convey into and to the domain name or names of [the domain name (“*DorothyRubySlippers.com*”)] due to, in the name of, owed to, owned by, registered in the name, for the benefit of, held in trust for, or in the name of [the original registrant (*Dorothy Gale*)], the judgment-debtor. The garnishee [the registrar] should respond with the following: “[Domain name (*DorothyRubySlippers.com*)] is registered in the name of [Registrant (*Dorothy Gale*)], judgment-debtor, subject to the terms of that certain registration, bearing number XXXXX.”

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<sup>156</sup> *Solid Host, N.L. v. Namecheap, Inc.*, 652 F. Supp. 2d 1092, 1094 (C.D. Cal. 2009).

<sup>157</sup> *Id.* at 1096–97 (explaining registration); *see also* Moringiello, *supra* note 13, at 103 (“It is clear that by registering a domain name, a registrant obtains the exclusive right to use that name as his Internet moniker. This right continues as long as the registrant pays his fees. During that time, the registrar will ensure that the name is in the DNS and usable as Internet identifier. The registrant can sell the name and reap the benefits of such a sale and can lose the name only if she found to have registered in bad faith. Yet it remains unclear if and how a creditor can reap the benefits of the registrants valuable rights in his domain name.”).

<sup>158</sup> *See, e.g., Dorer v. Arel*, 60 F. Supp. 2d 558, 560–61 (E.D. Va. 1999) (explaining the general transferability of domain names).

¶165 Unlike a levy upon a bank account, account's receivable or promissory note, which the obligor discharges the obligation by sending money to the sheriff, the rights to domain names are fixed in a contract entitling the owner to the use of the domain name, here, "DorothyRubySlipper.com." The levy, however, serves to grant a leviable interest in the domain name in favor of the judgment-creditor. California, together with other States, authorizes the sheriff to sell a general intangible such as a domain name "depending upon the equities and circumstances" of the particular case and to "specify the terms and conditions of the sale," including a sheriff's auction.<sup>159</sup> Here, the sheriff's auction notice would read as follows:

¶166 "The Sheriff hereby auctions all right, title and interest consisting of general intangibles, contract rights, rights under any license, agreement, or contract, rights to use, transfer, sell or convey into and to the domain name or names of "*DorothyRubySlippers.com*" due to, in the name of, owed to, owned by, registered in the name, for the benefit of, held in trust for, or in the name of *Dorothy Gale*, judgment-debtor."

¶167 At the sheriff's sale, Ms. Gulch can credit, bid, and acquire the domain name through a Sheriff's deed, which would have the same force and effect as a quitclaim deed.<sup>160</sup> Under the order authorizing the sheriff's sale, the court can order the sheriff or subordinate judicial officer to sign the name of the judgment to any assignment or other writing necessary to consummate the actual transfer of the domain name from the judgment-debtor to the successor bidder, such as Ms. Gulch, at the sheriff's auction.<sup>161</sup>

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<sup>159</sup> California law authorizes the court to direct the sheriff to sell a general intangible. See CAL. CIV. PROC. CODE § 701.520(b) (West 2009) ("At the time of levy on property described in subdivision (a) [general tangible] or thereafter, the judgment-creditor may service a notice of intended sale of the property on the judgment-debtor."). The court has broad plenary power in setting the terms and conditions of a sale. See CAL. CIV. PROC. CODE § 708.520(d). The court has the power to take any action necessary to facilitate ("interest of the parties will be best served") in the enforcement process. See CAL. CIV. PROC. CODE § 699.070(a).

<sup>160</sup> A sheriff's deed is a quitclaim deed. See *Reynolds v. Reynolds*, 355 P.2d 481, 488 (Cal. 1960) (citing *Noble v. Beach*, 130 P.2d 426, 429 (Cal. 1942)). A quitclaim deed infuses the buyer's title with some modicum of risk in light of the potential that Dorothy might have transferred the right to a third-party.

<sup>161</sup> Unlike state statutory law at the time of *Ager v. Murray*, most enforcement statutes, such as CAL. CIV. PROC. CODE § 701.520, authorize the sheriff to seize and sell a general intangible. This modern statutory authority of the sheriff to seize and sell a general intangible might render a receiver unnecessary in the sale of a patent. To comply with 35 U.S.C. § 261 (execution of writing necessary to transfer patent), through post-judgment supplemental proceedings, the court could order the debtor to assign the patent rights to the sheriff, and then the sheriff's deed could complete the chain of title.

While this mechanism sounds attractive, *Peterson v. Sheriff of the City and County of S.F.*, 46 P. 1060, 1060 (Cal. 1896), and *Pac. Bank v. Robinson*, 57 Cal. 520 (Cal. 1881), both held that 35 U.S.C. § 261 (or its predecessor) requires a written assignment, executed by the judgment-debtor, to transfer a patent, and only the equitable powers of the court could compel the debtor to assign the patent to a receiver. Moreover, given that the patent is not subject to levy given its intangible nature, the sheriff commensurately is incapable of advertising or selling the patent.

On the other hand, CAL. CIV. PROC. CODE § 701.520 might provide the court with those broad equitable powers to compel an assignment to the sheriff. Reconciling the power of the sheriff to sell a patent under § 701.520 supported by a court ordered assignment from the judgment-debtor to the sheriff against the 130-year legacy of *Ager v. Murray*, barring common execution and mandating assignment by the debtor to a receiver, is difficult.

Cutting this Gordian Knot is easy. Standing is jurisdictional, which cannot be waived. It constitutes the infringer's first line of defense. Infringement actions test the financial value of the patent to the owner. If the owner loses the infringement action on the issue of standing, the owner has nothing. See *Israel Bio-Eng'g Project v. Amgen, Inc.*, 475 F.3d 1256 (Fed. Cir. 2007) (dismissing a claim if plaintiff cannot prove

¶168 Will Ms. Gulch get good title to DorothyRubySlippers.com or will she face suit by Dorothy or Dorothy's assignee or the bankruptcy trustee? Maybe. The registrar can answer that question. If the registrar complies with the court order in facilitating the transfer of the domain name to the successor bidder of the sheriff's sale, the bidder succeeds in capturing the domain name. If the registrar resists, or cancels the domain name, the bidder walks away empty-handed.<sup>162</sup> Here, the person who will make Ms. Gulch the most powerful person in the land is the domain name registrar and not the judge.

¶169 This procedure can work. In the second section, this article will discuss the court ordered sale of IF I DID IT, the book written by O.J. Simpson, which constituted a general intangible which was ordered sold by the judge at a sheriff's sale. The book rights to IF I DID IT were held by HarperCollins. Fred Goldman, as the judgment-creditor, levied on Mr. Simpson's (and his surrogate's) reversionary rights to the book held and owed by HarperCollins. A levy on the reversionary book rights owed by a publisher is equivalent to the domain rights owed, or due from, the domain name registrar.<sup>163</sup>

#### *M. How Do I Rid Myself of This Troublesome Appeal?*<sup>164</sup>

¶170 Claiming reversible error or endeavoring to delay the inevitable loss of irreplaceable assets, Dorothy appealed but failed to either post a bond or stay the receiver's sale, enabling Ms. Gulch to acquire and capitalize on the intellectual property through her own commercial exploitation. An entrepreneur at heart, Ms. Gulch contemplated her own foray into the exciting world of manufacturing, distributing, and selling ladies' designer footwear. Obviously, this required significant capital through asset-based loans and equity partners and included private financing extended by hedge funds, venture capitalists, and public capital through an initial public offering (IPO). Undaunted by the burdens of managing a sprawling commercial enterprise and mindful of Dorothy's disaster, Ms. Gulch licensed the intellectual property, retained a hefty revenue stream, and accepted a role in a popular Broadway show.

¶171 Ruby slipper IP rights in hand, Ms. Gulch entered into significant binding commitments with multiple commercial participants, such as equity and debt participants or licensees and their own downstream equity and debt participants, who all relied on Ms. Gulch's underlying chain of title to the intellectual property in marshaling debt or equity capital, all upstream and downstream capital. Whether well-founded or a stall, Dorothy's appeal could delay Ms. Gulch from any commercial exploitation for fear that her chain of

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chain of title). Prudence and the commercial viability, such as raising financing through the capital markets, of the IP right (particularly patents, trademark and trade dress) militates towards use of the *Ager* style receiver as a tried and true remedy. This is another Adam Smith moment. The invisible hand of the capital market dictates that the judgment-creditor seeks an *Ager* receiver to reach the IP as the most effective, well understood, and time tested method to assure defensible chain of title in the ensuing infringement actions.

<sup>162</sup> Given that the judge has plenary supervisory power over a sheriff's sale, the judgment-creditor might confront a judicial mandate to seek an appraisal, minimum bids, broad advertising campaign, or even hiring a broker or third-parties to assist in promoting the sale, which are customary requirements in a receivership.

<sup>163</sup> *Office Depot, Inc. v. Zuccarini*, 596 F.3d 696, 701–02 (9th Cir. 2010).

<sup>164</sup> The historical quote is "Will no-one rid me of this troublesome priest?" shouted by King Henry II, prompting Reginald FitzUrse, William de Tracey, Hugh de Morville and Richard le Breton, four knights, to slay Thomas à Becket, Archbishop of Canterbury on December 29, 1170. *Becket* (Paramount 1964).

title, paramount in any financing, might shatter on the appellate anvil. Bold venture capitalists would resist capitalizing IP rights when Ms. Gulch's chain of title is subject to appellate review.<sup>165</sup> Fabricating risk from wholecloth of untenable, meritless claims gives Dorothy colorable leverage and steeply degrades the value of Ms. Gulch's prospective exploitation funded by conservative venture capitalist and opens an avenue of settlement.<sup>166</sup>

¶72 Ms. Gulch sprinkled her appellate wand of mootness to drive away the gloom of uncertainty hovering over her chain of title. "When events during the pendency of the appeal have eliminated any possibility that the court's order may grant meaningful relief affecting the controversy that precipitated the litigation, applicable doctrine permits, and judicial administration generally calls for dismissal of the appeal."<sup>167</sup> The court in *Alton* held that mootness has Article III ramifications that prevent the federal courts from rendering an advisory opinion based on the "case or controversy" requirement.<sup>168</sup>

¶73 The facts in *Esmas* closely mirror Ms. Gulch's success. After securing a stipulated judgment arising from use, health, safety, and zoning violations, consisting of running an illegal boarding house in a residential area, the City of San Francisco obtained a \$475,000 money judgment which provided for the prompt sale of the house. Various parties (fraudulent conveyees) to the property sought to avoid the sale order and an underlying judgment lien and funneled the property through six separate conveyances. In supplemental proceedings, the court voided the conveyances under the Uniform Fraudulent Transfer Act and appointed a receiver to sell the property.<sup>169</sup> Now, facing an active foreclosure by the senior lienholder, the receiver expeditiously sold the property to a bona fide purchaser, paying off the lienholders and normal costs of sale. The fraudulent conveyee appealed the sale order based on due process grounds, a purported denial of the right to a jury trial, and alleged evidentiary deficiencies. Upon motion by the City, the appellate court dismissed the appeal from the order for sale by a receiver on the basis that the fraudulent conveyee of the property had neither posted a bond nor sought a stay. The court further held that any appellate relief would have been futile because the receiver had sold the property to a bona fide purchaser, and the sale proceeds were distributed to a

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<sup>165</sup> The appellate standard of review for a standing challenge is *de novo*. See *Akazawa v. Link New Tech. Int'l, Inc.*, 520 F.3d 1354, 1355 (Fed. Cir. 2008) (citing *Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1376 (Fed. Cir. 2000)). A *de novo* standard of review provides the defendant, as infringer, with a "clean slate" upon which to attack plaintiff's chain of title, and encourages vigorous and extended challenges to plaintiff's standing. Prudence dictates that financiers, debt and equity participants and downstream manufacturing partners await the outcome of any appellate challenge to the plaintiff's chain of title. Standing is a jurisdictional defect and can never be waived.

<sup>166</sup> Counsel for the lender, hedge fund, financier, manufacturer, or others who would be extending credit to Ms. Gulch or undertaking large-dollar commitments would assign risk to Dorothy's appeal and potentially advise those participants to refrain from any commitment or "mark up" the price to compensate for the risk. Counsel would opine that the outcome of any appeal is not guaranteed and, while attorneys are trained to accurately predict the outcome of any case, experienced counsel would always opine that the outcome of any appeal is never preordained. *Bilski* represents a sea-change in the methodology of patentability for business methods patents, rejecting wholesale an established line of cases handed down by the federal circuit.

<sup>167</sup> See *Alton & S. Ry. Co. v. Int'l Ass'n of Machinists & Aerospace Workers*, 463 F.2d 872, 876-79 (D.C. Cir. 1972).

<sup>168</sup> See *City and County of S.F. v. Skyhawk Props., Inc.*, No. CGC-02-411851, CGC-07-467178, 2009 WL 4937839 (Cal. Ct. App. Dec. 22, 2009).

<sup>169</sup> See CAL. CIV. CODE § 3439.01 et seq. (California's version of the UFTA). On the other hand, other states such as New York still use the Uniform Fraudulent Conveyance Act.

financial institution as the lienholder, real estate brokers, escrow holder, taxing authority, and the judgment lien creditor. The property could never be recouped from the buyer, and any reversal would not return the property to the fraudulent conveyee. Even if the court did return the property, the sale participants, who received payment of their obligations, could mount a serious due process challenge based on the lack of notice of any contingent claim for a refund or that said claim for refund was part of an active proceeding. Moreover, the buyer might have encumbered the real property and any claim of return would place any lender to the buyer who received a security interest in the real property to secure the debt in jeopardy.<sup>170</sup>

¶74 Receiver's sales and bankruptcy sales share many common attributes and the mootness doctrine in appeals from bankruptcy court orders authorizing real property sales suggests the dismissal of Dorothy's appeal.<sup>171</sup> In *Rodriguez*, in the face of an appeal over the sale of real property but without a stay, the Chapter 7 trustee issued a court officer's deed to the buyer completing the sale of the property. On appeal, the trustee and buyer contended that the sale was complete and any appeal was moot.<sup>172</sup> The *Rodriguez* court held:

¶75 Nieters (the bona fide purchaser) became the owner of the real estate when he received the Trustee's court officer's deed after the district court had reinstated the bankruptcy court's order approving the sale. Nieters was entitled to treat the district court's order as a final order and to accept the Trustee's deed absent a stay pending appeal. Sevcik's (the aggrieved competitor in seeking the property) failure to obtain a stay renders this appeal moot.<sup>173</sup>

¶76 Applying *Esmas* to Dorothy's appeal, Ms. Gulch could mount a motion to dismiss the appeal, assuaging the fears of her equity and debt participants that, despite any putative defects raised by Dorothy, established appellate principles of mootness would bar any reversal and that their investment was reasonably secure. In *Office Depot*, the docket failed to provide evidence of the receiver's sale, probably based on the pendency of the appeal.<sup>174</sup> Interestingly enough, the judgment-debtor did not seek a stay of enforcement under Fed. R. Civ. P. 62(c).<sup>175</sup> Nothing stopped the judgment-creditor from

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<sup>170</sup> See *First Fed. Bank of Cal. v. Fegen*, 31 Cal. Rptr. 3d 853, 854 (Cal. Ct. App. 2005) (dismissing the appeal from a challenge to sheriff's sale because the judgment-debtor did not post a bond, or stay the proceedings, and the boat could not be returned).

<sup>171</sup> See *In re Rodriguez*, 258 F.3d 757 (8th Cir. 2001).

<sup>172</sup> The court explained mootness as follows: "Sales in bankruptcy cases are not subject to modification by an appellate court unless the appellant receives a stay pending appeal." *In re Wintz Cos.*, 219 F.3d 807, 811 (8th Cir. 2000). Generally, federal courts are not empowered to give opinions on moot questions or declare rules of law which cannot affect the matter in issue in the case before it. See *Church of Scientology of Cal. v. United States*, 506 U.S. 9, 12 (1992). If, while an appeal is pending, an event occurs that eliminates the court's ability to provide any effectual relief whatever, the appeal must be dismissed as moot. See *In re Sec. Life Ins. Co. of Am.*, 228 F.3d 865, 870 (8th Cir. 2000). In bankruptcy appeals, the "finality rule" within 11 U.S.C. § 363 (2006) prevents the overturning of a completed sale to a good-faith purchaser in the absence of a stay. *Wintz*, 219 F.3d at 811. This rule protects the finality of bankruptcy sales and the reasonable expectations of good-faith third-party purchasers. See *Veltman v. Whetzal*, 93 F.3d 517, 521 (8th Cir. 1996). It also reflects the inability of courts to supply a remedy once property has left the bankruptcy estate. *Id.* See also *In re Van Iperen*, 819 F.2d 189, 191 (8th Cir. 1987) (*per curiam*).

<sup>173</sup> *Rodriguez*, 258 F.3d at 759.

<sup>174</sup> *Office Depot, Inc. v. Zuccarini*, 596 F.3d 696 (9th Cir. 2010).

<sup>175</sup> See *Fed. Prescription Serv., Inc. v. Am. Pharm. Ass'n*, 636 F.2d 755, 758–59 (D.C. Cir. 1980) (collection of cases); see also *Poplar Grove Planting and Refinery Co. v. Bache Halsey Stuart, Inc.*, 600 F.2d 1189, 1191 (5th Cir. 1979); *C. Albert Sauter Co. v. Richard S. Sauter Co.*, 368 F. Supp. 501, 520–21



proceeding with the receiver's sale, which, if accomplished, might have resulted in the circuit court finding any potential relief moot as the property was sold and dismissing the appeal.<sup>176</sup>

¶177 Ms. Gulch pondered the receiver's sale as the probable Yellow Brick Road to mootness. Appellate courts, however, might find some basis to render a substantive ruling.<sup>177</sup> Appeals can last for years; a one- or two-year stretch is common.<sup>178</sup> Contemplating commercial exploitation of the Ruby Slippers and besieged by commercial suitors willing to finance, manufacture, distribute, and retail the iconic footwear, Ms. Gulch sought to dump Dorothy's appeals. First, the fact that Dorothy had not posted a bond would not impair Dorothy's appellate rights. Not so much or just not likely.<sup>179</sup> Next, Ms. Gulch considered a motion to dismiss based on the lack of merit. That might not work. Ms. Gulch seized Dorothy's right to appeal the judgment from the underlying action as another form of intellectual property subject to enforcement. Could this be done?

¶178 In *RMA Ventures California v. SunAmerica Life Ins. Co.*,<sup>180</sup> the defendant exited the litigation by way of summary judgment with an \$87,573.07 fee award in hand.<sup>181</sup> The plaintiff appealed the grant of summary judgment to the Tenth Circuit. Once there, the defendant levied on the plaintiff's chose in action, including the appellate rights, and purchased them at the sheriff's sale.<sup>182</sup> Then, the defendant moved to dismiss the appeal,

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(E.D. Pa. 1973); *Texaco, Inc. v. Pennzoil Co.*, 784 F.2d 1133, 1154–55 (2d Cir. 1986) (District courts have inherent discretionary authority in setting supersedeas bonds.).

<sup>176</sup> While the outcome in *Home Depot* ensured a strong chain of title supporting the receiver's deeds from a court authorized sale, nonetheless, the receiver's sale of the 248 domain names might have obviated the appellate process through a motion to dismiss for mootness and expedited financial recompense to the judgment-creditor.

<sup>177</sup> Even though ostensibly the dispute is effectively moot, the court may consider the matter based on the "same action," or if the "duration is too short to be fully litigated prior to its cessation or expiration." See *In re Chateaugay Corp.*, 973 F.2d 141 (2d Cir. 1992); see also *Roe v. Wade*, 410 U.S. 113, 125 (1973) (holding in part that evasion through repetition is proper justification for deviation from mootness doctrine).

<sup>178</sup> Federal appellate courts are not locked into any specific time table. The website for the 9th Circuit provides the following: "19. How long does it take from the time of argument to the time of decision? The Court has no time limit, but most cases are decided within 3 months to a year." See United States Court of Appeals for the Ninth Circuit, Frequently Asked Questions (Dec. 2009), [http://www.ca9.uscourts.gov/content/view.php?pk\\_id=0000000084](http://www.ca9.uscourts.gov/content/view.php?pk_id=0000000084).

<sup>179</sup> FED. R. APP. P. 3(a)(2). See *Azizian v. Federated Dep't Store*, 499 F.3d 950, 961 (9th Cir. 2007). Summary disposition is appropriate when "the merits of this appeal are so clear as to make summary affirmance proper." *Taxpayers Watchdog Inc. v. Stanley*, 819 F.2d 294, 297 (D.C. Cir. 1987); *Ambach v. Bell*, 686 F.2d 974, 979 (D.C. Cir. 1982) (*per curiam*); *Walker v. Washington*, 627 F.2d 541, 545 (D.C. Cir. 1980) (*per curiam*), *cert. denied*, 449 U.S. 994 (1980). The remedy is called "motion for summary affirmance and difficult to invoke absent the most egregious facts." See *Collins v. Illinois*, 554 F.3d 563, 696 (7th Cir. 2009); see also UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT, FEDERAL RULES OF APPELLATE PROCEDURE: NINTH CIRCUIT RULES 3–6 (2009), available at <http://www.ca9.uscourts.gov/datastore/uploads/rules/frap.pdf>.

<sup>180</sup> 576 F.3d 1070 (10th Cir. 2009).

<sup>181</sup> *Id.* at 1071.

<sup>182</sup> *Id.* Apparently the state sheriff sold the "chose in action," as opposed to the marshal, which appears inconsistent with FED. R. CIV. P. 4.1(a) as follows:

"(a) In general, process—other than a summons under Rule 4 or a subpoena under Rule 45—must be served by a United States marshal or deputy marshal or by a person specially appointed for that purpose. It may be served anywhere within the territorial limits of the state where the district court is located and, if authorized by a federal statute, beyond those limits. Proof of service must be made under Rule 4(1)."

which the court granted.<sup>183</sup> The appellate court held that the defendant, as judgment-creditor, successfully acquired the plaintiff's chose in action at the Sheriff's sale, including the rights of appeal, and dismissed the appeal based on the plaintiff's lack of standing.<sup>184</sup> The circuit court held that "[w]e have found no Utah authority, and Plaintiff cites none, precluding the execution sale of Plaintiff's chose in action against the Defendants."<sup>185</sup> In fact, Utah state courts authorized enforcement against a chose in action pursuant to former Utah R. Civ. Proc. 69(f).<sup>186</sup> The outcome in *RMA* depicts an asset of the plaintiff's claims (*i.e.*, the "chose in action"), including the right of appeal, all of which were subject to enforcement under former Utah R. Civ. Proc. 69(f).<sup>187</sup> Since that time, Utah's legislature has updated its Rules of Civil Procedure. Rule 69 was repealed as of November 1, 2004, calling into doubt whether a creditor may rely on *RMA* to levy on a right of appeal.

¶79

Dorothy was the target of collection actions without any ostensible "cause of action" and her post-judgment residual rights were an appeal. Does a right to an appeal constitute a "chose in action," subject to enforcement by way of levy or supplemental remedies? The answer is found under 11 U.S.C. § 541 (Bankruptcy Code Section 541)

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In this case, the state sheriff executed upon the chose of action predicated upon "Writ of Execution Packet," which provides as follows: "The United States Marshal's office will not serve writ of this kind. Service will need to be carried out by a constable." Presumably, the Utah state constable was authorized to execute under the writ of execution pursuant to Rule 4.1(a), but the docket fails to reveal an order authorizing the constable to take action. The absence of the Rule 4.1(a) order undermines the validity of the execution of the "chose in action" and right of appeal and sets the stage for a collateral attack upon the supplemental proceedings.

This omission is precisely the type of putative error which diminishes the judgment-creditor's chain of title and ensuing transfers, assignments, licenses and liens, enabling the infringer to mount a successful challenge. Of course, the plaintiff would double back and seek an order *nunc pro tunc*, the effect of which is uncertain. *See Schneider v. Nat'l R.R. Passenger Corp.*, 72 F.3d 17, 19–20 (2d Cir. 1995) (Rule 4.1 trumps state law as to who can levy a writ of execution and court denied fees sought by state court sheriff). *But see Apostolic Pentecostal Church v. Colbert*, 169 F.3d 409, 415 (6th Cir. 1999) (Practice in accordance with state rules is sufficient and excuses service through the US Marshal; court called requirement that US Marshal levy enforcement [serve writs of garnishment] as "groundbreaking mandate.").

<sup>183</sup> *RMA*, 576 F.3d at 1076.

<sup>184</sup> *Id.* at 1075–1076. Footnote 8 of *RMA* provides this limited survey: "We note that this rule allowing the purchase of a pending chose in action varies from state to state." *Cf. Citizens Nat'l Bank v. Dixieland Forest Prods., LLC*, 935 So.2d 1004, 1010 (Miss. 2006) ("[A] chose in action is personal property subject to a writ of execution."); *Arbie Mineral Feed Co., Inc. v. Farm Bureau Mut. Ins. Co.*, 462 N.W.2d 677, 680 (Iowa 1990) ("Iowa . . . has adopted the broad form of statutory execution authorizing levy on choses in action."); *cf. also* CAL. CIV. PROC. CODE § 699.720(a)(3) (prohibiting the purchase of a pending cause of action at an execution sale); *and Prodigy Ctrs./Atlanta v. T-C Assocs.*, 501 S.E.2d 209, 211 n.3 (Ga. 1998) ("Choses in action are not liable to be seized and sold under execution, unless made so specifically by statute.")(quotations and citation omitted).

<sup>185</sup> *RMA*, 576 F.3d at 1075.

<sup>186</sup> *Id.* *See also* *Applied Medical Techs. Inc. v. Eames*, 44 P.3d 699, 701 (Utah 2002). Rule 69(f) permits enforcement through the levy against a "chose in action," which is defined as a claim relief, a "right to sue." Rule 69(f) specifically permits enforcement against this general intangible as follows: "*Service of the writ.* Unless the execution otherwise directs, the officer must execute the writ against the non-exempt property of the judgment debtor by levying on a sufficient amount of property, if there is sufficient property; collecting or selling the *choses in action* and selling the other property in the manner set forth herein."

<sup>187</sup> *RMA*, 576 F.3d at 1972. Note: Former Utah R. Civ. Proc. 69(f) was repealed by Utah R. Civ. Proc. 69 and replaced by Rule 69A, 69B, and 69C. Whether *RMA* is still valid is in doubt. Rule 69A pertains to personal property and real property only, calling into doubt whether a right of appeal is subject to enforcement.

which defines property of the estate. In *In re Mozer*,<sup>188</sup> the district court affirmed the bankruptcy court's sale of the debtor's "defensive appellate rights." The district court found the defensive appellate rights to be property defined under "California's broad concept of property rights."<sup>189</sup> *Mozer* authorizes Ms. Gulch to enforce the judgment against Dorothy's "defensive appellate rights," compelling their sale through normal execution, wherein Ms. Gulch can purchase the rights for a partial credit bid or payment of a token amount of money and end Dorothy's appeal. Whether Ms. Gulch could have reached these defensive appellate rights through a writ of execution in other States is uncertain but clearly former Utah R. Civ. Proc. 69(f) provided for statutory enforcement against a "chase in action."<sup>190</sup> Absent the statutory assistance under Rule 69(f) the other tried and true remedy would be a receiver in line with *Ager v. Murray*.

¶80 By obtaining the domain names by a credit bid at the receiver's sale and dismissing the appeal, Ms. Gulch achieved the grand slam. Or did she?

#### *N. Alternative Endings*

¶81 What about the pair of the Ruby Slippers actually worn by Dorothy herself? May Ms. Gulch walk away with that prize on her feet? Maybe not. Dorothy's own shoes are wearing apparel and subject to a claim of exemption under Cal. Civ. Proc. § 704.020(a)(1) ("wearing apparel"); however, they are subject to a potential sale if the Ruby Slippers have an extraordinary value.<sup>191</sup> Businesses abound with intellectual property and most entertainment, computer, biotech, life science, agricultural, and related businesses maintain a treasure trove of intellectual property which might serve as valuable seizable assets if a company cannot cover its liability in the event of an adverse judgment.

¶82 What Ms. Gulch<sup>192</sup> teaches us in her quest for personal redemption (not to mention revenge for the loss of her sister) is that the judgment-creditor can reach this intellectual property, but only through the magic of inventive and ambitious post-judgment remedies which may survive the rigorous, possibly life-or-death, challenges to her chain of title.

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<sup>188</sup> 302 B.R. 892 (C.D. Cal. 2003).

<sup>189</sup> *Id.* at 895–96.

<sup>190</sup> *RMA*, 576 F.3d at 1075.

<sup>191</sup> See CAL. CIV. PROC. § 704.020(c). The real-life Ruby Slippers worn by Judy Garland in THE WIZARD OF OZ do indeed have extraordinary value. They have resided for over thirty years at the Smithsonian Institute. They were donated anonymously in 1979 and are one of the most asked about artifacts at the Smithsonian. They are displayed in the National Museum of American History in an exhibition called *Icons of American Culture*.

<sup>192</sup> The *Sunday Styles* section of The New York Times contains marriage announcements that include a short biography of the bride and groom. Typical fare is doctors, lawyers, hedge fund managers, and advertising executives, among other success driven New Yorkers. It is very addictive to read these little life snippets on a Sunday morning. Call these tidbits reverse obits. One of them caught my eye. Two members of New York's high society were getting married. The bride was the daughter of "so-and-so," and the groom was the son of another "so-and-so," but also the grandson of Margaret Williams who played Elmira Gulch and the Wicked Witch of the West in THE WIZARD OF OZ.

## II. BATTLING A CLASSIC ASSET PROTECTION SCHEME, GRABBING O.J. SIMPSON'S BOOK IF I DID IT AND TRANSFERRING THE INTELLECTUAL PROPERTY RIGHTS TO FRED GOLDMAN

¶83 The legal battle to seize the rights to IF I DID IT from O.J. Simpson and then transfer them to Fred Goldman straddled a wide array of legal and business disciplines including publishing, post-judgment remedies, fraudulent conveyances, jurisdiction multiple corporations, asset protection, the involuntary transfer of intellectual property and copyright, and bankruptcy sales.

¶84 Part One explained the law as seen from the vantage points of Dorothy Gale, the judgment-debtor, and Elmira Gulch, Dorothy's relentless pursuer, who, as the judgment-creditor and sought to seize Dorothy's intellectual property to satisfy a judgment.

¶85 Part Two is an application of some of the theories discussed in Part One. The theories are examined in Fred Goldman's quest to reach and seize the intellectual property rights to IF I DID IT. The author joined the legal team representing Fred Goldman in the quest to recover the \$38,000,000 civil judgment against O.J. Simpson.<sup>193</sup> This civil judgment followed on the heels of the "trial of the century" in which a jury acquitted O.J. Simpson of the double-homicide.<sup>194</sup>

¶86 In November 2006, HarperCollins, spearheaded by Judith Regan of the Regan Book imprint, sought to publish Simpson's book, IF I DID IT, setting off a media, legal, social, and scholarly firestorm. Facing immense pressure, including from Bill O'Reilly of the Fox News Channel (a sister subsidiary of HarperCollins, both owned by the News Corporation), HarperCollins recalled the book and destroyed all printed but undistributed copies. Simpson's contract was with HarperCollins and was held in the name of Lorraine Brooke Associates Inc., a Florida corporation and Simpson surrogate. Simpson used the middle names of his two children by Nicole in naming this corporate entity.

¶87 Upon recalling and canceling the book, HarperCollins was obligated to revert the book rights to the "owner," which ostensibly was Lorraine Brooke Associates, Inc. The HarperCollins contract provided for the publication of the book within one year or the publication rights would revert to the author. The publishing contract also reposed in HarperCollins all related personal rights of publicity, such as name; facsimile signature; nickname; likeness; life story; right of publicity; autobiographical sketch; and all notoriety underlying the work and the author. It also barred the author from publishing a competing work. These clauses in contracts can be understood as a "Use It Or Lose It" clause.<sup>195</sup> HarperCollins did not necessarily "lose it" under the contract with Lorraine Brooke Associates; to the contrary, HarperCollins punted.

¶88 Upon cancellation, HarperCollins assumed the role as obligor of the reversionary rights with Lorraine Brooke Associates (Simpson's surrogate) as the obligee. The obligation to "revert" became an asset of O.J. Simpson, subject to levy by Fred Goldman. In short, upon cancelling the book and announcing in court and to the public and media that HarperCollins would never publish this book, the reversionary rights wound up in O.J. Simpson's estate as assets available for execution.

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<sup>193</sup> *Rufo v. Simpson*, 103 Cal. Rptr. 2d 492,497 (Cal. Ct. App. 2001).

<sup>194</sup> *People v. Simpson*, No. BA097211 (Cal. Super. Ct. L.A. County 1995).

<sup>195</sup> These contracts are common in the publishing industry and obligate the publisher to either publish or return, but not hold the work hostage and prevent it from commercial exploitation through the marketplace.

¶89 In late November 2006, lawyers for Fred Goldman levied HarperCollins for these reversionary book rights by service through the Sacramento County Sheriff of a garnishment. HarperCollins acknowledged holding the book rights due to Lorraine Brooke Associates. The Notice of Levy, directed to HarperCollins, described the asset of O.J. Simpson as the “general intangibles” and “residual rights” under the HarperCollins contract. On January 8, 2007, a local process server served the levy package upon HarperCollins’s corporate agent for service of process in Sacramento.<sup>196</sup>

¶90 The garnishment of the reversionary rights gave Fred Goldman a leviable interest in the actual book rights through service of the garnishment of the reversionary rights owed by HarperCollins to Lorraine Brooke Associates which served as Simpson’s surrogate. While Fred Goldman did not necessarily become the title owner of the reversionary rights, the levy process authorized him to compel the sale of the reversionary rights at a sheriff’s (or receiver’s) sale and potentially bid in his judgment and acquire the rights themselves at the sheriff’s sale. The levy reached the reversionary book rights and might not have effectively reached the unregistered copyright on the basis that Lorraine Brooke Associates retained the copyright itself and only granted HarperCollins the exclusive right to publish the book.<sup>197</sup>

¶91 Lorraine Brooke Associates ultimately retained counsel (Tappan Zee, Esq.) and opposed the prospect of a sale. This move indirectly benefitted Fred Goldman because Lorraine Brooke Associates entered a general appearance for all purposes, thus subjecting itself to the court’s jurisdiction.<sup>198</sup> O.J. Simpson, on the other hand, (represented by Yale Gallanter, Esq., his criminal defense counsel in the Las Vegas hotel robbery and

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<sup>196</sup> If a bank account is levied, the notice describes the assets as “deposit accounts, savings accounts, safe deposit boxes and general intangibles . . . .” See *Goldman v. Simpson*, No. SC 036340 (Super. Ct. March 13, 2007) (order granting assignment rights). The notice of levy described the reversionary rights as the “general intangibles due, any residual rights, all rights to contract or veto any business transaction . . . all to and in favor of Orenthal James Simpson, Lorraine Brooke Associates from . . . HarperCollins Publishers, Inc.” This description follows the language of Commercial Code Section 9102(a)(42): “General intangibles” means any personal property, including things in action, other than accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments, investment property, letter-of-credit rights, letters of credit, money and oil, gas, or other minerals before extraction. The term includes payment intangibles and software.” CAL. COM. CODE § 9102(a)(42) (West 2010).

A local process server was hired to open the file with the Sacramento County Sheriff and served HarperCollins’ local agent for service of process with the levy. HarperCollins had a local agent for service of process, making them vulnerable to direct service of a levy to reach the reversionary right.

<sup>197</sup> Lorraine Brooke Associates retained the copyright in the publishing contract, and its copyright was never registered. Here the *Ager* analysis founders. *Ager* assumes a registered copyright and the need of an assignment and receiver in light of federal law requirements to transfer the copyright or patent. However, an unregistered copyright is still intangible and incapable of being taken into possession by the sheriff as stated by *Pacific Bank* and *Ager*. See *Ager v. Murray*, 105 U.S. 126, 130–31 (1881); *Pacific Bank v. Robinson*, 57 Cal. 520, 523 (1881). Had the state court proceedings continued, Mr. Goldman nonetheless might have followed in the footsteps of *Ager* to ensure a marketable chain of title. In the end, the ensuing bankruptcy rolled into the sales agreement all rights, including the unregistered copyright.

<sup>198</sup> *But see* Transcript of Proceedings at 4–5, *Goldman v. Simpson*, No. SC 036350 (Super. Ct. Cal. Mar. 23, 2007) (stating Mr. Zee was admitted as “limited appearance” as opposed to general appearance). California law, unlike federal law, compels a party to exercise a jurisdictional election. Either the party objects to jurisdiction, and if defeated, walks and accepts a default outcome, or enters the fray. Jurisdictional defenses are typically waived if the parties participate in the proceedings beyond the jurisdictional defense or ask for any affirmative or substantive relief. See *Cal. Overseas Bank v. French Am. Banking Corp.*, 201 Cal. Rptr. 400 (Cal. Ct. App. 1984). The classic euphemism is jurisdiction by ambush.

kidnapping case) indirectly opposed the sale and denied any ownership in the book.<sup>199</sup> After a protracted battle in the Los Angeles County Superior Court (hearings held on March 13, 2007, and March 23, 2007), Goldman obtained an order for the sheriff's auction of the book rights with a sale date of Tuesday, April 17, 2008. The court held that Lorraine Brooke Associates was a surrogate for O.J. Simpson and that the book rights constituted an asset subject to enforcement under the Goldman judgment.<sup>200</sup> The court directed the Sacramento County Sheriff to sell all rights, title, and interest in the book to the highest bidder.<sup>201</sup>

¶92 The copyright was another issue, somewhat unresolved, and was potentially the subject of an *Ager* assignment and receivership sale.<sup>202</sup> On Friday, April 13, 2007, the counsel for Nicole Brown Simpson's family sought to enjoin the sale, claiming that the publication of the book would harm Simpson's children. When the court denied the injunction, counsel asked for 40% of the proceeds. Goldman rejected the demand. The hearing concluded at 10:30 a.m. and, by 10:45 a.m., Lorraine Brooke Associates, Inc. filed its Chapter 7 bankruptcy in the United States Bankruptcy Court, Southern District of Florida (Miami).<sup>203</sup> Applying the prohibition under *Pacific Bank* (and indirectly *Ager*, along with *Peterson*), which potentially bars the sheriff from executing upon a patent due to its intangible nature, Fred Goldman's potential sheriff's sale, absent the bankruptcy, superficially might not have produced a marketable chain of title and would be subject to collateral attack by any putative infringer.

¶93 TMZ.com, a major celebrity news and gossip website, disseminated online substantial portions of the book, which led to the filing and continuing active prosecution of an infringement action in the United States Bankruptcy Court, Southern District of Florida, entitled *In Re Lorraine Brooke Associates Inc.*<sup>204</sup> Fred Goldman's chain of title was not an issue in the proceeding but, given subsequent proceedings in the bankruptcy court, the chain of title may have taken center stage if the matter had proceeded in state

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<sup>199</sup> Peter T. Haven, "Following the Law: The Extraordinary Story Behind the Publication of *If I did It*," *Epilogue to THE GOLDMAN FAMILY, IF I DID IT: CONFESSIONS OF THE KILLER* 203, 208 (2008). Once a fraudulent conveyance is consummated, the conveyor (debtor) relinquishes all rights to the property and is barred from claiming any interest. See *Slater v. Bielsky*, 6 Cal. Rptr. 683, 686 (Cal. Dist. Ct. App. 1960) (Conveyance vests title of the property transferred in the conveyee, except as to creditors of the conveyor.).

<sup>200</sup> The court held that the Lorraine Brooke Associates served as Simpson's surrogate in warehousing the book rights and conflated ownership into Simpson's estate. *Goldman v. Simpson, Assignment Order and Restraining Order*, No. SC 036340 (Super. Ct. Cal. Mar. 13, 2007); See also *In re Lorraine Brooke Assocs., Inc.*, No. 07-12641-BKC-AJC, 2007 WL 7061312, at \*5 (Bankr. S.D. Fla. July 2, 2007). In the ensuing bankruptcy proceeding, the debtor objected to the creditor's claim filed by Mr. Goldman and contended that he is not a creditor of the bankruptcy debtor. *In re Lorraine Brooke Assocs., Inc.*, No. 07-12641-BKC-AJC, 2007 WL 7061312, Slip Op. (Bankr. S.D. Fla. July 2, 2007). This sparked a full-blown evidentiary hearing in which Chief Judge Cristol overruled the objection, upheld Judge Rosenberg's surrogate order on the basis of collateral estoppel and independently found the debtor to be an alter ego of O.J. Simpson. Chief Judge Cristol pierced the corporate veil, finding a lack of separateness, and held that the purpose of the debtor entity was to secret a possible asset from the judgment-creditor. ("Order Overruling Debtor's Objection to claim of Frederic Goldman and allowing claim in full as filed." Docket Number 146).

<sup>201</sup> *Goldman v. Simpson, Order Granting ex parte Application for Issuance of Order Directing Sheriff to Sell Intangibles Pursuant to C.C.P. § 699.070(a)*, No. SC 036340 (Super. Ct. Cal. Mar. 13, 2007).

<sup>202</sup> See *Ager v. Murray*, 105 U.S. 126 (1881); *Peterson v. Sheriff of the City and County of S.F.*, 46 P. 1060, 1060 (Cal. 1896); *Pac. Bank v. Robinson*, 57 Cal. 520, 524 (1881) (discussed *supra* in Part II).

<sup>203</sup> *In re Lorraine Brooke Assocs., Inc.*, No. 07-12641-BKC-AJC, 2007 WL 7061312, at \*1 (Bankr. S.D. Fla. July 2, 2007).

<sup>204</sup> *Id.* TMZ Staff, *OJ "Did It" Manuscript Leaked Online*, TMZ.com (June 19, 2007, 11:40 AM) <http://www.t TMZ.com/2007/06/19/oj-did-it-leaked-online>.

court. In fact, Fred Goldman overcame the bar against the sheriff directly seizing the book rights, including potentially the unregistered copyright, on the basis that the rights constituted a general intangible in which the HarperCollins was the obligor. The assets subject to the sheriff's sale were the rights of publication under a book contract and the underlying license granted by O.J. Simpson of his story, name, likeness and image, to Lorraine Brooke Associates for purpose of publication.<sup>205</sup> Unlike the levies in *Peterson* and *Pacific Bank v. Robinson* initiated by the judgment-creditors without an ensuing court order, Mr. Goldman sought and received a specific order directing the sheriff to sell the reversionary rights through an auction.<sup>206</sup> The rights could have included the right of publicity (name, likeness, image, narrative and life story, *et cetera*).

¶94 O.J. Simpson had licensed his rights of publicity to Lorraine Brooke Associates Inc., which in turn re-licensed them to HarperCollins. HarperCollins needed these publicity rights as part of the marketing of the book.<sup>207</sup> By packaging those rights to IF I DID IT in a license, Simpson rendered an otherwise inaccessible right and created an independent property right in the hands of Lorraine Brooke Associates, held by HarperCollins, and capable of sale through bankruptcy. The license by Simpson to Lorraine Brooke Associates of Simpson's converted an inaccessible personal right (i.e., the personal right of publicity of a living person) into a salable property right. Through the transmutation of Simpson's story into IF I DID IT and the license rights, Fred Goldman overcame the hurdles to seizing another person's right of publicity and actually acquired those rights through the bankruptcy sale. The sale to Fred Goldman of Simpson's personal right of publicity as contained in the Lorraine Brooke license completed a full circle that started in August 2007. It began with the failed state court motion to seize the personal rights of publicity and ended with a successful motion to sell nearly those same rights to Fred Goldman in bankruptcy court.<sup>208</sup>

¶95 In the course of the Chapter 7 proceeding, Fred Goldman and the bankruptcy trustee settled their competing claims to the book rights by the trustee selling his interest in the book to Fred Goldman subject to a payment of 10% of the publishing revenues.<sup>209</sup> Given that the levy was preference-proof under 11 U.S.C. § 547(b), the trustee had limited leverage.<sup>210</sup> The trustee transferred all rights in the book to Fred Goldman, such as the narrative, right of publicity inherent in the narrative including the copyright and O.J. Simpson's collateral right to utilize his right of publicity in conjunction with the

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<sup>205</sup> Goldman v. Simpson, Assignment Order and Restraining Order, No. SC 036340 (Super. Ct. Cal. Mar. 13, 2007).

<sup>206</sup> See *In re Lorraine Brooke Assocs., Inc.*, No. 07-12641-BKC-AJC, 2007 WL 7061312, at \*1 (Bankr. S.D. Fla. July 2, 2007).

<sup>207</sup> See *e.g.*, Agreement Between HarperCollins and Lorraine Brooke Assocs., Inc. (May 8, 2006)(on file with author).

<sup>208</sup> See generally Peter T. Haven, "Following the Law: The Extraordinary Story Behind the Publication of *If I did It*," *Epilogue to THE GOLDMAN FAMILY, IF I DID IT: CONFESSIONS OF THE KILLER* 203, 216–25 (2008). See also Goldman v. Simpson, Assignment Order and Restraining Order, No. SC 036340 (Super. Ct. Cal. Mar. 13, 2007); *In re Lorraine Brooke Assocs., Inc.*, No. 07-12641-BKC-AJC, 2007 WL 7061312, at \*5–6 (Bankr. S.D. Fla. July 2, 2007).

<sup>209</sup> Peter T. Haven, "Following the Law: The Extraordinary Story Behind the Publication of *If I did It*," *Epilogue to THE GOLDMAN FAMILY, IF I DID IT: CONFESSIONS OF THE KILLER* 203, 225 (2008).

<sup>210</sup> Mr. Goldman levied O.J. Simpson's reversionary rights on January 8, 2007, and Lorraine Brooke Associates filed Chapter 7 on April 17, 2007 (107 days); see *In re Lorraine Brooke Assocs.*, No. 07-12641-BKC-AJC, 2007 WL 7061312, at \*1 (Bankr. S.D. Fla. July 2, 2007).

book.<sup>211</sup> The bankruptcy court order compelled Fred Goldman to publish the book within 18 months.<sup>212</sup> That order became like a titanium link in the chain of title.<sup>213</sup>

¶96 Upon consummation of the trustee's transfer of all rights, the next task was to find a publisher. This turned out to be more difficult than navigating the rocky shoals of post-judgment remedies and bankruptcy proceedings. A list of all publishers and agents in the United States was created and a mass-mailing was executed, soliciting an offer to represent Fred Goldman or publish the book.<sup>214</sup> We received a response from a Southern California agent, Sharlene Martin, who successfully arranged for the publication of the book by Beaufort Books (New York City).

¶97 Beaufort Books scheduled the book's launch date for September 13, 2007, through an appearance by Fred and Kim Goldman on *The Oprah Winfrey Show*, which reaches about 20 million viewers. The Goldmans told the American viewing public that they were publishing the book as O.J. Simpson's confession.<sup>215</sup> Denise Brown, Nicole Brown Simpson's sister, via a separate video appearance, unhesitatingly denounced the Goldmans for publishing the book.<sup>216</sup> Upon news of the planned publication, Denise Brown even called for a boycott.<sup>217</sup> One hour after the sun had set on the Nevada desert, O.J. Simpson and four accomplices robbed two sports memorabilia dealers of sports memorabilia<sup>218</sup> at the Palace Station Hotel in Las Vegas, Nevada, which set off another media firestorm.

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<sup>211</sup> *Id.* (judgment allowing Goldman's claim against LBA's assets, including all rights in the book).

<sup>212</sup> *Id.* at \*2. The sale agreement was drafted to ensure that the trustee would sell and assign the book rights, copyright or any licenses, and any of Simpson's associated celebrity rights which he contractually transferred to Lorraine Brooke Associates who in turn incorporated them as part of the HarperCollins publishing contract. *Gardner v. Nike, Inc.*, 279 F.3d 774, 780 (9th Cir. 2002) (This case bars the transfers of copyright license without consent of the copyright owner.). It offers a complete crash course in the area of transferability of copyrights and licenses.

The celebrity license grant for the name, photo, likeness, signature, nickname, right of publicity, and personal story is standard practice in publishing and entertainment and allows the licensee (HarperCollins in this case) to utilize, if not exploit, the celebrity status of the author as the key marketing tool.

While the state court barred Fred Goldman from directly seizing O.J. Simpson's right of publicity, the bankruptcy court, based on the agreement between the trustee and Goldman, facilitated this *de facto* transfer. As O.J. Simpson granted his celebrity rights to Lorraine Brooke Associates, his surrogate and subject of bankruptcy proceeding, those rights become a bankruptcy asset and subject to sale by the trustee in favor of Fred Goldman.

<sup>213</sup> See *In re Lorraine Brooke Assocs.*, No. 07-12641-BKC-AJC, 2007 WL 7061312 (Bankr. S.D. Fla. July 2, 2007) (discussing an order authoring and approving sale after highly contested hearing). The judicially-approved sale agreement transferred the book rights and copyright from Lorraine Brooke Associates to Fred Goldman.

Bankruptcy court orders have the effect of collateral estoppel and res judicata. See *Miller v. Meinhard-Commercial Corp.*, 462 F.2d 358, 360 (5th Cir. 1972) (The order confirming plan is deemed final federal judgment.); see also *Levy v. Cohen*, 561 P.2d 262, 256-57 (Cal. 1977) (confirming plan of reorganization collateral estoppel in subsequent action against partners of debtor limited partnership).

<sup>214</sup> We called it "The Fred Goldman Publishing Direct Mail Campaign."

<sup>215</sup> *The Oprah Winfrey Show: The O.J. Book Controversy: The Goldmans and Denise Brown Speak Out* (ABC television broadcast Sept. 13, 2007), available at <http://www.oprah.com/oprahshow/The-OJ-Book-Controversy>.

<sup>216</sup> *Id.*

<sup>217</sup> *O.J. Simpson's Book Find a Home*, N.Y. TIMES, August 16, 2007, at E2.

<sup>218</sup> Amended Judgment of Conviction, State v. Simpson, No. C237890 (Nev. Dist. Ct. January 8, 2009), 2009 WL 229544. An order for return of the sports memorabilia to the California court was obtained to sort out ownership to the property. *Id.* at 4-5. In a contested trial attended by the two victims, Alfred Beardsley and Bruce Fromong, and Ron Slates, Esq. as legal representative for O.J. Simpson, Judge



¶98 Simpson's reinvigorated notoriety kicked off sales of the Fred Goldman-published IF I DID IT book, but with the “If” in very small letters, with the subtitle “Confessions Of The Killer.”<sup>219</sup> The book peaked at Number 2 on *The New York Times Best Seller* list, edging out Mother Teresa’s biography. IF I DID IT: CONFESSIONS OF THE KILLER drew worldwide interest and fierce criticism, but only mediocre reviews.<sup>220</sup> Getting the book out of O.J. Simpson’s hands and into Fred Goldman’s hands, as much as the book itself, captivated the attention of the media, critics, reviewers, and pundits and serves as the seminal literary and legal watershed of the family of a victim seizing, selling, and re-labeling the story of the deaths as a confession and recompense for the horrendous loss. The blogosphere, editorial pages, direct emails, letters, and general public opinions fell into two camps: “Congratulations, Fred Goldman, in your battle for justice by publishing the confession of a double murderer” and “How could you, Fred Goldman, in your battle for justice, publish the story of these double murders?!”

¶99 The hardcover edition sold in excess of 150,000 copies, and the paperback edition sold well too.<sup>221</sup> The Goldmans succeeded in seizing and selling the intellectual property rights, including the copyright belonging to O.J. Simpson (the judgment-debtor), and placing these rights in the hands of Fred Goldman (the judgment-creditor).<sup>222</sup>

¶100 The remedies outlined in this article work and the book entitled IF I DID IT: CONFESSIONS OF THE KILLER, published by the Goldman family, is proof.

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Rosenberg returned the bulk of the materials to Mr. Fromong and Mr. Simpson and ordered that the nine autographed game balls (footballs) would be applied on account of the judgment, granting Mr. Simpson a \$6,075.00 exemption. *Id.*

<sup>219</sup> Within 3 hours of the national book launch of IF I DID IT: CONFESSIONS OF THE KILLER by Fred Goldman, Simpson re-entered the criminal justice system, ending with his trial on robbery and kidnapping, conviction, and a sentence of 9 to 33 years. Amended Judgment of Conviction, *State v. Simpson*, No. C237890 (Nev. Dist. Ct.). The Nevada Supreme Court heard oral argument on June 11, 2010 on the appeal from the conviction and, absent a reversal, Simpson readies federal recourse. Order of Affirmance, *Simpson v. State*, No. 53080 (Nev. October 22, 2010), available at <http://www.nevadajudiciary.us/index.php/viewdocumentsandforms/Supreme-Court-Files/High-Profile-Cases/Simpson-%28Orenthal%29-v.-State-%2853080%29/>.

<sup>220</sup> Patt Morrison, Book Review: After ‘yuck,’ the Farce: O.J. Simpson’s Book Reads Like a Self-Absorbed Counseling Session, *LOS ANGELES TIMES*, September 14, 2007, at E1.

<sup>221</sup> Michael D. Schaffer, *Arresting Results for O.J.’s Book*, *PHILADELPHIA INQUIRER*, September 19, 2007, at E1.

<sup>222</sup> The “we” is Peter Haven, Jonathan Polak and this author; I came on board in November, 2006. I express my gratitude to Peter Haven and Jonathan Polak for their confidence in bringing me on board. Paul Battista was our Miami bankruptcy attorney. Wrapped in classic story elements of narrative, conflict, character and denouement, the epic battle for IF I DID IT pushed the envelope of media coverage of Frederic Goldman’s quest to seek justice for his terrible loss.