



1 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Gail R. Manuguid, Janet Kim Lin and Stephen D. Fisher. All Rights Reserved.

Court Dismisses Viacom's \$1 Billion Copyright Claims Against YouTube

2010 Emerging Issues 5413

Court Dismisses Viacom's \$1 Billion Copyright Claims Against YouTube

By Gail R. Manuguid, Janet Kim Lin and Stephen D. Fisher

November 22, 2010

SUMMARY: In June 2010, the court for the Southern Dist. of NY ruled in favor of YouTube by dismissing Viacom's claims for copyright infringement. The court held that general knowledge was not enough to bar YouTube from protection under the DMCA safe harbor provision. It found the burden of protecting copyrighted material remains with the copyright owner, regardless of whether the online service provider is aware of infringement on its hosted websites.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: On June 23, 2010, the court for the Southern District of New York ruled in favor of YouTube by dismissing Viacom's claims for copyright infringement. Viacom claimed YouTube illegally allowed users to post and share tens of thousands of Viacom's copyrighted television shows and movies. The court held that general knowledge was not enough to bar YouTube from protection under the DMCA safe harbor provision, and YouTube was therefore not liable for infringing user-generated content hosted on YouTube's site. The court reaffirmed that the burden of protecting copyrighted material remains with the copyright owner, regardless of whether the online service provider ("OSP") is generally aware of infringement occurring on its hosted websites.

1. The DMCA's "Safe Harbor"

At the heart of this case is the scope of the Digital Millennium Copyright Act's ("DMCA") "safe harbor" provision, which protects OSPs, like YouTube, from copyright liability if they promptly remove from their websites unauthorized work following formal written request of a copyright owner.

2. General Knowledge of Infringement is Insufficient

To qualify for the safe harbor, an OSP must "act expeditiously" to remove infringing content if it has "actual" knowledge of infringing activity or is aware of facts and circumstances from which infringing activity is "apparent." According to Viacom, YouTube was aware of the widespread infringement of Viacom's works on YouTube and failed to take affirmative steps to remove such material. Indeed, the court acknowledged that based on the parties' briefs, a jury could find that YouTube was not only generally aware that copyright-infringing materials were uploaded, but that it

welcomed such content because it was attractive to users. In addition, these users enhanced YouTube's income from advertisers, resulting in a financial benefit attributable to the infringement.

3. Viacom Failed to Show That YouTube Had "Actual" Knowledge of Infringement

The court ruled that despite the finding that YouTube was generally aware of the infringing activity, YouTube was entitled to protection under the safe harbor provision. In order to lose the protection of the safe harbor, the defendant must be aware of "specific and identifiable infringements of particular individual items" and fail to act expeditiously to remove them upon notice. Mere knowledge of "ubiquitous" infringement is not enough to "impose a duty on the service provider to monitor or search its services for infringements."

In this respect, the Viacom court's decision is consistent with the recent decision in *Tiffany v. eBay*, 600 F.3d 93 (2d Cir. 2009) (published earlier this year). This is an example where the court held that generalized knowledge of trademark infringement by the users of a website was insufficient to support a claim for infringement against the OSP. In both cases, the courts affirmed the proposition that requiring website owners to affirmatively police their websites for infringing content would be too burdensome and inconsistent with the careful balance struck by Congress in enacting the statutory scheme.

Significantly, the court was also careful to distinguish cases such as Grokster and others involving peer-to-peer file sharing networks whose very business models depended upon infringing activity by its users. The court confirmed that, notwithstanding its YouTube decision, such defendants would remain vulnerable to claims of infringement.

4. Lessons From Viacom

The *Viacom* opinion confirms that, in most instances, expeditiously complying with a take-down notice by removing user-generated copyright-infringing content is enough to satisfy the safe harbor. Moreover, *Viacom* reconfirms that copyright owners bear the burden of protecting their copyrights by specifically identifying unauthorized activity. At the same time, the decision makes clear that the DMCA safe harbor will be available only for those website owners who genuinely appear to be making a good faith effort to stamp out infringing activity on their sites.

It is too early for YouTube and similar sites to declare victory. Viacom has vowed to appeal the decision, stating, "YouTube and Google demonstrated that required tools to limit piracy aren't impossible to find or even that difficult to implement - they fixed the problem of rampant piracy on YouTube after Viacom filed this lawsuit."

Important considerations for OSPs

Currently, the DMCA places no filtering burden on website owners. It nevertheless remains important for OSP's to:

- Exercise good faith in attempting to limit infringement on their sites
- Act timely in responding to "take down" notices

Further, as Viacom claims, OSPs like Google and YouTube have the tools to readily filter and remove infringing content thereby preventing copyright infringement.

In light of the growing costs to police content on the Internet, content owners are frustrated that website owners have no affirmative duty to prevent copyright infringement until the content owner sends notice.

The fundamentals of protecting yourself from claims of infringement include:

- Reviewing your website for compliant language and policies notifying copyright owners where to lodge a formal complaint for potential infringement.
- Establishing and following procedures to promptly respond to such complaints.

Absent these protocols, you could be financially liable under the DMCA.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Gail Manuguid is an associate in Bullivant Houser Bailey PC's Seattle office, and focuses her practice on Corporate and Business matters. Gail has significant experience assisting both public and privately held companies with a range of corporate legal needs, including pre-formation planning, entity formation, corporate governance, and contractual issues, and cross-border transactions. She has also advised companies on a range of regulatory matters, including assisting an American subsidiary of a Japanese freight forwarder on compliance with Japan's Financial Instruments and Exchange Law (J-SOX). In addition, she has handled several multi-million dollar acquisition and reorganization transactions between companies on a regional, national and international scale.

Janet Kim Lin, of Bullivant Houser Bailey PC, counsels clients in the protection, licensing, and distribution of intellectual property. She represents firms in the design industry, including industrial designers, architects, and web designers. Janet drafts and negotiates technology and intellectual property agreements with a focus on copyright, trademark, and trade secret transactions. She also has a wide range of experience with supplier and vendor agreements across various industries. Janet has extensive commercial litigation experience and counsels clients in dispute resolution and prevention.

Steve Fisher, of Bullivant Houser Bailey PC, advises boards, investors and management in the areas of capital formation, mergers, acquisitions and financing, including venture capital and other private financings. His practice includes the protection, licensing and distribution of technology, intellectual property and internet-based business.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



2 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Thomas C. Carey. All Rights Reserved.

Why Software Developers Need to Register Software with Copyright Office

2010 Emerging Issues 5417

The DMCA De-Fanged: Why Software Developers Need to Register Their Software With the Copyright Office

By Thomas C. Carey

November 22, 2010

SUMMARY: MGE UPS Sys. Inc. v. GE Cons. and Ind. Inc. involved software that had been hacked so that it would not check to see if an authenticating dongle was attached. The sole issue on appeal was whether this violated the DMCA. The Fifth Circuit ruled that it did not. Well, someone must have had second thoughts. It was quietly replaced with a revised opinion that deleted the troubling analysis of what constitutes "access" to software.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: Developers of high-end software face a serious piracy risk because software is generally easy to copy. One common technique to control piracy is to require the customer to install a pre-programmed device (a 'dongle') onto the computer running the software. (This device often inserts into a USB slot.)

Each time the software is fired up, it checks to see that the proper dongle is attached to the computer. If it is not, the software shuts down. In this way, people who come into possession of an unauthorized copy of the software are prevented from using it.

This mechanism seems like just the sort of technological measure that the authors of the Digital Millennium Copyright Act (DMCA) meant to reinforce. That law makes it illegal to "circumvent a technological measure that effectively controls access to a work protected under this title."

Software developers often fail to register their works with the Copyright Office. This habit has arisen because developers are concerned about the requirement to deposit source code with the Copyright Office; because software is constantly being modified, so there is a continuous need to update the filing (what a hassle!); and because of a belief that technological measures are sufficient to prevent copying. If technology stops the pirate, why bother with copyright registration?

Developers going down this path have also had backup legal protection in the DMCA, which affords many of the same remedies as copyright infringement without the need to register with the Copyright Office.

In our September IP Update, we reported on the Fifth Circuit's opinion in *MGE UPS Systems Inc. v. GE Consumer*

and Industrial Inc., 612 F.3d 760 (5th Cir. Tex. 2010), involving software that had been hacked so that it would not check to see if an authenticating dongle was attached to the computer on which the software was running. The sole issue on appeal was whether this conduct violated the DMCA. To our surprise, the Fifth Circuit ruled that it did not.

There was no question that the dongle was a technological measure. Nor was there any doubt that the software was a work protected under the Copyright Act. The only question, for the purpose of determining whether there had been a DMCA violation, was whether the dongle in question controlled "access" to the software.

In its original decision, the court embarked on a philosophical frolic to conclude that the dongle controlled access only for the purpose of running the software, which, it said, is not the kind of access that the authors of the DMCA intended to prohibit. In the court's view, the DMCA bars only access for the purpose of making unauthorized copies of software, so running the hacked software was not a violation.

Never mind that the copy of the software being used was clearly unauthorized, since it had been hacked so as to avoid checking for the presence of the dongle. Never mind that the DMCA does not speak in terms of copying, but in terms of access, and that operating the software would seem to fall within any common sense understanding of "access".

Finally, the opinion's reliance upon the theory that there is no relationship between the dongle and unauthorized copying ignored the generally accepted notion n1 that a computer must copy the software into its memory in order to operate it, and that such copying without permission of the copyright holder is indeed a violation of the Copyright Act. If the dongle had not been circumvented, most of the code would never have been copied to memory from the storage device on which it resided. So nearly every facet of the court's logic was flawed.

Well, someone on the Fifth Circuit must have had second thoughts about their startling opinion. On September 29, it was quietly replaced with a revised opinion (622 F.3d 361 (5th Cir. Tex. 2010)) that deleted the troubling analysis of what constitutes "access" to software. Instead, the court reaches the same conclusion - no DMCA violation - by noting that the record did not show that the company running this hacked software was the company that had hacked it.

This opinion makes no more sense than the one that it replaced. How can it be said that running software that has been hacked not to check for a dongle does not fit the description of what the DMCA forbids? After all, the list of DMCA requirements is slim. There must be:

- Circumvention (check)
- Of a technological measure (check)
- That effectively controls access (check)
- To a work protected by copyright (check).

Nowhere in the DMCA is there a requirement that the circumvention be engineered by the defendant, only that the defendant in fact circumvent the technology designed to control access to the copyrighted work.

If the analysis of this newly-minted Fifth Circuit opinion were to gain traction elsewhere, then the use of any device that circumvents attempts to prevent piracy would fall outside of the DMCA as long as the user of that device bought it from someone else. Surely the authors of the DMCA thought that they were outlawing the burglar, not just the fellow who sold him his tools.

Where does this leave software developers? Out of concern that the peculiar logic of the Fifth Circuit might prove contagious, the time has come for developers to take a second look at registration of software with the copyright office. Copyright infringement offers most of the remedies available under the DMCA and an enhanced chance that the defendant will ultimately be responsible for the developer's legal fees in enforcing his rights. The deposit requirements of the Copyright Office are not onerous, and the advantage to be gained by registration is significant.

[Return to Text](#)

n1 See *MAI Systems Corp v. Peak Computer Inc.*, 991 F.2d 511 (9th Cir 1993) and cases citing it.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Thomas C. Carey is a partner at Sunstein Kann Murphy & Timbers LLP and is chair of the Business Department. He advises start-ups and established companies in matters involving capital-raising, licensing, mergers and acquisitions and tax planning. He also is experienced in outsourcing, joint ventures, corporate governance and FDA compliance matters. He maintains long-term relationships with senior management of corporate clients, who rely on his judgment and expertise in strategic matters.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



3 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

LaFrance on Music Downloads as Reproductions Rather than Public Performances

2010 Emerging Issues 5365

LaFrance on Music Downloads as Reproductions Rather than Public Performances: United States v. American Society of Composers, Authors, and Publishers, 2010 U.S. App. LEXIS 19983 (2d Cir., Sept. 28, 2010)

By Mary LaFrance

October 21, 2010

SUMMARY: In a significant loss for music performing rights organizations, the Second Circuit held in *United States v. ASCAP, 2010 U.S. App. LEXIS 19983* (2d Cir. Sept. 28, 2010), that digital downloads of music are not public performances if the music is not rendered perceptible during the download. Mary LaFrance discusses this important case and the implications for the future.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: In a significant loss for music performing rights organizations (PROs), the Second Circuit held in *United States v. American Society of Composers, Authors, and Publishers (ASCAP), 2010 U.S. App. LEXIS 19983* (2d Cir. Sept. 28, 2010), that digital downloads of music are not public performances if the music is not rendered perceptible during the download.

The service providers in this case, Yahoo! Inc. and RealNetworks, Inc., used the Internet to give their customers access to musical recordings and audiovisual works, including both streaming performances and digital downloads. When a recording was streamed to a user, the recording was rendered audible as it was being transmitted to the recipient's computer. In contrast, when a customer downloaded a recording, the transmitted recording was not audible to the recipient while it was being transmitted; however, once the download was complete, the recipient could then use his or her computer (or portable music player) to listen to an audible performance of the recording. *Id.* at *8-10.

Under section 106(4) of the Copyright Act, *17 U.S.C. § 106(4)*, the owners of copyrighted musical compositions enjoy an exclusive public performance right in those compositions. These copyright owners (composers and music publishers) enforce their public performance rights through a number of intermediaries, including three PROs - the American Society of Composers, Authors, and Publishers (ASCAP), Broadcast Music, Inc. (BMI), and SESAC. Each of these PROs issues "blanket licenses" which permit licensees to publicly perform the PRO's entire music repertoire (in a nondramatic context) in exchange for negotiated royalties. See ASCAP at *6.

When Yahoo and RealNetworks streamed music to users, these audible performances constituted "public

performances" within the meaning of the copyright statutes. These performances were not at issue in this case.

When Yahoo or RealNetworks provided a customer with a digital download of a musical recording, this constituted a reproduction of the musical composition embodied in the recording, and thus implicated a different exclusive right of the copyright owner -- the exclusive right to reproduce a work in copies or phonorecords - as recognized in section 106(1) of the Copyright Act, *17 U.S.C. § 106(1)*. When a performance of a copyrighted musical composition is recorded, or a recording of such a performance is reproduced, the copyright owner is ordinarily entitled to a mechanical royalty. However, the PROs have no role in collecting mechanical royalties, and in this litigation Yahoo and RealNetworks did not dispute their mechanical royalty obligations.

The dispute in this case arose because ASCAP sought to collect public performance royalties for the digital downloads provided by Yahoo and RealNetworks. ASCAP argued that these downloads were public performances as well as reproductions; thus, Yahoo and RealNetworks were obligated to pay not only mechanical royalties but public performance royalties as well.

The term "perform" is defined in the 1976 Copyright Act:

To "perform" a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

17 U.S.C. § 101. This general definition applies to all copyrightable works that are capable of being performed; there is no specialized definition for musical compositions.

According to the Second Circuit in *ASCAP*, a download "plainly" involves neither "acting" nor "dancing." ASCAP at *15. The court devoted somewhat greater attention to the terms "recite," "render," and "play." Because these terms do not have specialized definitions in the copyright statutes, the court gave them their "ordinary, contemporary, common meaning." *Id.* at *16. Upon examining their dictionary definitions, the court concluded that all of these terms imply "actions that can be perceived contemporaneously." *Id.* at *16-17. The court acknowledged that one definition of "to render" is to "deliver" or "transmit." However, because Congress used the term "render" in a series of words implying contemporaneously perceptibility, the court concluded that Congress was not using "render" in this alternative sense. *Id.* at *17-18 n.8. In addition, the court noted that, in the context of music, terms such as "recital," "play," and "rendition" imply audibility rather than delivery of copies. *Id.* at *18.

The court found additional support for the perceptibility requirement in the second sentence of the statutory definition, which notes that a motion picture is performed when its images are shown, or when its accompanying sounds are made audible. *Id.* at *18-19.

The digital downloads at issue in this case did not render the musical compositions perceptible during the download; additional action was required in order to make the compositions audible after the download was complete. Because the download itself did not involve any "recitation, rendering, or playing" of the musical work contained in the digital file, the court held, the download was not a performance within the meaning of the copyright statutes. Accordingly, ASCAP was not entitled to collect public performance royalties on behalf of the copyright owners. *Id.* at *19.

ASCAP argued, however, that a transmission of a work can constitute a public performance under another definitional provision in § 101. That definition notes that to perform or display a work "publicly" means, *inter alia*:

to transmit or otherwise communicate a performance or display of the work . . . to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

Id. at *20 (quoting 17 U.S.C. § 101). In ASCAP's view, this language suggested that *any* transmission of a work constitutes a public performance or display. However, as the court correctly noted, this passage does not attempt to define a performance; instead, it distinguishes performances or displays which are public from those which are private, a crucial distinction because only *public* performances or displays can infringe the rights of a copyright owner.

The Second Circuit's analysis relies heavily on an earlier Second Circuit case, *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121, 134-136 (2d Cir. 2008), which held that a transmitted performance was not "public" if it was individually transmitted to each recipient from a separate copy of the work (rather than from the same copy). Like *Cartoon Network*, the ASCAP opinion assigns importance to Congress's use of the phrase "transmit or otherwise communicate a performance or display of a work" in the § 101 definition:

"[W]hen Congress speaks of transmitting a performance to the public, it refers to the performance created by the act of transmission," not simply to transmitting a recording of a performance. ASCAP's alternative interpretation is flawed because, in disaggregating the "transmission" from the simultaneous "performance" and treating the transmission itself as a performance, ASCAP renders superfluous the subsequent "a performance . . . of the work" as the object of the transmittal. In contrast, our interpretation in *Cartoon Network* recognizes that a "transmittal of a work" is distinct from a transmittal of "a performance" -- the former being a transmittal of the underlying work and the latter being a transmittal that is itself a performance of the underlying work.

ASCAP, 2010 U.S. App. LEXIS 19983 at *20-21 (quoting *Cartoon Network*, 536 F.3d at 134, 136).

The Second Circuit also relied on the Ninth Circuit's much older opinion in *Columbia Pictures Indus., Inc., v. Professional Real Estate Investors, Inc.*, 866 F.2d 278, 282 (9th Cir. 1989), which held that a hotel did not transmit public performances when it rented physical videodiscs to hotels guests, who then played the discs privately on devices located in their individual rooms. Despite the difference in technologies, the two situations are analogous. In *Columbia Pictures*, as in ASCAP, the delivery of the copy (a videodisc in the older case, a digital download in the instant case) was an act separate from, and different in time from, the performance of the work contained in that copy. Furthermore, in each case, a second act of volition - from the recipient of the copy, not the sender - was required to make the work perceptible.

ASCAP's strongest counter-argument was based on *NFL v. PrimeTime 24 Joint Venture*, 211 F.3d 10, 11-13 (2d Cir. 2000), where the defendant, a satellite television broadcaster, transmitted NFL games to subscribers in both the United States and Canada even though its license from the NFL permitted only domestic transmissions. The question whether the defendant had infringed the NFL's domestic public performance right turned on whether the defendant had engaged in an unauthorized public performance in the United States. In order to transmit the broadcast to its viewers in Canada, the defendant picked up the content in the United States, transmitted it to a satellite (the "uplink"), and then re-transmitted it from the satellite to its subscribers in Canada (the "downlink"). While the defendant contended that only the downlink (which occurred outside the United States) was a public performance, the Second Circuit held that the domestic uplink was also a public performance. Even though the uplink was received by a satellite and was not contemporaneously perceptible by viewers, it was still a public performance because it was an integral part of the process by which the performance was delivered to Canadian viewers: "[A] public performance or display includes 'each step in the process by which a protected work wends its way to its audience.'" *NFL*, 211 F.3d at 14 (quoting *David v. Showtime/The History Channel, Inc.*, 697 F. Supp. 752, 759 (S.D.N.Y. 1988)). Without disagreeing with the result in *NFL*, the ASCAP court nonetheless found the case distinguishable, because in *NFL* "the final act in the sequence of transmissions was a public performance." ASCAP, 2010 U.S. App. LEXIS 19983, at *25 (citing *Cartoon Network*, 536 F.3d at 137). In contrast, the digital downloads in ASCAP produced individual copies for each recipient, like the copies in *Cartoon Network* and the videodiscs in *Columbia Pictures*; each recipient could then "play[] his unique copy of the song whenever he wants to hear it." *Id.* (citing *Cartoon Network*, 536 F.3d at 137-138) While *Cartoon Network* held that the creation of a "unique copy" made the subsequent performance of that copy private rather than public, in ASCAP the creation of a unique copy for each user was important in a more fundamental sense - it established that no performance occurred at all until the user elected to make the copy audible.

In a footnote, the Second Circuit acknowledged that, in circumstances not present in this case, a streaming performance and a download might occur simultaneously. *Id.* at *22-23 n.9.

Although the Second Circuit's conclusion that there was no public performance in *ASCAP* echoed that of the district court, the district court's analysis was more thorough. See *United States v. ASCAP*, 485 F.Supp.2d 438 (S.D.N.Y. 2007), *aff'd*, 2010 U.S. App. LEXIS 19883 (2d Cir. Sept. 28, 2010). Because the Second Circuit found no ambiguity in the § 101 definition of "perform," it did not consider authorities other than the statutory language and case law. *ASCAP*, 2010 U.S. App. LEXIS 19983, at *16 n.7. Casting a wider net, however, the district court found helpful language in a 1995 report from the Department of Commerce:

When a copy of a work is transmitted over wires, fiber optics, satellite signals or other modes in digital form so that it may be captured in a user's computer without the capability of simultaneous "rendering" or "showing," it has rather clearly not been performed.

Information Infrastructure Task Force, *The Report of the Working Group on Intellectual Property Rights* (Bruce A. Lehman), at 71 (Sept. 1995) (footnote omitted), *quoted in ASCAP*, 485 F.Supp.2d at 445.

In a 2001 report to Congress, the Register of Copyrights reached the same conclusion:

Although we recognize that it is an unsettled point of law that is subject to debate, we do not endorse the proposition that a digital download constitutes a public performance even when no contemporaneous performance takes place.

U. S. Copyright Office, *Digital Millennium Copyright Act Section 104 Report to the United States Congress* (Marybeth Peters, Register of Copyrights), at xxvii-xxviii (Aug. 29, 2001) (the "DCMA Section 104 Report"), *quoted in ASCAP*, 485 F.Supp.2d at 444. The Register's report also observed:

[T]his appears to be an issue driven as much by the structure of the administration of copyright rights in the music industry as by technology. The issue simply would not seem to arise in other industries where the public performance and reproduction rights are exercised by the same entity....

Id. at 147-48 (footnote omitted), *quoted in ASCAP*, 485 F.Supp.2d at 444-45.

Although neither of these reports is part of the legislative history of the 1976 Copyright Act, they are nonetheless relevant; streaming and downloading of recordings did not exist when the 1976 Act was being drafted, and Congress therefore could not have anticipated that the distinction between copies and performances - which probably seemed clearcut at the time -- would later become problematic. Thus, it was appropriate for the district court to consider both reports, even if they are not authoritative interpretations of the statute. As contemporary interpretations of the term "performance" in the digital context, they reflect the most common and intuitive understanding of that term, and strongly support the conclusion reached by both the district and appellate courts in *ASCAP*.

The reasoning in *ASCAP* is equally applicable to BMI and SESAC, and thus should foreclose each of these PROs from collecting public performance royalties for music downloads which do not simultaneously render the music audible. Although Congress is free to amend the copyright statutes to overrule *ASCAP*, it is highly unlikely to do so.

RELATED LINKS: For additional commentary, see

- 2-8 Nimmer on Copyright 8.14[B]

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Mary LaFrance is a William S. Boyd Professor of Law at the William S. Boyd School of Law, University of Nevada, Las Vegas. Prior to joining the Boyd School of Law, Professor LaFrance served on the faculty of the Florida State University College of Law and the Florida State University School of Motion Pictures, Television, and Recording Arts. She is the author of numerous books and law review articles on domestic and international intellectual property law, as well as the taxation of intellectual property. Her books include *Intellectual Property Cases and Materials* (West 3d ed. 2007) (with David Lange and Gary Myers), *Understanding Trademark Law* (Matthew Bender 2d ed. 2009), *Copyright Law in a Nutshell* (West 2008), and *Global Issues in Copyright Law* (West 2009), and the forthcoming *Understanding Intellectual Property Law* (Matthew Bender 2011) (with Donald Chisum, Tyler Ochoa, and Shubha Ghosh).

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



4 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Bensen: A Preview of the Supreme Court's Decision on the First Sale Doctrine

2010 Emerging Issues 5353

Bensen on A Preview of the Supreme Court's Decision on the Scope the Copyright First Sale Doctrine in Costco Wholesale Corp. v. Omega S.A., No. 08-1423 (U.S)

By Eric Bensen

October 13, 2010

SUMMARY: Eric Bensen previews *Costco v. Omega S.A.*, due to be argued in November 2010, in which the Supreme Court will take up the issue of whether copyright law's "first sale" doctrine, *17 U.S.C. § 109*, applies to the sale in the United States of a U.S. copyrighted work manufactured and first sold abroad. The outcome of the decision will likely have a significant impact on manufacturers' ability to challenge "gray market" sales of their products.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ARTICLE: In *Costco Wholesale Corp. v. Omega S.A.* ("*Costco*"), due to be argued in November 2010, the Supreme Court will take up the issue of whether copyright law's "first sale" doctrine, *17 U.S.C. § 109*, applies to the sale in the United States of a U.S. copyrighted work manufactured and first sold abroad. The case arose out of Costco Wholesale Corp.'s ("*CWC*") sale in the United States of Omega S.A. ("*Omega*") watches manufactured and first sold in Europe. By virtue of a small copyrighted design etched on the underside of each watch, Omega alleged that CWC's distribution of the watches infringed Omega's exclusive right of distribution under the Copyright Act. The precise question for the Court is whether § 109's requirement that a copy be "lawfully made under this title" for the first sale doctrine to apply means that the copy must be made in the United States, such that § 109 does not apply to foreign-made works, or whether it means the copy must be made "according to, or as defined by, this title," such that § 109 applies to a copy of a U.S. copyrighted work regardless of where the copy is manufactured. The outcome of the decision will likely have a significant impact on manufacturers' ability to challenge "gray market" sales of their products.

Summary of the Case

The pertinent facts of CWC are undisputed by the parties and relatively straightforward. Omega manufactures watches in Switzerland and distributes them worldwide through a network of authorized distributors and retailers. Each watch bears a small, copyrighted "Omega Globe Design" engraved on its underside. CWC obtained supplies of the watches from a New York company that acquired them through third parties from authorized distributors overseas. The overseas sales were authorized by Omega, but Omega did not authorize the watches to be sold in the United States.

Omega sued CWC claiming that CWC's sales of the Omega watches infringed Omega's exclusive rights under the Copyright Act, specifically, its right to import and distribute copies of the Globe Design. Omega subsequently moved for summary judgment on its claims. CWC cross-motivated for summary judgment that its activities were protected under copyright law's "first sale" doctrine. The district court denied Omega's motion and granted CWC's without explanation. Omega appealed to the Ninth Circuit.

Pertinent Legal Principles

The Copyright Act. *Costco* addresses the interplay between §§ 106(3), 109(a) and 602(a)(1) of the Copyright Act, the pertinent portions of which are reproduced here.

17 U.S.C. § 106(3). "Subject to sections 107 through 122, the owner of copyright under this title has the exclusive right[] ... to distribute copies ... of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending"

17 U.S.C. § 109(a). "Notwithstanding the provisions of section 106(3), the owner of a particular copy ... *lawfully made under this title*, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy" (Emphasis added.)

17 U.S.C. § 602(a)(1). "Importation into the United States, without the authority of the owner of copyright under this title, of copies ... of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies ... under section 106, actionable under section 501."

Section 106(3) is the source of one of a copyright owner's exclusive rights—the right of distribution—in the copyrighted work. Section 602(a)(1) extends that right by providing that unauthorized importation of a copyrighted work infringes the exclusive right to distribute. Section 109(a), the codification of copyright law's "first sale" doctrine, limits a copyright holder's rights under §§ 106(3) and 602(a)(1) (as well as other sections of the Copyright Act) in the sense that the owner of a particular copy of a work can import a copy (at least a copy manufactured in the United States) to the United States or sell the copy in the United States without infringing the copyright on the work.

First Sale & Exhaustion. Each of copyright law, patent law and trademark law to some extent allows the purchaser of an item to use or re-sell an item without incurring liability for infringement. As noted above, the Copyright Act expressly provides that the owner of a copy can sell or otherwise dispose of the copy without infringing the copyright. Notably, ownership of a copy does not entitle the owner to exercise the author's other exclusive rights provided the Copyright Act, such as the right to make additional copies. Under patent law's "exhaustion doctrine," a patent owner "exhausts" its rights in a patented article once it sells the article without restriction. Thus, the purchaser can use, re-sell or reasonably repair the article without infringing the patent. The purchaser of a trademarked article can resell the article with the trademark attached without incurring liability as long as the article is not materially altered. The latter requirement arises from the fact that if the article were materially altered, identifying the trademark owner as the source of the article would mislead consumers.

For a discussion of the first sale and exhaustion doctrines, see 2 Roger M. Milgrim & Eric E. Bensen, *Milgrim on Licensing* §§ 2.30 (patent), 4.30 (trademark), 5.36 (copyright) (2010); 5 Donald S. Chisum, *Chisum on Patents*, § 16.03[2][a] (2010); 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.12 (2010); 3 Anne Gilson LaLonde, *Gilson on Trademarks* § 11.08[4][k][iii][C] (2010).

The Gray Market. In some cases, it is cheaper to acquire a manufacturer's product abroad than it is to acquire it in the United States because the manufacturer follows a pricing strategy that calls for higher prices in the United States than in foreign markets for the same product. It is sometimes so much cheaper that it is potentially profitable to acquire the product in quantity abroad and re-sell it in the United States at a lower price than that at which "parallel" articles authorized for sale in the United States are sold. This is essentially what CWC did with Omega watches. Such re-selling is known as the "gray" market; "gray" because in the typical case, it is neither authorized by the manufacturer nor

expressly prohibited by law. Because the gray market goods sell at a discount relative the parallel products authorized for sale in the United States, manufacturers will go to great lengths to prevent gray market sales.

However, because of the first sale and exhaustion doctrines discussed above, the law is not always helpful to the manufacturers. For example, if the gray market article is not materially different from its U.S. parallel, the gray market article's re-sale in the United States will generally not violate trademark law. Under copyright law, a copyrighted work manufactured in the United States and sold abroad can be imported to the United States and re-sold without infringing the copyright (whether a foreign-made copy is subject to the first doctrine, of course, is the issue in *Costco*). Patent owners, however, fare better because the patent exhaustion doctrine, at least under current Federal Circuit precedent, is territorial, that is, only an authorized, unrestricted sale in the United States will exhaust a patentee's rights under U.S. patent law.

For a discussion of the gray market's implications for intellectual property protection see Milgrim on Licensing § 4.41, Gilson on Trademarks § 5.20.

Quality King Distribs., Inc. v. L'anza Res. Int'l, Inc., 523 U.S. 135 (1998). Respondent in *Quality King* (plaintiff below) sold hair care products exclusively to U.S. distributors, which agreed to re-sell only in limited geographic areas, and in foreign markets, where its products were sold at lower prices than in the United States. Petitioner acquired quantities of respondent's foreign-sold products and sold them in the United States at discounted prices. Respondent brought suit claiming that under § 602(a)(1) (then, § 602(a)), petitioner infringed the copyright on the respondent's product labels by distributing the product in the United States without respondent's authority. The Court held that § 109 applied to § 602(a)(1) and that therefore, petitioner's sales were protected by the first sale doctrine.

Quality King is distinguishable from *Costco* on the grounds that the goods at issue in *Quality King* were domestically manufactured while the goods at issue in *Costco* were manufactured abroad. Nonetheless, the discussion in *Quality King* may provide insights into the Court's thinking on two issues pertinent to *Costco*. The first is whether "lawfully made under this title," as used in § 109 means manufactured in the United States. Since the articles at issue in *Quality King* were manufactured in the United States, the precise meaning of that phrase was not directly at issue. However in discussing the scope of § 602(a)(1), the Court made some statements that potentially shed light on its understanding of the phrase, *e.g.*:

[Section] 602(a)(1) [also] applies to a category of copies that are neither piratical nor "lawfully made under this title." That category encompasses copies that were "lawfully made" not under the United States Copyright Act, but instead, under the law of some other country.

Later, the Court offer a hypothetical under which a United States copyright holder gives a U.S. publisher the exclusive right to publish a U.S. edition of the work and a British publisher the exclusive right to publish the British edition. In that scenario, the Court stated, only the U.S. edition would be "lawfully made under this title" and, therefore, the first sale doctrine would not apply to sales of the work by the British publisher in the United States. The Court also observed that § 602(a)(1) "is, in fact, broader [than § 109] because it encompasses copies that are not subject to the first sale doctrine -- *e.g.*, copies that are lawfully made under the law of another country" In sum, the Court appeared to be of the view that an article manufactured in a foreign country is "made under" the law of that country rather than "made under" the U.S. Copyright Act such that § 109 would not apply to a foreign made work (at least with respect to the first sale of the article in the United States).

The second issue is the propriety of using copyright law to protect a marketing channel. While copyright protection is intended to promote progress in the "useful arts" by rewarding creativity and protecting original works, there appeared to be little question in *Quality King* that respondent's primary interest in asserting copyright protection was to protect the integrity of its marketing strategy. The Court, however, did not appear to view such use to be objectionable. Rather, it observed that "[a]lthough [respondent's] labels themselves have only a limited creative component, our interpretation of the relevant statutory provisions would apply equally to a case involving more familiar copyrighted

materials such as sound recordings or books." Although it was not a central issue in *Quality King*, the Court's statement suggests that it would not see anything inherently unlawful in using a copyright on a minor aspect of a product to protect against gray market sales.

The Ninth's Circuit's Decision

The question left open by *Quality King*, but central to *Costco*, is whether the sale in the United States of a copyrighted article manufactured and lawfully sold abroad is covered by the first sale doctrine. If so, CWC's sales would not infringe Omega's copyright and, thus, those sales would be lawful in the absence of some other legal prohibition. If not, the inclusion by Omega of the copyrighted Global Design on its watch would render gray market sales of the watches infringing thereby giving Omega a legal basis to challenge CWC's sales.

The precise question, as the Ninth Circuit saw it, was the meaning of "lawfully made under this title" in § 109, the first sale provision of the Copyright Act. Prior to *Costco* and *Quality King*, the Ninth Circuit had held on several occasions that for a copy to be "lawfully made under this title," and, thus, for the first sale doctrine to apply, the copy had to be manufactured in the United States. The rationale for those decisions was twofold: first, the Copyright Act should not be given extraterritorial effect and, second, were the rule otherwise, § 602(a)(1) would be rendered virtually meaningless because importation of foreign manufactured copies is typically preceded by lawful sales in the foreign country. (The Ninth Circuit had also recognized, as an exception to the general rule, that the first sale doctrine would apply to a foreign-made copy after a first authorized sale in the United States.) Under those decisions, Omega's position, *i.e.*, that CWC's sales were not protected by the first sale doctrine, would clearly be correct.

The court went to some lengths to address whether its prior decisions concerning the meaning of "lawfully made under this title" were in conflict with *Quality King*. Of particular concern was a brief discussion in *Quality King* to the effect that construing § 109(a) to be triggered by a foreign sale of a copy would not constitute an extraterritorial application of the Copyright Act. The court addressed the concern by distinguishing the circumstance of *Quality King*, where the foreign sale of a U.S.-manufactured copy was merely a fact to be considered in the first sale doctrine context, from the case before it, where CWC was urging, in essence, that a foreign manufactured copy be deemed to have been "lawfully made under" the Copyright Act. In the court's view, the latter circumstance required an extraterritorial application of the Copyright Act that the former circumstance did not.

The court also understood *Quality King* to support its conclusion that a copy must be manufactured in the United States to be subject to the first sale doctrine. In particular, it pointed to the statement in *Quality King* noted above that § 602(a) applies to "copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." The court reasoned that if § 602(a), which protects only the holder of a U.S. copyright, applies to copies "lawfully made ... under the law of some other country," then copies can be made under the "law of another country" even when protected by a U.S. copyright. Thus, to be "lawfully made under *this title*," as § 109 requires (emphasis added), something more than simply being made with the authority of the U.S. copyright holder is required. That "something more," the court concluded, is that the copy be made with the authority of holder of the copyright holder *in the United States*.

In light of the foregoing, the court held that its general rule that § 109 applies only to copies made in the United States was not clearly irreconcilable with *Quality King*. Accordingly, the court reversed the decision below.

Certiorari

The Supreme Court granted certiorari on April 19, 2010 and is scheduled to hear oral arguments on November 8, 2010. One question is presented:

Whether § 602(a)(1) of the Copyright Act of 1976, which provides that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106," 17 U.S.C. § 602

(a)(1), applies to copies manufactured abroad by the owner of a copyright.

In its merits brief, CWC argued, essentially, that the Ninth Circuit's decision was inconsistent with both the Copyright Act and *Quality King*. Specifically, CWC argued that "lawfully made under this title" is used throughout the Act and, for consistency, should be given its "literal" meaning, *i.e.*, it should be construed to mean "according to, or as defined by, this title." Under that definition, any copies made by Omega would be lawfully made under the U.S. Copyright Act and thus, subject to the first sale doctrine. *Quality King*, in CWC's view, "unambiguously" held that the first sale doctrine applies to imported copies.

CWC acknowledged the Court's statement in *Quality King* to the effect that the first sale doctrine does not apply to copies made under the copyright law of another country, but argued that both the statement in *Quality King* and drafting history of § 602 refer to copies made by foreign entities that do not have a corresponding U.S. copyright for the copied work. With respect to policy considerations, CWC argued that the Ninth Circuit's holding gave greater protection to foreign manufacturers in the sense that foreign manufacturers could obtain the benefit of § 602(a)(1) for an article that it had already sold while a domestic manufacturer could not. As a result, CWC predicted, manufacturers would be more likely to manufacture abroad to keep more control over the distribution of their products and domestic retailers would be reluctant to sell foreign goods because of fears of being held liable for infringement. CWC acknowledged that the Ninth Circuit provided an exception under which the first sale doctrine would apply to foreign made copies after a first authorized sale in the United States, but argued the exception had no basis in the Copyright Act and, thus, did not remedy what it viewed as a flawed construction of § 109.

In its brief, Omega argued, naturally, that the Ninth Circuit's holding was correct. Specifically, it argued that *Quality King* required affirmance of the Ninth Circuit's decision because *Quality King* made it clear that § 109(a) did not protect imports of foreign made articles. Moreover, Omega argued, the Ninth Circuit's construction of § 109 was consistent with the Copyright Act as a whole in the sense that a copy made abroad does not implicate any of the exclusive rights granted under the Act and, thus, cannot be said to have been "lawfully made" under the Act. On policy, Omega argued that the Ninth Circuit's construction of § 109, by providing protection against unauthorized imports, promoted investment in domestic distribution and more efficient exploitation of intellectual property rights. Omega also argued that while it has long been understood that the copyright first sale doctrine did not apply to foreign made articles, that understanding had not been shown to have a significant effect on the economy.

Potential Implications of CWC

While the precise question before the Court in *Costco* is the meaning of "lawfully made under this title" as used in § 109, the real import of *Costco* will be its impact on is the ability of manufacturers to use copyright protection combat a gray market for their goods. Were Omega to ultimately prevail, manufacturers could protect against gray market sales of their foreign manufactured goods by incorporating a copyrighted work into the good to take advantage of § 602(a)(1). As the discussion in *Quality King* noted above appears to indicate, neither the limited creativity of the copyrighted subject matter nor its intended purpose of protecting a marketing strategy would be an obstacle to its enforcement. Copyright law would potentially compliment trademark law with respect to gray market goods in that the distribution of an unaltered version of the copyrighted article would infringe the copyright while distribution of the article with copyrighted aspect removed would, if the removal was deemed to be a material alteration, violate trademark law. Were CWC to prevail, of course, retailers would retain considerable latitude to obtain products in foreign markets and sell them in the United States at a discount to their parallel U.S.-authorized products.

One question on the minds of some observers is whether the outcome of *Costco* will impact non-copyright first sale/exhaustion doctrines. It appears unlikely that *Costco*, regardless of how it is decided, would have any impact on the first sale doctrine in trademark law. Although trademark law is sometimes thought of as providing an exclusive right to use a mark in connection with the sale of a particular product in a particular market, is better understood as providing a right to stop another from using a mark in a manner is likely to confuse consumers about the source of a product. Since even in a gray market, a mark on an product that is not materially different from its U.S. parallel would not be

misleading as to the ultimate source of the article, there is little justification for a territorial restriction on the trademark first sale doctrine.

The potential for *Costco* to impact patent law's exhaustion doctrine requires closer scrutiny. The Ninth Circuit's decision in *CWC* was consistent with the current state of the patent exhaustion doctrine, *i.e.*, both require that the article be manufactured in the United States for exhaustion to occur. Affirmation of the Ninth Circuit's decision, therefore, presumably would not impact the patent exhaustion doctrine.

The impact that a reversal of the Ninth Circuit's decision would have on the patent exhaustion doctrine would have to be evaluated in view of the Court's rationale for its holding. For example, the court could take the position urged by some amici that once a copyright holder sells a copy, its rights under the copyright are exhausted for all purposes, the rationale being that a copyright owner is only entitled to be compensated once in connection with a particular copy. If that rationale were adopted, proponents of a broader patent exhaustion doctrine would have a stronger argument for eliminating patent law's territorial requirement. On the other hand, the Court could decide that § 109 has no territorial requirement on the grounds that so construing § 109 would render it inconsistent with other provisions of the Copyright Act. Such a holding, because it would turn on the provisions of the Copyright Act, would be less likely to impact patent law.

RELATED LINKS: For a discussion of the first sale and exhaustion doctrines, see

- 2 Roger M. Milgrim & Eric E. Bensen, MILGRIM ON LICENSING §§ 2.30 ;
- 2.31 (patent) ;
- 4.30 (trademark) ;
- 5.36 (copyright) (2010);
- 5 Donald S. Chisum, CHISUM ON PATENTS, § 16.03[2][a] (2010) ;
- 2 Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT § 8.12 (2010) ;
- 3 Anne Gilson LaLonde, GILSON ON TRADEMARKS § 11.08[4][k][iii][C] (2010)

For a discussion of the gray market's implications for intellectual property protection, see

- MILGRIM ON LICENSING § 4.41;
- GILSON ON TRADEMARKS § 5.20

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Eric E. Bensen is a co-author of *Milgrim on Licensing*, *Milgrim on Trade Secrets* and *Bensen & Myers on Litigation Management* and advises clients on complex intellectual property and litigation management issues. He can be reached at ericbensen@gmail.com.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



5 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Mary LaFrance. All Rights Reserved.

LaFrance on Distinguishing between Sales and Licenses of Software

2010 Emerging Issues 5350

LaFrance on Distinguishing between Sales and Licenses of Software in *Vernor v. Autodesk, Inc.* 2010 U.S. App. LEXIS 18957 (9th Cir. Sept. 10, 2010)

By Mary LaFrance

October 12, 2010

SUMMARY: As digital media overtake more traditional publication means, disputes over the distinction between sales and licenses of copyrighted materials are more frequent. Disputes involving software have dominated, but the distinction is also problematic with respect to other categories of copyrighted works, such as motion pictures and sound recordings. Mary LaFrance discusses the new test created in *Vernor v. Autodesk* and its implications.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: As digital media overtake more traditional publication means, disputes over the distinction between sales and licenses of copyrighted materials have become more frequent. Disputes involving software, a category of copyrighted work that necessarily is published in digital form, have dominated the litigation, but the distinction is also problematic with respect to other categories of copyrighted works, such as motion pictures and sound recordings.

In *Vernor v. Autodesk, 2010 US App LEXIS 18957* (9th Cir. Sept. 10, 2010), the first of several appellate opinions on the sale/license distinction which are expected to issue in the coming months, the Ninth Circuit developed a new test for resolving this question, at least in the context of software. Specifically, the litigants disputed whether a particular copy of copyrighted software had been sold or licensed to a customer, for purposes of determining (1) whether the customer was entitled to resell the copy under the first sale rule, *17 U.S.C. § 109(a)*, and (2) whether a later purchaser of that copy was entitled to copy the software as an essential step in its utilization under *17 U.S.C. § 117*. In resolving these questions, the court held that a copy of software has been licensed rather than sold if the copyright owner (1) specifies that it is a license, (2) significantly restricts the user's ability to transfer the software, and (3) imposes "notable use restrictions." *Id.* at *25.

I. Facts

Autodesk distributed Release 14 of its copyrighted AutoCAD software to its customers on CD-ROMs pursuant to a software license agreement (SLA). Customers could either accept the SLA or return the CD-ROMS to Autodesk for a refund. *2010 US App LEXIS 18957*, at *3. The SLA imposed a number of restrictions on the customer's use of the software:

- Autodesk retained title to all copies.
- The customer could not modify, translate, reverse-engineer, decompile, or disassemble the software.
- The customer could not remove proprietary marks from the software or documentation.
- The customer could not defeat any copy protection device.
- The customer had a nonexclusive and nontransferable license to use the software.
- Customers could not rent, lease, or transfer the software without Autodesk's consent.
- Customers could not electronically or physically transfer the software, or use the software, outside of the Western Hemisphere.
- If the software was licensed or labeled for educational use only, the customer could not use it for commercial purposes.
- The license would terminate if the customer made unauthorized copies or violated any other license provision.
- If the software was an upgrade of a previous version, the customer must destroy its copies of the previous version, including hard drive copies, within 60 days of upgrading.

Id. at *3-5, *25-26. To enforce its license restrictions, Autodesk required customers to input activation codes within one month of installing the software. *Id.* at *5.

To resolve a dispute over unauthorized copying, Autodesk and its customer Cardwell/Thomas & Associates (CTA) entered a settlement agreement under which (1) Autodesk licensed ten copies of Release 14 to CTA, and (2) CTA accepted to the terms of the SLA. *Id.* at *6. However, when CTA later upgraded to a new version of the AutoCAD software, CTA sold its copies of Release 14, rather than destroying them as required by the SLA. *Id.* at *6. Plaintiff Vernor purchased four of CTA's copies, along with the accompanying activation codes, and offered these for sale on eBay. *Id.* at *8-9. When Autodesk sent take-down notices to eBay pursuant to the Digital Millennium Copyright Act (DMCA), *see* 17 U.S.C. § 512(c)(1)(C), Vernor filed an action for a declaratory judgment that his sales did not infringe Autodesk's copyright because they were permitted by the first sale rule, 17 U.S.C. § 109(a). He also sought a ruling that his purchasers would be permitted to copy the software as an essential step in its utilization, pursuant to 17 U.S.C. § 117.

II. Underlying Copyright Principles

A. The First Sale Rule

Although a copyright owner has the exclusive right to publicly distribute copies of the copyrighted work (whether by sale, rental, lease, lending, or gratuitous transfer) under 17 U.S.C. § 106(3), that right is limited by the first sale rule, *id.* § 109. The first sale rule grants several privileges to the "owner" of a lawfully made copy, or a person acting under the owner's authority. Among these privileges is the right "to sell or otherwise dispose of the possession of that copy." *Id.* § 109(a). This right applies to all types of copyrighted works, subject to an exception which allows copyright owners to prohibit rentals (and, in some cases, lending) of software and sound recordings. *Id.* § 109(b)(1)(A). The latter exception was not at issue in *Vernor*.

B. The Essential Step Rule

Section 117 creates an exception to the copyright owner's exclusive reproduction right, by allowing the "owner of a copy of a computer program" to make (or authorize the making of) an additional copy (or adaptation) of the software as an "essential step" in using the software, or for archival purposes (*i.e.*, as a back-up copy). 17 U.S.C. § 117(a). Enactment of the "essential step" privilege was deemed necessary because merely using software in a computer arguably involves "copying" the software from its original storage medium into the computer's Random Access Memory (RAM). *See* Final Report of the National Commission on New Technological Uses of Copyrighted Works ("CONTU Report"), U.S. Dept. of Commerce, PB-282141, at 13, 55, 98 (July 31, 1978); *accord*, *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 518-19 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994); *Vault Corp. v.*

Quaid Software Ltd., 847 F.2d 255, 260 (5th Cir. 1988); 2-8 Nimmer on Copyright § 8.08[A]--[B].

III. The *Vernor* Decision

The Ninth Circuit framed the issue in *Vernor* as "whether Autodesk sold Release 14 copies to its customers or licensed the copies to its customers." *Id.* at *12. While both the district court and the appellate court drew on the same precedents to resolve this question, they reached opposite conclusions.

A. *License versus Sale: Ninth Circuit Precedents*

Both of the *Vernor* courts focused their analysis on four Ninth Circuit precedents involving the sale/license question -- one involving copies of motion pictures, and three involving software.

1. *Wise v. United States*, 550 F.2d 1180 (9th Cir. 1977)

In *Wise*, a criminal copyright infringement case, motion picture studios had supplied prints of their films to distributors and exhibitors under "licenses" which granted the recipients limited rights to publicly distribute and publicly perform the motion pictures. *Id.* at 1190. Each of these agreements restricted the recipients' use and transfer of the copies, albeit in different ways. *Id.* at 1183-84. The Ninth Circuit was asked to determine whether, in each case, the studios had sold the prints within the meaning of the first sale rule under the 1909 Act (as codified at 17 U.S.C. § 27 prior to amendment by the 1976 Act).

With respect to two of the films, the contracts specified that the studios reserved title to the prints, and required the return of the prints upon expiration of the contract; all but one of these contracts expressly prohibited copying. *Id.* at 1190. The Ninth Circuit found all of these transactions to be licenses. *Id.*

With respect to several other films, the court failed to describe the specific terms of the contracts, stating conclusorily that it was "clear" that they constituted licenses. While several of those agreements did not reserve title to the prints, the court held that "[t]he mere failure to expressly reserve title to the films does not require a finding that the films were sold, where the general tenor of the entire agreement is inconsistent with such a conclusion." *Id.* at 1191.

The court paid closer attention, however, to two other agreements, both involving television broadcasts, and concluded that while in one case the prints were licensed, in the other case there was a sale. An agreement with broadcaster NBC permitted the television network to order prints at its own expense, and these prints would either be repurchased by the studio or destroyed by NBC; title to these prints was retained by the studio. The court held that this agreement constituted a license. *Id.* at 1191. The agreement with ABC, however, was slightly different. The studio did not retain title, and while it required ABC to return the prints, ABC was allowed to retain one copy, at ABC's expense. The latter provision, the court held, constituted a sale. *Id.* at 1191. While not dispositive, the studio's failure to retain title also, in the court's view, "approache[d] a sale-and buyback situation." *Id.*

In addition to these distributor/exhibitor transactions, the studios in *Wise* also provided prints to a number of individuals (such as performers), on condition that each recipient retain possession of the print and refrain from copying it. *Id.* at 1192. While characterizing most of these transactions as "loans or licenses," *id.*, the court concluded that one of them (the Redgrave contract) could have been a sale. In the latter case, the agreement (1) required the recipient to pay for the cost of the print and to retain possession of the print, (2) prohibited any sale, lease, license, or loan of the print, and (3) prohibited copying and for-profit performances of the films. *Id.* While noting that the payment requirement did not by itself establish a sale, the Ninth Circuit concluded that the payment requirement, "when taken with the rest of the language of the agreement, reveals a transaction strongly resembling a sale with restrictions on the use of the print." *Id.*

2. The "*MAI* Trio" of Software Cases

The Ninth Circuit considered whether persons acquiring copies of software were owners or licensees of those

copies for purposes of section 117's "essential step" privilege in three cases, referred to by the *Vernor* court as the "MAI trio" of cases,: *Wall Data, Inc. v. Los Angeles County Sheriff's Dept.*, 447 F.3d 769 (9th Cir. 2006); *Triad Sys. Corp. v. Southeastern Express Co.*, 64 F.3d 1330 (9th Cir. 1995), *cert. denied*, 516 U.S. 1145 (1996); *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994).

In *MAI* and *Triad* (both of which predated the 1998 broadening of section 117 to encompass maintenance activities on leased computers, *see* H.R. Rep. No. 105-551, pt. 1, at 27 (1998)), the defendants performed maintenance on computers that used the plaintiff's operating software; they arguably "copied" the software each time they turned the computer on. In each case, Ninth Circuit panels declined to apply the essential step privilege because the plaintiffs had licensed rather than sold its software to the customers whose computers were being serviced. *MAI*, 991 F.2d at 517-18 & n.5; *Triad*, 64 F.3d at 1333, 1335-36.

However, neither *MAI* nor *Triad* squarely considered the question whether the customers in those cases "owned" or "licensed" their copies of the plaintiffs' software; the focus on each case was whether the defendants' actions constituted "copying." In *MAI*, there appeared to be no dispute whether the plaintiff's customers were owners or licensees; the appellate opinions assumes, without discussion, that the copies were licensed. *See MAI*, 991 F.2d at 518 n. 5 ("Since MAI licensed its software, the Peak customers do not qualify as "owners" of the software and are not eligible for protection under § 117."). In the decision below, the court's findings of fact note that MAI licensed rather than sold its software to customers, but the only support for this statement is MAI's own declaration, and there is no indication that the defendant disputed this characterization. *MAI Sys. Corp. v. Peak Computer*, 1992 US Dist LEXIS 21829, *4 (C.D. Cal. April 15, 1992), *aff'd in part, rev'd in part, remanded*, 991 F.2d 511 (9th Cir. 1993).

In *Triad*, the plaintiff provided its software to customers under agreements which prohibited copying and third-party use; in later agreements, it also required the customers to pay a "license transfer fee" if they sold their computer systems. The Ninth Circuit noted that, previously, Triad had "sold its software outright to customers." The court simply assumed, without discussion, that the copies delivered under the new agreements were licensed rather than owned, and here, too, the defendant does not seem to have questioned this assumption. *Triad*, 64 F.3d at 1333. Similarly, the lower court accepted without question the plaintiff's characterization of its contracts as licenses. *Triad Sys. Corp. v. Southeastern Express Co.*, 31 U.S.P.Q.2d (BNA) 1239, *8 (N.D. Cal. 1994), *aff'd in relevant part*, 64 F.3d 1330 (1995), *cert. denied*, 516 U.S. 1145 (1996).

Unlike *MAI* and *Triad*, the *Wall Data* opinion squarely addresses the distinction between an owner and a licensee, although it does so only in the context of section 117; section 109 was not at issue. In this case, the plaintiff sold the defendant 3,663 software "licenses" that (1) were non-exclusive; (2) permitted use of the software on a single computer; and (3) permitted transfer of the software once per month, if the software was removed from the original computer. *Wall Data*, 447 F.3d at 775 n.5, 781. The defendant made more copies than were authorized by its license, but argued that the additional copies were an essential step in using the program. Citing *MAI*, the court held that the defendant was a licensee, because the copyright owner (1) made it "clear" that it was granting "only a license to the copy of the software," and (2) the copyright owner "impose[d] significant restrictions on the purchaser's ability to redistribute or transfer that copy." *Id.* at 785-86. "Such restrictions," the court noted, "would not be imposed on a party who owned the software." *Id.* (also holding, in the alternative, that the additional copies were not an essential step in the software's use).

B. District Court: *Wise* and *MAI* Trio Irreconcilable

Both of the district court opinions in *Vernor* concluded that *Wise* and the *MAI* trio were irreconcilable. *Vernor v. Autodesk, Inc.*, 555 F. Supp.2d 1164, 1172 (W.D. Wash. 2008); *Vernor v. Autodesk, Inc.*, 2009 U.S. Dist. LEXIS 90906, *36 (W.D. Wash. Sept. 30, 2009). In particular, it noted that *Wise* found that film prints had been sold where the contractual restrictions on the recipient were even more restrictive (the Redgrave contract) than those held to be indicative of a license in *Wall Data*. *Vernor*, 555 F. Supp.2d at 1172.

Under *Wise*, the district court concluded, the Release 14 transaction was a sale, because the "critical factor" in *Wise*

that determined whether a movie studio had sold or licensed a print was whether or not the recipient was required to return the print to the studio: "Even a complete prohibition on further transfer of the print . . . or a requirement that the print be salvaged or destroyed, was insufficient to negate a sale where the transferee was not required to return the print." *Vernor*, 555 F.Supp.2d at 1170. Because CTA was not required to return its copies of Release 14, its transaction with Autodesk was a sale, even though it was a "sale with restrictions on use." *Id.* at 1170-71.

In contrast, the district court observed, if it were to follow the teachings of the *MAI* trio, it would have to conclude that CTA did not own its copies. *Id.* at 1172.

Faced with these contradictory precedents, the district court opted to follow *Wise* because it was the older precedent. *Id.*; see also *Vernor*, 2009 U.S. Dist. LEXIS 90906, at *36. While acknowledging that there was a wide divergence of opinions among federal courts in other circuits, the court noted that it was obligated to follow Ninth Circuit precedents. *Vernor*, 555 F. Supp.2d at 1174 (collecting cases).

C. The Ninth Circuit's Analysis

The Ninth Circuit reversed. Relying on the *MAI* trio, as well as *Wise*, the court derived from these precedents a new three-part test for determining whether a software user is a licensee or an owner of a copy:

[A] software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2) significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions.

Vernor, 2010 U.S. App. LEXIS 18957, at *25. Under these standards, CTA was a licensee, because Autodesk retained title to the software, imposed significant transfer and use restrictions on CTA, and provided for termination of CTA's license in the event of noncompliance with these restrictions. *Id.* at *25-26.

The Ninth Circuit disagreed with the district court's conclusion that the crucial distinction between a license and a sale in *Wise* was whether or not the recipient was required to return the print to the studio:

[U]nder *Wise*, where a transferee receives a particular copy of a copyrighted work pursuant to a written agreement, we consider all of the provisions of the agreement to determine whether the transferee became an owner of the copy or received a license. We may consider (1) whether the agreement was labeled a license and (2) whether the copyright owner retained title to the copy, required its return or destruction, forbade its duplication, or required the transferee to maintain possession of the copy for the agreement's duration. We did not find any one factor dispositive in *Wise*: we did not hold that the copyright owner's retention of title itself established the absence of a first sale or that a transferee's right to indefinite possession itself established a first sale.

Id. at *17-18 (citing *Wise*, 550 F.2d at 1190-92); see also *id.* at *29-30 (noting that the requirement to return the prints was only one factor in the analysis). The court also refused to treat as dispositive the fact that (1) Autodesk's allowed its customers to keep their copies indefinitely or that (2) Autodesk did not require recurring license payments. *Id.* at *33-34.

The court concluded that its new three-part test reconciled any apparent conflict between *Wise* and the *MAI* trio. *Id.* at *23.

The court acknowledged that, in *DSC Communs. Corp. v. Pulse Communs., Inc.*, 170 F.3d 1354, 1360 (Fed. Cir. 1999), the Federal Circuit had criticized *MAI* for failing to distinguish between licensing the *copyright* in a work and licensing *copies* of the work. *Vernor*, 2010 U.S. App. LEXIS 18957, at *31-33. The court noted, however, the Federal Circuit ultimately agreed that the, due to the contractual restrictions to which it was subject, the customer in *MAI* was not an owner. *DSC Communs.*, 170 F.3d at 1360-61.

While cautioning that legislative history was "unnecessary to our resolution of the case," the Ninth Circuit nonetheless concluded that the legislative history of the first sale doctrine supported its holding, quoting the 1976 House Report's statement that the first sale doctrine applies only when there has been "an outright sale" and "does not 'apply to someone who merely possesses a copy or phonorecord without having acquired ownership of it.'" 2010 U.S. App. LEXIS 18957, at *28 (quoting H.R. Rep. 94-1476, at 79 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5693).

The court also found support in the legislative history of the essential step privilege. As originally proposed in the CONTU Report, *supra* at 30, section 117 would have made this privilege available to "the rightful possessor of a copy of a computer program." Without explanation, Congress changed "rightful possessor" to "owner." *Vernor*, 2010 U.S. App. LEXIS 18957, at *28-29. In the court's view, "[t]his modification suggests that more than rightful possession is required for § 117 to apply - *i.e.*, that Congress did not intend licensees subject to significant transfer and use restrictions to receive the benefit of the essential step defense." *Id.* at *29.

The Ninth Circuit distinguished *Bobbs-Merrill v. Straus*, 210 U.S. 339, 350 (1908), in which the Supreme Court held that the owner of copyright in a book could not control the resale price of copies through the contrivance of placing a notice on each copy stating that resale below a specified price constituted infringement. In contrast to the facts of *Vernor*, in *Bobbs-Merrill* there was no agreement between the copyright owner and the parties who purchased the labeled copies. *Vernor*, 2010 U.S. App. LEXIS 18957, at *33 (citing *Bobbs-Merrill*, 210 U.S. at 350.)

The Ninth Circuit also distinguished *Krause v. Titleserv, Inc.*, 402 F.3d 119 (2d Cir. 2005), *cert. denied*, 546 U.S. 1002 (2005), in which the Second Circuit held that, even in the absence of formal title, a company was an owner rather than a licensee of its copies for purposes of section 117 because it had "sufficient functional incidents of ownership" - specifically, it had paid for the software to be developed, the developer customized the software for the company, the software was stored on the company's server, the company had a perpetual right to keep the copies, and was free to discard or destroy them. *Id.* at 124-25 & n.3. These indicia of ownership, however, were sufficiently different from the facts of *Vernor* that the Ninth Circuit found *Krause* to be readily distinguishable. *Vernor*, 2010 U.S. App. LEXIS 18957, at *32-33.

While substantial public policy arguments were raised by both parties and by the amici in *Vernor*, the Ninth Circuit barely took note of them in its opinion, and made no attempt to assess their logic or factual foundations, asserting that its holding was required by precedent. Policy arguments against the court's holding took note of, *inter alia*, the law's "aversion to restraints on alienation," the burden on consumers of tracing the chain of title each time they purchase copyrighted goods, and the possibility that the court's holding would diminish the market for second-hand goods, increase the prices of copyrighted goods, and interfere with the ability of nonprofit libraries to lend software as permitted by 17 U.S.C. § 109(b)(2). Arguments in favor of the court's holding, however, suggested the possibility of tiered pricing for different markets, lowering prices by spreading costs, increasing software sales, and reducing piracy. *Vernor*, 2010 U.S. App. LEXIS 18957, at *34-37.

On remand, the court noted, *Vernor* was free to pursue his claim of copyright misuse. *Id.* at *37-38.

IV. Conclusion

Although the *Vernor* court stated that its holding was required by precedent, in fact its opinion marks the Ninth Circuit's first attempt to articulate a general principle for distinguishing between sales and licenses of copyrighted goods. It remains to be seen, however, whether the court will apply the same test in cases involving goods other than software, or in cases where the "license" in question is non-negotiable, as in the typical purchase of consumer software. These issues are likely to be explored soon, in the upcoming decisions on appeal in *UMG Recordings, Inc. v. Augusto*, 558 F.Supp.2d 1055 (C.D. Cal. 2008), and *MDY Indus., LLC v. Blizzard Entertainment, Inc.*, 2008 U.S. Dist. LEXIS 53988 (D. Ariz. 2008).

In *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008), the Supreme Court strongly reaffirmed the

principle of exhaustion in patent law, a concept similar in many respects to the first sale rule of copyright law. The Court also recently granted a petition for certiorari in *Costco Wholesale Corp. v. Omega*, 541 F.3d 982 (9th Cir. 2008), cert. granted, 130 S.Ct. 2089 (April 19, 2010), which addresses the application of the first sale rule to imported copies. In light of the Supreme Court's apparent interest in the concepts of exhaustion and first sale, and the increased urgency of clarifying the sale/license distinction, the Supreme Court may take up one of the sale/license cases in the near future.

In the meantime, for software makers who distribute their products in tangible copies, but wish to keep those copies out of the resale market, *Vernor* provides a helpful roadmap for accomplishing this goal, at least to the extent that the software makers can invoke the jurisdiction of the Ninth Circuit. To maximize control over resales, the owner of a software copyright should emulate, to the extent practicable, the terms of Autodesk's SLA when it agrees to supply copies to its customers. The copyright owner can further strengthen its position by requiring the return of the copies at the expiration of the license, a requirement which was omitted from Autodesk's SLA. If enforcement of such a contractual requirement is not practicable (as Autodesk argued), the copyright owner should consider the alternative strategy - apparently neglected by Autodesk - of de-activating the activation code for each copy upon termination of the license with respect to that copy.

Distributors of software, motion pictures, sound recordings, videogames, and books are increasingly turning to digital downloads and/or streaming as their preferred distribution methods. Because it enables them to avoid distributing hard copies of their works, this strategy will strengthen the copyright owners' argument that they have licensed rather than sold copies of their work, thus increasing their ability to avoid the impact of the first sale rule and the section 117 copying privilege. This strategy will be especially important if other courts find the *Vernor* approach unpersuasive.

RELATED LINKS: For additional commentary, see

- 2-8 Nimmer on Copyright, §§ 8.08 ;
- 8.12[B][1][d][i] ;
- 2-4 Computer Law § 4.11

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Mary LaFrance is a William S. Boyd Professor of Law at the William S. Boyd School of Law, University of Nevada, Las Vegas. Prior to joining the Boyd School of Law, Professor LaFrance served on the faculty of the Florida State University College of Law and the Florida State University School of Motion Pictures, Television, and Recording Arts. She is the author of numerous books and law review articles on domestic and international intellectual property law, as well as the taxation of intellectual property. Her books include *Intellectual Property Cases and Materials* (West 3d ed. 2007) (with David Lange and Gary Myers), *Understanding Trademark Law* (Matthew Bender 2d ed. 2009), *Copyright Law in a Nutshell* (West 2008), and *Global Issues in Copyright Law* (West 2009), and the forthcoming *Understanding Intellectual Property Law* (Matthew Bender 2011) (with Donald Chisum, Tyler Ochoa, and Shubha Ghosh).

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



6 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Kerry L. Timbers. All Rights Reserved.

Software Makers, Take Note: Court Defines "Circumvention" Downward

2010 Emerging Issues 5339

Software Makers, Take Note: Court Defines "Circumvention" Downward

By Kerry L. Timbers

September 30, 2010

SUMMARY: Hacking a security device in order to use software is not a violation of a law barring the circumvention of technology that "controls access" to copyrighted works, such as software. The Fifth Circuit makes this fine distinction in *MGE UPS Systems Inc. v. GE Consumer and Industrial Inc.* Kerry L. Timbers of Sunstein, Kann Murphy & Timbers LLP discusses this issue herein.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: Hacking a security device in order to use software is not a violation of a law barring the circumvention of technology that "controls access" to copyrighted works, such as software. The Fifth Circuit makes this fine distinction in *MGE UPS Systems Inc. v. GE Consumer and Industrial Inc.*, 612 F.3d 760 (5th Cir. Tex. 2010).

Copyright law, in the form of the Digital Millennium Copyright Act, or DMCA, provides: "No person shall circumvent a technological measure that effectively controls access to a work protected under this title."

This generally makes it illegal to circumvent technological measures that control access to a work, such as software used to prevent copying of DVDs, digital rights management (DRM) technology for music files, or software or hardware "keys" used to lock software programs with a password. Prohibited circumvention is illegal, whether or not there is any actual copyright infringement involved.

Thus, it has typically been held that "cracking" codes in order to access and copy music or movies is a violation of the DMCA. For example, last summer in a highly publicized case involving RealNetworks, a court halted the sale of software that would allow users to copy DVDs to their laptop computers or other devices for viewing.

In *MGE*, however, the court distinguishes between the cracking of technological measures designed to prevent access to and use of a copyrighted work, as opposed to measures designed to prevent copying of the work -- and held that cracking security measures that merely prevent access and use are allowed.

The Fifth Circuit considered a computer dongle, or external security key, that had to be attached to a computer in order to allow the software on the computer to run. The software was used to service uninterruptible power supplies,

and GE had obtained a "hacked" version of the software that could run without the dongle and its password. GE admitted that it had used the hacked software in its business, and indeed was found guilty of copyright infringement, although it was never proved that GE itself had hacked the software.

The court held that circumventing the dongle was not a violation of the DMCA because the dongle controlled only "viewing or using" the software, not copying it. The court stated that "the DMCA does not apply to mere use of a copyrighted work," but suggested that had the dongle prevented copying of the software, or encrypted the software, its circumvention might have been illegal.

This observation echoed that of another court's decision involving a universal remote garage door opener, where a security code was cracked to allow the universal remote to control the door opener. In that case (*Chamberlain Group, Inc. v. Skylink Techs., Inc.*, 381 F.3d 1178 (Fed. Cir. 2004)), the court allowed the cracking of the door-opening software, because the software "lock" merely prevented use--not copying--of the software.

Both courts promoted the idea that the DMCA should not prohibit hacking software locks where the actual use of the program is either permitted (as where the user has paid for the software and is a legitimate user) or might make a "fair use" of the copyrighted work. As the MGE court said, "An owner's technological measure must protect the copyrighted material against an infringement of a right that the Copyright Act protects, not from mere use or viewing," which the court considered "within the purview of 'fair use' permitted under the Copyright Act."

Coincidentally, the Register of Copyrights this summer recommended that there be an exception to the DMCA allowing the cracking of dongles where the dongles have malfunctioned, are damaged, or are obsolete -- but implicitly suggesting that all other cracking of dongles would violate the DMCA. This position is at odds with the MGE decision, which would allow cracking of a dongle that controls access to the software under any circumstances, regardless of whether the dongle functions properly or is obsolete.

It remains to be seen whether other courts will endorse the Fifth Circuit's logic. In addition to contradicting the view of the Register of Copyrights, the MGE decision can be fairly criticized as fundamentally misunderstanding how software works. For example, the court noted that the dongles do not perform encryption to prevent copyright violations. Exactly the same thing can be said about DVD encryption schemes: They do not prevent raw copying, but they discourage copying because the copies are useless in both cases without the "key."

Software designers using dongles, usb keys, passwords, or other "locks" to restrict access to their software would be wise to have those measures not merely control use of the software, but also control decryption or some other method of preventing copying. Alternatively, they could write their software license to specifically prohibit cracking such measures and using any hacked copy of the software.

Given the possible loopholes in DMCA protection, yet another strategy is to register one's copyright before any copyright infringement takes place. This would allow recovery of statutory damages and attorneys' fees, which are not available if infringement begins before registration.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

Kerry L. Timbers is a partner at Sunstein, Kann Murphy & Timbers LLP and has been with the firm since 1988. He concentrates his practice in intellectual property litigation, including litigation of patent, trademark, and copyright cases, and is also Co-Chair of the Litigation Section. He has extensive experience, including trials in both jury and non-jury cases, and arguments before the Court of Appeals for the Federal Circuit.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



7 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Lisa M. Tittlemore. All Rights Reserved.

Crippling Blow to Infringer: Decorative Furniture Not Merely Functional

2010 Emerging Issues 5338

Copyright Decision Deals Crippling Blow to Infringer: Decorative Furniture Not Merely Functional

By Lisa M. Tittlemore

September 30, 2010

SUMMARY: When evaluating whether a particular item or object infringes someone's copyright, it is essential to determine whether the work is protectable by copyright in the first place. In many cases, the issue will raise a question regarding functionality. Is the item at issue a work of protected expression, or is it "merely" a functional item? This question is not as easy to answer as it may seem.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: When evaluating whether a particular item or object infringes someone's copyright, it is essential to determine whether the work is protectable by copyright in the first place. In many cases, the issue will raise a question regarding functionality, as functional items are generally not protected by copyright. Specifically, the question will arise: Is the item at issue a work of protected expression, or is it "merely" a functional item, not protected by copyright? This question is not as easy to answer as it may seem, and courts have struggled for years to develop consistent tests for doing so.

In *Universal Furniture, Inc. v. Collezione Europa USA, Inc.*, 2010 U.S. App. LEXIS 17421 (4th Cir. N.C. Aug. 20, 2010), the Fourth Circuit Court of Appeals, hearing an appeal from the Middle District of North Carolina, confronted this issue in affirming a decision involving furniture design that resulted in a damages award of more than \$11 million.

Universal had alleged that its competitor Collezione which, according to the Fourth Circuit, has "a reputation as being a knock-off furniture company," had unlawfully copied its furniture collections. Collezione's president "acknowledged that his company routinely imitated other companies' furniture designs." Nonetheless, Collezione argued that it was not liable for infringement because, among other things, Universal's designs were not conceptually separable from the furniture's utilitarian aspects, and thus not entitled to copyright protection.

While both patent and copyright law are based on the same clause in the Constitution, the scope of protection provided by those rights differs significantly. Patents protect novel, useful inventions. Copyright does not protect useful articles, but rather protects a creator's expression of an idea or concept. That is, copyright protects the way that the idea or concept is expressed or set down in some medium of expression, whether textual, pictorial or sculptural.

In the copyright context, the approach taken by most courts in distinguishing an unprotected "useful article" from protected "expression" is to consider first whether the item in question is a "useful article." If it is, the courts analyze whether the item contains aesthetic expression that may be separated from the object's utilitarian features such that it may be protected by copyright.

In *Universal Furniture*, the Fourth Circuit started its analysis by noting that the "'industrial designs' of even 'aesthetically pleasing' furniture is not entitled to copyright protection." The court relied heavily on the insights of Universal's expert witness, the well-known furniture designer Thomas Moser. While concluding that many of the design elements used by Universal were in the public domain, the court agreed with Moser that the selection, coordination, adaptation, and arrangement of the design elements resulted in a unique modification and arrangement of those elements that easily crossed the low threshold for showing originality.

The court moved on to the "more vexing question" of whether the designs were "conceptually separable from the utilitarian aspects" of the furniture, a question it approached "mindful of the nebulous standard with which the [lower] court was obliged to grapple." Under the Copyright Act, "the design of a useful article...shall be considered...a sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article." *17 U.S.C. § 101*.

The court noted that "Congress enacted the current phrasing of the conceptual separability test in order to codify the Supreme Court's ruling in *Mazer v. Stein*," *347 U.S. 949, 74 S. Ct. 637, 98 L. Ed. 1096 (1954)*, which held that china statuettes of dancing figures on the bases of table lamps were protected by copyright, even though they appeared on an otherwise utilitarian object.

Analyzing the interpretation of the conceptual separability test in cases after *Mazer*, the Fourth Circuit determined that Universal was not seeking protection for the purely industrial designs of its furniture but for "decorative elements" that were separable from the shape of the furniture itself. The court contrasted one well-known decision where the highly ornamental designs of belt buckles were found to be protected by copyright with another decision where the "sculpted anatomical elements" on mannequins were not. While visually appealing, the anatomical elements of the mannequins were "inextricably intertwined with the utilitarian feature, the display of clothes."

Accordingly, Universal's "highly ornate collections of furniture adorned with three-dimensional shells, acanthus leaves, columns, finials, rosettes, and other carvings" are not mere "'industrial designs' of furniture." Rather, Universal's designs, like statuettes on a lamp base, were "superfluous nonfunctional adornments for which the shape of the furniture (which is not copyrightable) serves as the vehicle...indeed, the designs are 'wholly unnecessary' to the furniture's utilitarian function. A carved scroll of leaves on a nightstand post, for example, does nothing to improve the utilitarian aspect thereof." It won't give you a better night's sleep.

Interestingly, the court discussed the process used by Universal's designer in creating the furniture, assessing how much the designer was (or was not) influenced by the furniture's function in compiling the decorative elements. The court found significant that the designer had developed the shape of the furniture before turning to the ornamentation, and that the role of many of the decorative elements (shells, leaves) was aesthetic, not utilitarian.

While the conceptual separability test requires that decorative elements be capable of "existing independent of utilitarian elements, the court noted that this "poses somewhat of a metaphysical quandary," as decorative elements on furniture have no purpose when divorced from the furniture. Since, however, the test is conceptual--not physical--separability, Universal's furniture designs passed. In sum, the Fourth Circuit agreed with the lower court that Universal's designs are protected by copyright and that *Collezione* had infringed Universal's copyrights.

The district court also had awarded damages in an amount equal to *Collezione*'s entire gross revenues from sales of the infringing collections as *Collezione* had failed to provide sufficient information to support the deduction of its

expenses or permit the calculation of its profits. Because Callezione "was given several opportunities to offer reliable proof of deductible expenses, yet repeatedly failed to do so," the Fourth Circuit found that the district court had acted correctly in making its extraordinary damages award of over \$11 million.

Universal v. Collezione provides useful guidelines for deciding whether a utilitarian object can be freely copied or whether it is protected by copyright. These guidelines may be used not only in the furniture industry but also in other fields where product design and decorative features drive sales. The decision also underscores the critical importance of a good expert witness, the potential harm that can be caused by improvident admissions of a party's principal, and the risks of failing to develop evidence relating to damages. Collezione learned these lessons at the cost of \$11 million...and bankruptcy.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

Lisa M. Tittmore is a partner at Sunstein Kann Murphy & Timbers LLP. Lisa focuses her practice on intellectual property litigation, including management of complex patent litigation, trademark and trade dress litigation, and copyright litigation. Lisa has extensive experience with the development and management of client trademark portfolios, and is the Chair of the firm's Trademark and Copyright Practice Groups, overseeing the firm's trademark and copyright litigation and prosecution practice.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



8 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Is Federal Government an Owner or an Infringer of Copyright in War Memorial?

2010 Emerging Issues 5337

LaFrance on Whether the Federal Government is an Owner or an Infringer of the Copyright in a War Memorial: *Gaylord v. United States*, 595 F.3d 1364 (Fed. Cir. 2010)

By Mary LaFrance

September 30, 2010

SUMMARY: In *Gaylord v. U.S.*, the Federal Circuit addressed the right of the federal government to issue postage stamps depicting copyrighted sculptures that were part of a federally-funded war memorial. In addition, the court addressed, in a matter of first impression for the Federal Circuit, the concept of a "joint work" in federal copyright law. Mary LaFrance discusses this interesting and novel issue.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: In *Gaylord v. United States*, 595 F.3d 1364 (Fed. Cir. 2010), the Federal Circuit addressed the right of the federal government to issue postage stamps depicting copyrighted sculptures that were part of a federally-funded war memorial. In addition to determining that the sculptures were not subject to the copyright limitations that govern architectural works, and that the government's actions did not constitute fair use, the court also addressed, in a matter of first impression for the Federal Circuit, the concept of a "joint work" in federal copyright law.

I. Summary

A. Facts

In 1986, when Congress authorized construction of a Korean War Veterans Memorial, the American Battle Monuments Commission held a contest to select a designer. After the original winner of the competition withdrew, the architectural firm that had been selected for the memorial's construction, Cooper-Lecky, held another competition, which was won by the plaintiff, Frank Gaylord. Between 1990 and 1995, Gaylord completed a group of 19 sculptures depicting a platoon of foot soldiers in formation, which he collectively called The Column, and which incorporated a series of critiques and suggestions from the Korean War Veterans Memorial Advisory Board (VAB) and the Commission on Fine Arts (CFA). As he progressed from clay models to the final sculptures, Gaylord obtained a series of five copyright registrations for the evolving sculptures, and eventually the final versions, in his own name as sole author. When fully constructed, the Memorial consisted of The Column accompanied by landscaping, a mural, and granite plates representing the reflection of rice paddies at the soldiers' feet.

Shortly after the Memorial was completed, photographer John Alli took a series of photos of The Column, and approached Cooper-Lecky for permission to sell prints. One of the architects, who held himself out as the owner of the copyright, granted Alli a license in exchange for a 10% royalty, without consulting Gaylord. In 2002, the U.S. Postal Service selected Alli's photograph for a new postage stamp. In addition to using the photograph on stamps, the Postal Service reproduced it on retail goods such as commemorative panels and framed art. Gaylord then sued the United States for copyright infringement.

B. Court of Federal Claims Decision

The United States argued that the Postal Service did not infringe Gaylord's copyright in The Column because (1) the federal government was a joint author of The Column, (2) its use of The Column was non-infringing because the latter constituted an "architectural work" under the Architectural Works Copyright Protection Act (AWCPA), and (3) its use of The Column was a fair use. The Court of Federal Claims rejected the first two arguments, holding that Gaylord was the sole author of The Column, and that it was not an architectural work. However, the court agreed with the federal government that its use of The Column was permissible under the fair use doctrine. *Gaylord v. United States*, 85 Fed. Cl. 59 (2008), *aff'd in part, rev'd in part, and remanded*, 595 F.3d 1364 (Fed. Cir. 2010).

C. Federal Circuit Decision

On appeal, the Federal Circuit upheld the holdings of the Court of Federal Claims with respect to the authorship of The Column and the inapplicability of the AWCPA, but reversed the lower court's finding of fair use, holding that the government's use of Gaylord's copyrighted work was infringing.

II. Analysis

A. Joint Works: An Issue of First Impression in the Federal Circuit

The government argued that the VAB, the CFA, and/or Cooper-Lecky were joint authors of The Column. If The Column was created as a joint work, then each of its authors would, absent an agreement to the contrary, have the right to exploit the work without the consent of the other authors, as well as the right to authorize such exploitation by third parties. Under this theory, if the federal government could reproduce The Column on a postage stamp if (1) it was itself a joint author of the work, or (2) it had the consent of one of the joint authors.

Because Gaylord had obtained several copyright registrations for The Column in his own name, he was entitled to a rebuttable presumption that he was the sole owner of the copyright. *17 U.S.C. § 410(c)*. Both the Court of Federal Claims and the Federal Circuit held that the government failed to establish that The Column was a joint work, and thus failed to overcome the statutory presumption that Gaylord was the sole owner of its copyright.

In copyright law, "[a] 'joint work' is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." *17 U.S.C. § 101*. However, the copyright statutes do not define the term "author," and provide no guidance as to the kinds of "contributions" that give rise to joint authorship status. Courts in several circuits have attempted to fill this gap by devising their own tests for determining whether a work is jointly authored. *See, e.g., Gaiman v. McFarlane*, 360 F.3d 644 (7th Cir. 2004); *Aalmuhammed v. Lee*, 202 F.3d 1227 (9th Cir. 2000); *Thomson v. Larson*, 147 F.3d 195 (2d Cir. 1998); *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061 (7th Cir. 1994); *Childress v. Taylor*, 945 F.2d 500 (2d Cir. 1991). However, *Gaylord* marks the first time the Federal Circuit has addressed the question.

When the Federal Circuit addresses a legal issue that falls outside of its exclusive subject matter jurisdiction, the court applies the law of the regional circuit which would ordinarily have jurisdiction over an appeal from the district court on that issue. *PODS, Inc. v. Porta Stor, Inc.*, 484 F.3d 1359, 1368 (Fed. Cir. 2007); *Atari Games Corp. v. Nintendo of America, Inc.*, 897 F.2d 1572, 1575 (Fed. Cir. 1990); *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1575 (Fed. Cir. 1984). In this case, however, the district court was the Court of Federal Claims, over which

the Federal Circuit itself has appellate jurisdiction. Although the definition of a joint work was a matter of first impression in the Federal Circuit, nowhere in *Gaylord* does the appellate court expressly acknowledge that it is creating its own standard for joint works. Instead, as demonstrated below, the opinion imports doctrine from several other circuits, implicitly adopting these principles as the law of the Federal Circuit.

One element of the judicially-created tests for joint work status focuses on the type of contribution made by each putative author, and it was this test that was the focus of the Federal Circuit's analysis in *Gaylord*. Drawing from D.C. Circuit and Ninth Circuit case law, the court held that each joint author of a work must contribute "an original work of authorship," *Gaylord*, 595 F.3d at 1377 (quoting *Community for Creative Non-Violence v. Reid* ("CCNV"), 846 F.2d 1485, 1495 (D.C.Cir. 1988)), and that, "[t]o be an author, one must supply more than mere direction or ideas: one must 'translate[] an idea into a fixed, tangible expression entitled to copyright protection,'" *id.* (quoting *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989)). Furthermore, "[m]ere participation in, contributions to, and review of the work of [another person] would not necessarily create a joint work." *PODS, Inc. v. Porta Stor, Inc.*, 484 F.3d 1359, 1370 (Fed. Cir. 2007) (applying Ninth Circuit law).

In applying these general rules, the Federal Circuit also adopted a more specific rule that has been endorsed by a number of circuits: "As a general rule, each joint author must make an independently copyrightable contribution to the work." *Gaylord*, 595 F.3d at 1377 (citing *Aalmuhammed v. Lee*, 202 F.3d 1227, 1234 (9th Cir. 1999); *Thomson v. Larson*, 147 F.3d 195, 200 (2d Cir. 1998); *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061, 1071 (7th Cir. 1994); *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486, 1493 (11th Cir. 1990)). Only two circuits have expressed reservations about the requirement of an "independently copyrightable contribution." In an opinion issued ten years after its embrace of the independent copyrightability standard in *Erickson*, the Seventh Circuit suggested that there might nevertheless be some unusual situations in which a less-than-copyrightable contribution would suffice. *Gaiman v. McFarlane*, 360 F.3d 644, 658 (7th Cir. 2004). The other circuit, the D.C. Circuit, has not expressly rejected the requirement of independent copyrightability, but suggested in *CCNV* that it might favor the alternative approach endorsed by the late Professor Melville Nimmer, which requires only that the putative joint author make a "more than *de minimis*" contribution to the work. *CCNV*, 846 F.2d at 1496 n. 15 (noting that, under Nimmer's approach, even the suggestion of a title for a sculpture, and a nine-word legend to be engraved on the sculpture's pedestal, "may count, along with other CCNV contributions, toward meeting the 'more than *de minimis*' threshold"). See 1 M. NIMMER & D. NIMMER, 1 NIMMER ON COPYRIGHT §§ 6.03, 6.07 (2010).

Immediately after this discussion, the *Gaylord* opinion articulates the full test of joint authorship adopted by the Second Circuit, and strongly implies that the Second Circuit's test follows logically from the requirement of independent copyrightability: "Thus,[a] co-authorship claimant bears the burden of establishing that each of the putative co-authors (1) made independently copyrightable contributions to the work; and (2) fully intended to be co-authors." *Gaylord*, 595 F.3d at 1377 (quoting *Thomson*, 147 F.3d at 200). Although this is an accurate statement of the Second Circuit standard, that standard does not follow logically or inevitably from the independent copyrightability requirement. Instead, it introduces an additional requirement of subjective intent, requiring that all parties who made copyrightable contribution "fully intended to be co-authors." This judicially-created requirement of subjective intent is distinct from the statutory requirement of an intent to merge contributions, see *Mary LaFrance, Author, Dominance, and the Captive Collaborator: Preserving the Rights of Joint Authors*, 50 *EMORY L.J.* 193, 200 (2001), and is unrelated to the copyrightability or substantiality of each party's contribution, *id.* at 237. As discussed below, even after the court concluded that the putative joint authors did not make copyrightable contributions to *The Column*, the court used the Second Circuit's subjective intent requirement as an independent ground for rejecting the joint authorship claim.

The federal government argued that Cooper-Lecky, the VAB, and the CFA each made contributions to the design of the Memorial that warranted joint authorship status. The Federal Circuit rejected the joint authorship claim, on two grounds. First, while these entities made several tangible contributions to the Memorial - a reflecting pool, landscaping, and granite bands representing rice paddies - these features did not appear in the postage stamp, and, more importantly in the court's view, were not included in *Gaylord*'s copyright registrations for *The Column*. Accordingly, the court treated them as components of the Memorial, but not as components of *The Column* itself. *Gaylord*, 595 F.3d at 1378.

Second, while some of the putative joint authors made undisputed contributions to The Column itself, the court held that their contributions were not independently copyrightable. These included:

- Specifying the ethnicity, military service, and equipment for each soldier.
- Specifying that certain soldiers be clean shaven, and that others have buckled chin-straps.
- Reducing the amount of wind in the soldiers' ponchos.
- Reducing the soldiers' ages by removing wrinkles from their faces.
- Changing one soldier's position from squatting to standing.
- Suggesting that the positions of the soldiers be staggered.

Id. at 1378-79. The Federal Circuit agreed with the Court of Federal Claims that these contributions amounted to mere "suggestion and criticism," and that "[w]hile the government entities provided some direction and ideas, this effort did not rise to the level necessary for a joint work." *Id.* Accordingly, the court treated each of these contributions as an uncopyrightable idea under *17 U.S.C. § 102(b)*, rather than as copyrightable expression:

If one commissioned a work for a cowboy riding a horse, that contribution would not constitute copyrightable expression. If one later instructed the artist to depict the cowboy as weathered, wearing a cowboy hat, and riding slowly in calm wind, that would not rise to the level of copyrightable expression. *See S.O.S., 886 F.2d at 1087* ("A person who merely describes to an author what the commissioned work should do or look like is not a joint author for purposes of the Copyright Act."). The contributions to The Column by Cooper-Lecky, the VAB, and the CFA amount to no more here. The VAB may have suggested ethnicities and equipment to make the soldiers appear representative of those in the Korean War, but it was Mr. Gaylord who transformed those ideas into copyrightable expression. Cooper-Lecky may have suggested that Mr. Gaylord depict more youthful soldiers with less wind in their ponchos, but those ideas are not copyrightable.

Id. at 1379 (some citations omitted).

In addition to finding these contributions uncopyrightable, the Federal Circuit also concluded that even if Gaylord and the governmental entities intended to create the Memorial as a joint work, they did not intend The Column to be a joint work. *Id. at 1379-80.* However, the court's analysis of this issue reveals some confusion as to the nature of the required intent. The court begins by noting the statutory requirement that the parties must intend for their contributions to "be merged into inseparable or interdependent parts of a unitary whole." *Id. at 1379* (quoting *17 U.S.C. § 101*). While the court's description of the parties' respective contributions to The Column, as noted above, strongly suggests that the VAB, the CFA, Cooper-Lecky, and Gaylord each intended for the parties' various suggestions to be incorporated into The Column (as many of them eventually were), the opinion does not recognize this as evidence of intent to create a joint work. Instead, the opinion focuses solely on the fact that Gaylord and the government disputed the copyright ownership of The Column, and that the government eventually conceded sole ownership to Gaylord. *Id. at 1379-80.* Based on this information alone, the Federal Circuit found no clear error in the lower court's conclusion that the parties "did not intend The Column to be a joint work." *Id. at 1379.* In drawing this conclusion, however, the court appears to have confused the question of joint authorship with the question of copyright ownership.

Furthermore, if the "work" in question is not The Column, but the Memorial itself, then the analysis of joint authorship would have to take account of other parties' copyrightable contributions to the Memorial - the reflecting pool, the landscaping, and the granite "rice paddies." With no analysis, however, the court characterized the Memorial not as a joint work, but as a collective work. *Id. at 1380.* The sole support for this conclusion was the fact that the parties referred to the Memorial as a collective work in a 1995 agreement in which Gaylord granted Cooper-Lecky a royalty-bearing license with respect to The Column. *Id.*

As noted above, a joint work involves contributions from parties who intend to merge their contributions into a "unitary whole." *17 U.S.C. § 101*. In contrast, a collective work is one "in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole." *Id.* Had the court concluded that the Memorial was a joint work rather than a collective work, then the VAB, the CFA, and/or Cooper-Lecky would have been joint authors (with Gaylord) of the entire Memorial, including The Column. However, the court did not explore this possibility.

B. Architectural Works Copyright Protection Act (AWCPA)

If The Column was an "architectural work" within the meaning of the AWCPA, then a pictorial representation of the work - such as Alli's photo and the government's reproduction of that photo on a stamp - would ordinarily be exempt from infringement liability:

The copyright in an architectural work that has been constructed does not include the right to prevent the making, distributing, or public display of pictures, paintings, photographs, or other pictorial representations of the work, if the building in which the work is embodied is located in or ordinarily visible from a public place.

17 U.S.C. § 120(a). However, as discussed below, the Federal Circuit correctly concluded that The Column was not an architectural work.

The copyright statutes define an architectural work as "the design of a building," and the Copyright Regulations define "buildings" as "humanly habitable structures" and other "structures designed for human occupancy," *37 C.F.R. § 202.11(b)(2)*, a definition that is consistent with the legislative history of the AWCPA. H.R. Rep. No. 101-735, at 20 (1990), *reprinted in* 1990 U.S.C.C.A.N. 6935, 6951. Based on these authorities, the Federal Circuit found no clear error in the Court of Federal Claims' conclusion that The Column was not a building, but "an artistic expression intended to convey a message rather than to be occupied by individuals." *Gaylord, 595 F.3d at 1381* (quoting *85 Fed. Cl. at 72*).

The Copyright Regulations and the legislative history of the AWCPA both implicitly acknowledge that the term "architectural work" encompasses some structures that fall in a grey area between traditional sculptures and traditional buildings; the list of examples includes "gazebos" and "garden pavilions." *37 C.F.R. § 202.11(b)(2)*; H.R. Rep. No. 101-735, at 20 (1990), *reprinted in* 1990 U.S.C.C.A.N. 6935, 6951. In the Regulations, these examples are placed in the general category of "permanent and stationary structures designed for human occupancy." *37 C.F.R. § 202.11(b)(2)*.

Although cases can be imagined in which a sculptural work would fall into this grey area, The Column presents no such dilemma. The 19 statues were not interconnected in any way that would resemble a gazebo, pavilion, or other structure "designed for human occupancy." They did not incorporate a roof, walls, or passageways. If these 19 statues qualified as a building, then virtually any group of life-sized sculptures should qualify as well; only a solitary sculpture, or a group of sculptures smaller than a typical human, could avoid classification as a building. Furthermore, the purpose of the AWCPA was to broaden the scope of copyrightable subject matter in order to encompass buildings, *see* H.R. Rep. No. 101-735, at 6, 11-13 (1990), *reprinted in* 1990 U.S.C.C.A.N. 6935, 6937, 6942-44, not to narrow the scope of protection available to works that were already within the subject matter of copyright, such as sculptures. Accordingly, the decisions of the two federal courts on this issue seem unassailable.

C. Fair Use

The Federal Circuit also considered the government's argument that reproducing Alli's image of The Column on a postage stamp was a fair use of Gaylord's work, and was therefore non-infringing. Section 107 requires courts to consider four nonexclusive factors when evaluating fair use:

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107. Each factor is "to be explored, and the results weighed together, in light of the purposes of copyright." *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 577 (1994). Applying each of these fair use factors, the Federal Circuit held that the government's use of Gaylord's work was not a fair use, reversing this aspect of the lower court's decision. As discussed below, with respect to three of the fair use factors, the Federal Circuit's analysis is vulnerable to minor criticisms at most, but its analysis of the fourth factor is more questionable. Nonetheless, it appears to have reached the correct conclusion - that the government's use of The Column was not a fair use.

1. Purpose and Character of the Use: Both the Court of Federal Claims and the Federal Circuit considered whether the postage stamps and related merchandise involved a "transformative use" of Gaylord's work. According to the Supreme Court in *Campbell*, this requires a determination "whether the new work merely 'supersede[s] the objects' of the original creation or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message." *Campbell*, 510 U.S. at 579. In this case, the lower court found the use to be transformative, because Alli's photograph depicted Gaylord's work in a "surrealistic environment with snow and subdued lighting," and the postage stamp further transformed that image by making it "nearly monochromatic." *Gaylord*, 595 F.3d at 1372-73 (quoting 85 Fed. Cl. at 68-69).

The Federal Circuit disagreed, holding that the fair use analysis should focus on the purpose and character of the government's use, not Alli's. *Id.* at 1373. This conclusion is questionable, since Alli's transformation of The Column was at least partially incorporated in the stamp; to that extent, Alli's use became the government's use. Indeed, in apparent disregard of its own instruction, the Federal Circuit went on to note that the presence of snow in the image on the stamp (an element added by Alli, not the government) did not transform the "character, meaning, or message" of Gaylord's statues. *Id.* at 1374. The court reached the same conclusion with regard to the muting of the color - the only artistic element in the stamp that was in fact added by the government. *Id.* This confusion aside, the Federal Circuit focused on whether the image on the stamp served a different purpose from the statues themselves, and concluded that it did not; both the statues and the stamp were intended to honor Korean war veterans. *Id.* at 1373. The court distinguished cases that have found transformative use where a copyrighted work was reproduced for purposes of commentary or criticism, e.g., *Blanch v. Koons*, 467 F.3d 244, 252-53 (2d Cir. 2006); *Lennon v. Premise Media Corp.*, 556 F. Supp. 2d 310 (S.D.N.Y. 2008), or historical scholarship such as biographies, e.g., *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 609 (2d Cir. 2006).

In evaluating the purpose and character of the use, Section 107 expressly requires courts to consider whether the use is commercial, 17 U.S.C. § 107(1), a question which the Court of Federal Claims inexplicably failed to discuss. Because the government received at least \$17 million from the sales of the stamps, the Federal Circuit concluded that the use was commercial. *Id.* at 1374.

Because the stamp was commercial and nontransformative, the Federal Circuit concluded that the first fair use factor weighed against fair use. *Id.*

2. Nature of the Copyrighted Work: It was beyond dispute that Gaylord's work was creative and highly expressive, and thus "closer to the core of intended copyright protection," *Campbell*, 510 U.S. at 586, when compared to works which are less creative and/or highly factual. Whereas the Court of Federal Claims had discounted this factor because it considered the government's use to be transformative, 85 Fed. Cl. at 69 (citing *Blanch v. Koons*, 467 F.3d 244, 256-57 (2d Cir. 2006)), the Federal Circuit gave greater weight to this factor. *Gaylord*, 595 F.3d at 1374.

Raising the question whether, as a published work, Gaylord's statues should receive a lower degree of protection in the fair use analysis notwithstanding their expressive nature, the Federal Circuit described the war memorial as "perhaps

the epitome of a published work," *id. at 1374*. This statement, for which the Federal Circuit offered no factual or legal support, reflects a misunderstanding of the meaning of "published" in copyright law. The definition of publication" in *17 U.S.C. § 101* refers specifically to the public distribution of "copies," and expressly notes that "[a] public performance or display of a work does not of itself constitute publication." Although Alli had publicly distributed copies of his infringing photograph, and Cooper-Lecky had distributed a book containing images of The Column, Gaylord did not consent to either of these activities. *85 Fed. Cl. at 63-65*. However, because the Federal Circuit ultimately resolved this factor in Gaylord's favor, its erroneous conclusion that The Column was a published work was harmless error.

3. Amount and Substantiality of Portion Used: Under *Campbell*, courts are required to consider both quantitative and qualitative measures in determining how much of a copyrighted work is used in the defendant's work. *Campbell, 510 U.S. at 587*. Here, the Federal Circuit agreed with the Court of Federal Claims that the number of Gaylord's statues which appeared on the stamp - 14 out of 19 - weighed against fair use. *Gaylord, 595 F.3d at 1375* (citing *85 Fed. Cl. at 70*). Both courts treated The Column as a single work; it does not appear that either party argued for treating them as 19 separate works for purposes of the fair use analysis.

The lower court concluded that the changes made by Alli and the government "somewhat mitigated" the quantitative measure of copying, because they "lessen[ed] the quality and importance of "The Column"" and changed the "qualitative message of "The Column."" *Gaylord, 85 Fed. Cl. at 70*. This last point--about the changed "qualitative message"--appears to be simply a reiteration of the lower court's conclusion that the stamp was transformative. In contrast, the lower court's perception that the "importance" of Gaylord's work as a component of the stamp was diminished as a result of the elements added by Alli, is clearly relevant to the analysis of this fair use factor. However, the Federal Circuit simply disagreed with this perception, concluding instead that "The Column constitutes the focus--essentially the entire subject matter--of the stamp." *Gaylord, 595 F.3d at 1375*. Accordingly, the Federal Circuit substituted its own subjective perception for that of the lower court, and concluded that both the quantitative and qualitative measures weighed in Gaylord's favor. *Id.*

4. Market Impact: Both the Federal Circuit and the lower court agreed that the postage stamp would have little impact on the value of Gaylord's copyright, because the stamp would not serve as a market substitute either for The Column itself or for derivative works incorporating it. *Id. at 1375*. The lower court noted that Gaylord had made little effort to exploit the derivative works market for The Column, and it speculated that the stamps would have little impact on his derivative works market in the future, drawing an analogy to the thumbnail images that were held to be fair use in *Kelly v. Arriba Soft Corp., 336 F.3d 811, 821 (9th Cir.2003)*, and *Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir.2007)*. *Gaylord, 85 Fed. Cl. at 70-71*. The Federal Circuit found no clear error in these conclusions. *Gaylord, 595 F.3d at 1375*.

Neither court seems to have considered it relevant that Alli was paid \$1500 in exchange for the use of his infringing photograph on the stamp. Although the amount of money is small, it does suggest that the market for *stamps as derivative works* is a commercial market which an artist such as Gaylord might choose to exploit. Therefore, the analogy to the thumbnail images in *Arriba* and *Perfect 10* is flawed. The thumbnail images in *Arriba* were not being offered for sale, but were serving merely as a useful tool for performing Internet searches, and there was no established market for licensing thumbnail versions of copyrighted artwork. *Arriba, 336 F.3d at 821-22*. Furthermore, *Gaylord* fails to recognize that the use of thumbnails in *Perfect 10* presented a closer question than in *Arriba*. In *Perfect 10*, the unauthorized thumbnails could be downloaded for cell phone use, in direct competition with the copyright owner's own offering of downloadable copies for cell phones. *Perfect 10, 508 F.3d at 1166*. The Ninth Circuit considered this to be a "superseding and commercial use" that weighed against fair use; it concluded that fair use applied only because other factors, such as the highly transformative nature of the use (facilitating Internet searches for the copyrighted artwork), outweighed this factor. *Id.* Therefore, while both courts in *Gaylord* seemed to assume that thumbnail images are quintessential fair use, *Perfect 10* did not adopt this view. Rather, *Perfect 10* indicates that, when there exists a commercial market for diminutive versions of a work - such as the market for licensing artwork for use on postage stamps - the existence of that market weighs *against* fair use.

III. Conclusion

Despite the specialized factual context in which this dispute arose, the opinion in *Gaylord* addresses a number of significant issues in copyright law - issues which the Federal Circuit, due to its subject matter jurisdiction, rarely has occasion to consider. While the court's resolution of these issues is unlikely to be influential in more copyright-heavy jurisdictions (such as the Second, Seventh, and Ninth Circuits), courts in other jurisdictions may find it more persuasive.

RELATED LINKS: For additional commentary, see

- 1 M. Nimmer & D. Nimmer, 1 Nimmer on Copyright 2.20 ;
- 6.01-6.03;
- 6.07;
- 13.05 (2010);
- Raphael Winick, Copyright Protection for Architecture after the Architectural Works Copyright Protection Act of 1990, 41 Duke L.J. 1598 (1992)

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Mary LaFrance is a William S. Boyd Professor of Law at the William S. Boyd School of Law, University of Nevada, Las Vegas. Prior to joining the Boyd School of Law, Professor LaFrance served on the faculty of the Florida State University College of Law and the Florida State University School of Motion Pictures, Television, and Recording Arts. She is the author of numerous books and law review articles on domestic and international intellectual property law, as well as the taxation of intellectual property. Her books include *Intellectual Property Cases and Materials* (West 3d ed. 2007) (with David Lange and Gary Myers), *Understanding Trademark Law* (Matthew Bender 2d ed. 2009), *Copyright Law in a Nutshell* (West 2008), and *Global Issues in Copyright Law* (West 2009), and the forthcoming *Understanding Intellectual Property Law* (Matthew Bender 2011) (with Donald Chisum, Tyler Ochoa, and Shubha Ghosh).

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



9 of 37 DOCUMENTS

Emerging Issues Copyright 2010, J. ("Jay") T. Westermeier. All Rights Reserved.

Using Copyright Infringement Claims Against Violations of Open Source Licenses

2010 Emerging Issues 5266

Using Copyright Infringement Claims Against Violations of Open Source Licenses: Lessons Learned and Issues Raised

By J. ("Jay") T. Westermeier

August 17, 2010

SUMMARY: The recent ruling in *Software Freedom Conservancy, Inc. v. Best Buy Co., Inc.* has a number of lessons for both open source developers and users. J. ("Jay") T. Westermeier, Of Counsel at Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, tackles this case, the issues raised and the lessons to be learned.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: The recent ruling in *Software Freedom Conservancy, Inc. v. Best Buy Co., Inc.*, 2010 U.S. Dist. LEXIS 75208 (S.D.N.Y. July 27, 2010), has a number of lessons for both open source developers and users.

BACKGROUND

The district court granted a default judgment in this ruling to the plaintiffs against Westinghouse Digital Electronics, LLC ("Westinghouse"), one of the fourteen defendants sued for copyright infringement of an open source computer program named BusyBox n1. The BusyBox software was subject to the GNU General Public License, version 2 ("GPL License"). Distribution of the BusyBox software required that the BusyBox software be distributed under the terms of the GPL License. Erik Andersen, a programmer who had contributed program code to BusyBox, in October 2008 registered a copyright in the BusyBox code he had contributed in version 0.60.3, which was first published in 2002. n2 There is no discussion of how the copyright claims are affected by the other contributors who are presumably joint owners of the copyrights or how copyright ownership for the work was shown. This case underscores the importance to open source developers of having all of the copyright remedies available in the event the copyrights in an open source product need to be enforced.

This default ruling is solely against Westinghouse who was alleged to have distributed copies of BusyBox within its High Definition Television (HDTV) products, as well as through software for use with those HDTVs on terms other than the terms and conditions required by the GPL License. Westinghouse continued to copy, modify or distribute BusyBox in violation of the GPL License and plaintiff's exclusive copyright rights despite notification of its unlawful infringement.

Westinghouse's counsel in this case served an Answer and made initial disclosures; however, Westinghouse failed

to comply with discovery requests and otherwise refused to participate in the litigation. Westinghouse executed a General Assignment for the benefit of creditors, an alternative under California state law to federal bankruptcy. Unlike bankruptcy there is no automatic stay of proceedings in the California statutory procedure so the BusyBox litigation against it continued even though Westinghouse was no longer defending itself. In fact, the law firms representing Westinghouse moved to withdraw.

DEFAULT JUDGMENT

The Plaintiffs sought a default judgment under Rule 37 of the Federal Rules of Civil Procedures for failure to make discovery. The Court notes that the Plaintiffs can seek a default judgment against Westinghouse, and can file a claim for a share of Westinghouse's assets as creditors under the terms set forth in the Assignment Agreement under California state law.

The court awarded the Plaintiffs the full scope of remedies available for copyright infringement. There was no opposition to the imposition of any of these copyright remedies. First, the court granted Plaintiffs' request for permanent injunctive relief by permanently enjoining Westinghouse from further copying, distribution or use of the BusyBox software without permission. Second, the court granted statutory damages based on willful infringement. This is the case even though the court acknowledges that no award of statutory damages shall be made for any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work. *17 USC § 412*. The court does not discuss to any great extent why, notwithstanding these requirements applicable to statutory damages, the plaintiffs are entitled to statutory damages other than the fact that Westinghouse is a willful infringer. The first use and registration dates would appear to preclude statutory damages. Anderson registered his copyright in the BusyBox code in 2008 more than five years after first publication. Recovery of statutory damages is very important because with no license fees applicable to open source calculating and recovering actual damages is very difficult, if not impossible. Here the Court granted Plaintiffs' unopposed request for statutory damages based on willful conduct. The court awarded the full statutory damage amount of \$30,000 for the single work infringed and treble damages based on Westinghouse's willful infringement bringing the total to \$90,000.

Third, the court awarded attorneys fees to the plaintiffs based on Westinghouse's willful copyright infringement. Fourth, the court ordered the destruction or reasonable disposition of all of Westinghouse's infringing copies of the HDTV products containing BusyBox that are in Westinghouse's possession. The court also granted Westinghouse counsels' motion to withdraw.

CONCLUSION

This default ruling emphasizes the importance of copyright infringement claims in connection with enforcing an open source license. Open source developers should register their claims of copyright ownership in the U.S. Copyright Office consistent with permitting recovery of statutory damages and attorney fees in appropriate cases. Timely registration with the Copyright Office is not likely to be viewed positively by the Open Source community; however, without the possibility of statutory damages and attorney's fees for copyright infringement related to open source license violations, developers may be forfeiting some of the most valuable copyright remedies that could be available to them.

This is an ongoing case. There are still thirteen additional defendants. It will be interesting to see how the court treats the copyright registration and ownership issues in any fully litigated rulings where the defendants arguments are considered.

This ruling should also reinforce the need for compliance with open source licenses. If more GPL License enforcement actions generate damages and attorney's fees like this one has, there are likely to be more enforcement actions brought in the future.

This case bears watching. The results in the other thirteen actions will help place this default judgment in

perspective.

[Return to Text](#)

n1 A previous BusyBox lawsuit against Verizon centered on claims that Actiontec Electronics, Inc., a Verizon subcontractor, used BusyBox in Verizon's wireless routers for its FIOS broadband service contrary to the GPL License. Under the Settlement Agreement in March 2008 Actiontec agreed to: appoint an open source compliance officer to monitor and ensure open source compliance, publish the source code for the version of BusyBox it previously distributed on its website, undertake substantial efforts to notify previous recipients of BusyBox from Actiontec and its customers of their obligations under the GPL License, and pay an undisclosed sum to the BusyBox developers. Prior to the Verizon suit the Software Freedom Law Center had sued three smaller manufacturers on behalf of the BusyBox programmers for allegedly using the BusyBox program code in violation of the GPL License. These three cases were settled under terms similar to the Verizon settlement agreement.

n2 One of the issues also not addressed is the fact that Erik Andersen is just one of the programmers who contributed to the BusyBox program code. One other BusyBox programmer appeared upset that Anderson received an "undisclosed sum" noting that he had handled the BusyBox code for two years prior to Anderson and that Perens had written the original code. See <http://yro.slashdot.org/story/G8/03/17/1854252/Settlement-Reached-in-Verizon-GPL-Violation-Suit> (last visited Aug. 13, 2010).

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

J.T. Westermeier is Of Counsel at Finnegan, Henderson, Farabow, Garrett & Dunner, LLP resident in the firm's Reston, Virginia office. He is past president of the International Technology Law Association (formerly known as the Computer Law Association); Life Fellow, American Bar Foundation; 2001 Burton Award for Legal Achievement and only lawyer to receive the Association of Information Technology Professionals Distinguished Information Sciences Award; serves on or has served on many advisory boards; and is U.S. correspondent for *Computer Law Review International*. He is listed in *Intellectual Asset Management* magazine's "IAM250-The World's Leading IP Strategists" (2009, 2010); *The International Who's Who of Internet and e-Commerce Lawyers* (2009, 2010); *Best Attorneys in America* (Information Technology; 2001-2011); *Virginia Super Lawyers* (Intellectual Property; 2006-2010); *Washington, D.C. Super Lawyers* (Intellectual Property; 2007-2010); *Super Lawyers Corporate Edition of Top Attorneys in Business Services* (Intellectual Property; 2009-2010), *The International Who's Who of Business Lawyers* (2008, 2010); and many other lists of distinction.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



10 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Thomas C. Carey. All Rights Reserved.

Congress May Restore Copyright Protection to Public Domain Foreign Works

2010 Emerging Issues 5234

Congress May Restore Copyright Protection to Public Domain Foreign Works Despite First Amendment Concerns

By Thomas C. Carey

July 30, 2010

SUMMARY: Once a book, song or artwork falls into the public domain, it becomes forever available for use by members of the public. Such is the bargain between artists and the public that is enshrined in the U.S. constitution and in the laws of innumerable other countries. Or so we all thought. This is a story about works that fell into the public domain but, due to a global treaty, suddenly regained copyright protection.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: Once a book, song or artwork falls into the public domain, it becomes forever available for use by members of the public, who need not worry about the author's intellectual property rights. Such is the bargain between artists and the public that is enshrined in the U.S. constitution and in the laws of innumerable other countries. Or so we all thought. This is a story about works that fell into the public domain but, due to a global treaty, suddenly regained copyright protection. Not everyone was pleased.

On June 21, 2010, the U.S. Court of Appeals for the Tenth Circuit upheld the constitutionality of Section 514 of the Uruguay Round Agreements Act (URAA). That provision restores copyrights for certain foreign works, including those that had entered the public domain because of failure to adhere to formalities that have since been repealed. The opinion in *Golan v. Holder*, 2010 U.S. App. LEXIS 12641 (10th Cir. Colo. June 21, 2010) overturned a district court decision about which we reported earlier.

The URAA had restored copyright protection for thousands of works, including Virginia Wolf's "A Room of One's Own", J.R.R. Tolkien's collected works, hundreds of Picasso paintings, and numerous compositions of Serge Prokofiev. They had lost (or never obtained) copyright protection in the United States because they failed to bear a copyright notice upon their publication, or the artists failed to register their works with the U.S. copyright office, or both.

The musician Lawrence Golan and other artists and businesses filed their complaint in 2001, challenging the constitutionality of both the Sonny Bono Copyright Term Extension Act and the URAA. Golan invoked the copyright clause of the Constitution, which calls for copyright protection "for limited times." In deciding *Eldred v. Ashcroft*, 537 U.S. 186, 123 S. Ct. 769, 154 L. Ed. 2d 683 (2003), in 2003, the United States Supreme Court dismissed that argument

as to the Sonny Bono Copyright Term Extension Act.

Ever optimistic, the plaintiffs in *Golan* drew hope from this final sentence of *Eldred v. Ashcroft*: "When, as in this case, Congress has not altered the traditional contours of copyright protection, further First Amendment scrutiny is unnecessary."

Golan argued that Section 514 of the URAA did alter the traditional contours of copyright protection because it sought to grant copyright protection to vast swaths of material that had already entered the public domain. Golan further contended that Congress lacked the power to do so, presenting an issue not discussed in *Eldred v. Ashcroft*.

The district court in Colorado initially accepted the government's constitutionality argument. On appeal in 2007, however, the Tenth Circuit instructed the district court to dig deeper into Golan's First Amendment concerns.

The district court thereupon ruled, in 2009, that Section 514 of the URAA impermissibly interfered with free speech "because the government could have complied with [the] Berne [Convention] while providing significantly stronger protection for the First Amendment interests of ...the Plaintiffs...."

The government appealed. It advanced three arguments in favor of the URAA:

- The importance of compliance with international treaties and multilateral agreements,
- The need to obtain reciprocal legal protection for American copyright holders' interests abroad, and
- The need to remedy past inequities toward foreign authors who lost or never obtained copyrights in the United States.

Regarding the second point, the government gave this example: Russian diplomats, when asked what protection U.S. copyright holders could expect in Russia as a result of the Berne Convention, were told to expect the same treatment as was accorded Russian copyright holders in the United States. If Prokofiev was not protected in the United States, then U.S.-sourced software might not be protected in Russia.

The government also pointed out that, if the URAA were held to be unconstitutional, the United States might be the first defendant in a WTO proceeding involving non-compliance with international norms, and that such an embarrassment could harm its standing as a world leader in the protection of intellectual property.

On June 21, 2010, the Tenth Circuit reversed the district court's decision and upheld the URAA. The court first determined what standard to use in evaluating the First Amendment issue.

Because the legislation did not appear to disfavor expression having any particular content, it could be analyzed under the Supreme Court's "intermediate scrutiny" standard. Although this is a notch more relaxed than "strict scrutiny," it hardly guaranteed a result in favor of the government, since the district court had used the same standard in holding the URAA to be unconstitutional.

To pass muster under that standard, the law must be directed at an important or substantial governmental interest unrelated to the suppression of free expression. In addition, "[g]overnment may not regulate expression in such a manner that a substantial portion of the burden on speech does not serve to advance its goals."

The court was persuaded that the government had a substantial interest in protecting American copyright holders' interests abroad. It cited evidence that billions of dollars were being lost annually because several foreign countries were not providing copyright protection for American works.

These countries were willing to provide protection only on a reciprocal basis, so the government would have to restore foreign copyrights in order to protect American interests abroad. The court concluded that Section 514 would help the government protect American works "in a direct and effective way."

The Tenth Circuit cited a 2000 Supreme Court opinion n2 which said that "the nuances of the foreign policy of the

United States are much more the province of the Executive Branch and Congress than of [the courts]." For that reason, the panel in *Golan* gave "special deference" to Congress and the executive in shaping the URAA.

The parties hotly debated whether the URAA was in fact narrowly tailored to limit its effect on free speech. The court said that it was irrelevant that Congress could have provided greater protection than it did for those who had published works that had been in the public domain but were removed from it under the URAA. That the UK, for example, had provided greater protection for such publishers was deemed irrelevant because the government was not obliged to find the upper limit of what the treaty requires.

Instead, the court said that Congress had to find symmetry between the rights gained under the treaty for U.S. authors and artists and those granted to their foreign counterparts. The court was persuaded that this had occurred.

Though *Golan* argued there was no reason to believe that the precise scope of protection accorded U.S. publishers would affect the behavior of foreign nations, the court said that Congress "heard testimony that the United States' chosen method and scope of copyright restoration...set an example..., and other countries might mirror the United States' approach." That was good enough for the court.

In reversing the surprising district court opinion, *Golan* makes its mark by showing that even copyright legislation adopted to satisfy treaty obligations can be subjected to First Amendment scrutiny, but that such scrutiny does not always result in a defeat for the government. As a result, many foreign authors and composers have had their rights restored, and the U.S. has been spared an awkward appearance before the WTO.

[Return to Text](#)

n1 Congress enacted the URAA in 1994 to comply with the Berne Convention, an international treaty which the United States joined in 1989; and with the Uruguay Round of the General Agreement on Tariffs and Trade, which included the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). TRIPs, unlike the Berne Convention, calls for dispute resolution before the World Trade Organization.

n2 *Crosby v. National Foreign Trade Council*, 530 U.S. 363, 120 S. Ct. 2288, 147 L. Ed. 2d 352 (2000)

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

Thomas C. Carey is a partner at Sunstein and is chair of the Business Department. He advises start-ups and established companies in matters involving capital-raising, licensing, mergers and acquisitions and tax planning. He also is experienced in outsourcing, joint ventures, corporate governance and FDA compliance matters. He maintains long-term relationships with senior management of corporate clients, who rely on his judgment and expertise in strategic matters.

Research assistant Katherine Zhou provided valuable support in the writing of this article

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



11 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Thomas C. Carey. All Rights Reserved.

When Website Sells Infringing Goods, Credit Card Companies May Face Liability

2010 Emerging Issues 5231

Who's Holding the Bag? When a Website Sells Infringing Articles, Credit Card Companies May Face Liability

By Thomas C. Carey

July 30, 2010

SUMMARY: Can a company that provides credit card services be held liable for the activities of merchants using its accounts? Last month, a federal judge in the Southern District of New York revisited the question of credit card company liability. Thomas Carey, partner at Sunstein Kann Murphy & Timbers LLP, ponders the implications of this issue.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: Can a company that provides credit card services be held liable for the activities of merchants using its accounts?

In 2007, the Ninth Circuit, an influential federal appeals court, held that Visa and Mastercard could not be held liable for copyright infringement even though their credit card services were used to sell infringing photographs. *Perfect 10 v. Visa Int'l Service Ass'n*, 494 F.3d 788, 83 U.S.P.Q.2d (BNA) 1144 (9th Cir. Cal. 2007). The court reasoned that, because the credit card companies exercised no control over the infringing websites, their connection to the infringement was too remote to establish secondary liability.

One judge dissented. He noted that the credit card companies had established special procedures for handling websites involved in selling supposedly infringing merchandise, and maintained that Visa and Mastercard were as instrumental in the infringement at hand as were Napster and Grokster, both of which had notoriously distributed peer-to-peer file sharing software that enabled widespread, unauthorized copying of copyright-protected music files.

The same Ninth Circuit, which has appellate jurisdiction over federal courts in many Western states, had previously held Napster liable for contributory infringement, and, in a case that we previously reported, the U.S. Supreme Court had similarly held Grokster liable for contributory infringement.

Last month, a federal judge in the Southern District of New York revisited the question of credit card company liability in *Gucci America Inc. v. Frontline Processing Corp.*, 2010 U.S. Dist. LEXIS 62654 (S.D.N.Y. June 23, 2010). Luxury goods manufacturer Gucci America had sued Laurette Company for selling "replica" Gucci products on TheBagAddiction.com. Charged with trademark infringement, Laurette eventually admitted liability for counterfeiting.

Still hungry for battle, Gucci also targeted three companies that provided credit card processing services to Laurette. Durango Merchant Services assisted merchants in setting up merchant credit card accounts, while Frontline Processing Corporation and Woodforest National Bank provided and serviced such accounts.

The defendants argued that they could not possibly be held liable for the website's trademark infringement. The judge agreed that the three service companies could not be held liable for direct infringement because there was no evidence that they themselves sold or advertised counterfeit products.

Secondary liability, however, was a different matter. Gucci presented evidence that Durango's website boasted of the company's specialization in "hard to acquire accounts," and it reached out to "high risk" merchant accounts, such as those selling replica products. Durango helped Laurette avoid chargebacks by making customers check a box reading "I understand these are replicas" upon purchase.

On these facts, the judge ruled, Durango could be held liable for induced infringement because it took "affirmative steps...to foster infringement."

As for Frontline and Woodforest, both companies were familiar with the BagAddiction website and its products and had investigated customer disputes peculiar to that website. According to Gucci, these investigations should have tipped them off to the sale of infringing merchandise.

Gucci also alleged that Laurette would not have been able to sell its counterfeit products without the credit card operation that the three service companies enabled. Since virtually all purchases from BagAddiction were made using credit cards, the processing operation was fundamental to selling the counterfeit products.

According to the court, both Frontline and Woodforest face liability for contributory infringement because they "knew that Laurette traded in counterfeit products, or were willfully blind to that fact," and because they provided services that were a "necessary element for the transaction of counterfeit goods online."

Citing the dissenting opinion in *Perfect 10*, the judge concluded that Frontline and Woodforest "knowingly provide[d] a financial bridge between buyers and sellers of [counterfeit products], enabling them to consummate infringing transactions, while making a profit on every sale."

The court also drew upon *Getty Petroleum Corp. v. Aris Getty, Inc.*, 55 F.3d 718, 35 U.S.P.Q.2d (BNA) 1156 (1st Cir. Mass. 1995)--in which the First Circuit Court of Appeals found a gasoline supplier liable for trademark infringement because it provided unbranded gasoline to gas stations that it knew would re-sell under the Getty name--to support its conclusion that Frontline and Woodforest "exerted sufficient control over the infringing transactions and knowingly provided [their] services to a counterfeiter."

In sum, none of the companies that Gucci sued could be responsible for direct infringement. However, Durango was found potentially liable for inducing infringement, because it encouraged the credit card service providers to set up their services with a seller of counterfeit goods.

Frontline and Woodforest, by the same token, were potentially liable for contributory infringement because they continued to provide their essential services, despite knowing that Laurette sold counterfeit products.

As a result of this case, credit card servicers are likely to become more cautious about providing services to dubious merchants, and owners of infringed trademarks and copyrights may be able to hold accountable those who provide the credit that greases the wheels of infringement.

Courts evaluating such claims now have inconsistent precedents to consider, so this issue may be one in which the choice of forum--say, a federal court on the West Coast vs. the Southern District of New York--may be key.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Thomas C. Carey is a partner at Sunstein Kann Murphy & Timbers LLP and is chair of the Business Department. He advises start-ups and established companies in matters involving capital-raising, licensing, mergers and acquisitions and tax planning. He also is experienced in outsourcing, joint ventures, corporate governance and FDA compliance matters. He maintains long-term relationships with senior management of corporate clients, who rely on his judgment and expertise in strategic matters.

Research assistant Katherine Zhou provided valuable support in the writing of this article.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



12 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Copyright Statutory Damages Not Available For Each Song In Music Album

2010 Emerging Issues 5031

Second Circuit: Copyright Statutory Damages Not Available For Each Song In A Music Album

By Daniel J. Warren, David E. Weslow and Joshua D. Curry

May 13, 2010

SUMMARY: This commentary addresses the ruling from the Second Circuit which affirmed a district court decision finding that a copyright owner was entitled to only one award of statutory damages for its music album compilation even though individual songs on the album were registered independently with the U.S. Copyright Office. Three attorneys from Sutherland Asbill & Brennan LLP tackle this issue.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: The U.S. Court of Appeals for the Second Circuit recently affirmed a district court decision finding that a copyright owner was entitled to only one award of statutory damages for its music album compilation even though individual songs on the album were registered independently with the U.S. Copyright Office. *Bryant v. Media Right Productions, Inc.*, No. 09-2600, 2010 U.S. App. LEXIS 8657, at *9-18 & n.4 (2d Cir. Apr. 27, 2010). n1 The appellate court also affirmed the district court's award of only \$2,400 in statutory damages based on the copying of twenty songs on two music albums. *Id.*, at *20-21. This decision may reduce the amount of statutory damages that copyright holders can obtain for infringement of music albums and compilations in the Second Circuit. The decision also may decrease the incentive for potential infringers to avoid engaging in wholesale copying of albums and compilations.

The copyright owners in *Bryant* alleged that a distributor and a music wholesaler infringed their copyrights by selling digital copies of two albums without permission. *Id.* at *3-7. The owners registered the two works with the U.S. Copyright Office and also had independent registrations for some of the twenty songs on the albums. *Id.* at *3. The owners contracted with a distributor to distribute physical copies of their albums but did not authorize the distributor to make further use of the works. *Id.* at *3. The distributor in turn contracted with a music wholesaler to distribute the albums. The wholesaler's contract purported to allow it to distribute the albums " 'throughout E-stores including . . . those via the Internet, as well as all digital storage, download and transmission rights, whether now known or existing in the future.' " *Id.* at *4. In 2000, when the parties made these agreements, neither the distributor nor the music wholesaler were selling the albums online, but in 2004 the wholesaler began to sell the albums and the individual songs on the Internet in online stores such as iTunes. *Id.* at *5. The copyright owners sued when they discovered that the distributor and music wholesale were selling copies of their albums and songs online without permission. *Id.* at *6.

The district court found that both the distributor and the music wholesaler infringed the copyrights by copying the albums without permission. *Id.* at *6-8. Because the actual damages were only a few hundred dollars, the owners sought statutory damages under 17 U.S.C. § 504(c). Under § 504(c), a statutory damages award may range from \$750 to \$30,000 per registered work for non-willful infringement, and the court may reduce this award to \$200 per work if the infringement is innocent or increase it to \$150,000 per work if the infringement is willful. *Id.* (citing 17 U.S.C. § 504(c)(2)).

On the damages question, the district court found the following: (1) the owners were entitled to only one award of statutory damages per album, not one award per song as they requested; (2) the music wholesaler's infringement was innocent thus entitling it to a reduction in statutory damages to the statutory minimum of \$200 per work; and (3) the distributor's infringement was not innocent or willful, but because the owners' actual damages were only a few hundred dollars, the statutory damages award should be set at \$1,000 per work. *Id.* at *7-8.

On appeal, the Second Circuit affirmed the district court's decision to award statutory damages on a per-album basis. *Id.* at *15-17. The court explained that the Copyright Act of 1976 allows "only one award of statutory damages for any "work" infringed" and "defines a "compilation" as a "work formed by the assembling of preexisting materials . . . in such a way that the resulting work as a whole constitutes an original work of authorship." *Id.* at *10 (quoting 17 U.S.C. §§ 504(c) & 101). Citing the legislative history, the court also explained that a " 'compilation' results from . . . arranging previously existing material of all kinds, regardless of whether . . . the individual items in the material have been or ever could have been subject to copyright." *Id.* at *10-11 (quoting H.R. Rep. No. 1476 (1976)).

The Second Circuit distinguished two of its prior decisions that allowed separate awards of statutory damages for each work in a compilation. In those cases, the court explained that the copyright holder had issued each of the works separately and only later collected them into a compilation. *Id.* at *11-12 (citing *Twin Peaks Prods., Inc. v. Publ'ns. Int'l Ltd.*, 996 F.2d 1366, 1381 (2d Cir. 1993) (separate TV episodes) and *WB Music Corp. v. TRV Comm. Group, Inc.*, 445 F.3d 538, 541 (2d Cir. 2006) (separate songs collected in an album by the infringer)). In this case, however, the owners chose to release their songs in two albums instead of releasing the songs individually. The court therefore found that only one statutory damages award per album was allowed.

The Second Circuit rejected as inconsistent with the Copyright Act the functional "independent economic value" test applied by the First, Ninth, and Eleventh Circuits. *Id.* at *15-16. This test would have resulted in separate statutory damages awards for any independently copyrighted work in a compilation that "has 'independent economic value and . . . is viable' " on its own. *Id.* at *14. The Second Circuit declined to adopt this test because the court found that the test disregards the statutory language requiring courts to treat all parts of a compilation as one work for purposes of calculating statutory damages. *Id.* The court also remarked that it cannot disregard the statute merely "because digital music has made it easier for infringers to make parts of an album available separately." *Id.* at *16

The Second Circuit also affirmed the intent findings and the decision to reduce the amount of the statutory damages award within the permissible range of \$200 to 30,000 per work. *Id.* at *17-21. Accordingly, the court affirmed the \$2,400 award.

Although several strategies exist to cope with the Second Circuit's decision, this ruling may have serious implications for any artist or distributor releasing copyrighted works in a compilation or album format that must enforce their copyrights in the Second Circuit. As described above, several other circuits provide at least the opportunity for multiple statutory damages awards.

[Return to Text](#)

© 2010 Sutherland Asbill & Brennan LLP. All Rights Reserved.

This communication is for general informational purposes only and is not intended to constitute legal advice or a recommended course of action in any given situation. This communication is not intended to be, and should not be, relied upon by the recipient in making decisions of a legal nature with respect to the issues discussed herein. The recipient is encouraged to consult independent counsel before making any decisions or taking any action concerning the matters in this communication. This communication does not create an attorney-client relationship between Sutherland and the recipient.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

If you have any questions about this development, please feel free to contact any of the attorneys listed below.

Daniel J. Warren 404.853.8028 daniel.warren@sutherland.com

David E. Weslow 202.383.0487 david.weslow@sutherland.com

Joshua D. Curry 404.853.8108 josh.curry@sutherland.com

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



13 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Alibaba and the Forty Thousand Thieves: Combating Counterfeiting on B2B websites

2010 Emerging Issues 5012

Alibaba and the Forty Thousand Thieves: Combating Counterfeiting on B2B websites

By H. David Starr and Gregory Bennett

May 4, 2010

SUMMARY: For today's consumer goods product developer, counterfeiting is a huge concern. An essential part of any campaign against counterfeit goods is Internet enforcement. This article by David Starr and Gregory Bennett focuses on the details of establishing and maintaining an effective approach to Business-to-Business enforcement to severely limit the volume of counterfeit goods finding their way to our shores and into the consumer market.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ARTICLE: *THE PROBLEM*

So it has been months, possibly years in development and you have just unleashed the next product that is taking the world by storm: the Widget.

Production from your manufacturer in China has been heavy and is ever increasing. Expecting world domination, you have secured exclusive agreements with distributors all over the world.

You had the foresight to seek broad intellectual property rights ("IPR"). You applied for domestic and foreign trademarks, trade dress, utility patents, design patents, and copyrights on every conceivable aspect of the Widget. The U.S. trademarks and design patent have issued; the utility patents and copyrights are mired for months more in prosecutorial limbo; the foreign IP is proceeding along.

You and the Widget are well on your way. Your sense of euphoria is quickly dashed, however, when you dutifully conduct an Internet search for the Widget.

"What's this?" you ask yourself. You have come across page after page of Business-to-Business ("B2B ") websites-mainly originating from China-offering the Widget for sale in large volumes. You conclude that all of the offers are being made by various unauthorized manufacturers of the Widget.

You step back. "Is this a problem? Are these entering the U.S. market and those of my foreign distributors?" You quickly check the various domestic auction-based shopping websites. Your heart sinks. You reveal hundreds of listings

for the Widget being sold at final costs below half of the normal retail price. "Uh oh."

You have just discovered a full-blown counterfeit network.

Counterfeiting is huge business problem on a global scale. Since 2005, US Customs has seized just under \$1 Trillion of counterfeit goods. That says nothing of the untold trillions of dollars in counterfeit goods that go undetected. In 2009 alone, Customs seized over \$260 Million in counterfeit goods, 79% of that coming in from China, and 10% from Hong Kong.

Despite the statistics and scope of the problem world-wide, however, all you care about is how to stem the tide in your case: how to stop the manufacture, import, and sale of counterfeit Widgets.

Minimizing counterfeiting of your product will take many stages. The first of these is to secure as airtight an IPR portfolio as possible. In this case, you have done that. The product name, logos, and taglines have all been registered as trademarks. The design and ornamental features of the product are pending for appropriate copyright, trade dress and design patent protection. Its novel features and functions are patent pending. But all the IPR in the world will not stem the tide of counterfeiting (or other infringement) until your portfolio is flexed. You must wield your latent IPR as a sword.

As a starting point, be sure to duly record your registered trademarks (and any trade dress and copyrights that issue) with U.S. Customs and Border Protection and with customs of the country of manufacture and import of the Widget. The customs databases include information regarding all recorded marks, including images of these marks. Customs officers actively monitor imports to prevent the importation of goods bearing infringing recorded.

The bulk of your anti-counterfeiting energy, however, will be spent undertaking Internet enforcement. You will-either manually or through an automated software program-scour the Internet and submit takedown requests everywhere you find the counterfeit Widgets appearing. At the manufacturer end, that will mean reviewing the B2B websites; at the retail end that will mean reviewing the auction sites and the independent Business-to-Consumer ("B2C") websites.

B2Bs Notice and Takedown Procedures

Business-to-business websites are nothing new. Nor are they inherently evil. On the other hand, as platforms for independent, generally unscreened third-parties to host pages and list offerings of goods, the B2B websites are frequently and ever-increasingly host to vast counterfeiting. Fortunately, however, most of these websites have implemented formal procedures for requesting the takedown of allegedly infringing links ("Notice and Takedown"). The Notice and Takedown processes are modeled on the procedures established by the Digital Millennium Copyright Act ("DMCA"). As its name suggests, the DMCA relates to copyright infringement requests, but the B2B websites have instituted the procedures for trademark and patent infringement as well.

Here's how the Notice and Takedown process generally works: you find a link that you believe contains infringing material, be it based on your trademark, copyright, or patent rights. You submit a takedown request along with the allegedly infringing link and proof of your supporting IPR. The B2B team will review the link based on your claim, and if they agree, they will remove the link. They will also notify the company who posted the link and provide them an opportunity to show why the link did not contain infringing material. Oftentimes, the B2B will also have a policy that will suspend or ban repeat offenders.

The nitty gritty of the B2B enforcement activity therefore begins with establishing a working list of the several B2B sites where the Widget frequently appears. In our experience the following B2Bs have active counterfeiters posting links on them: Alibaba.com, AliExpress.com, En.China.Cn, China-Direct-Buy.com, DHGate.com, DIYTrade.com, EC21.com, ECPlaza.net, ECVV.com, GlobalSources.com, Made-in-China.com, MadeInChina.com, Sulit.com.ph, Tootoo.com, Tradekey.com, and in the Chinese language China.Alibaba.com.

You will also compile a list of search terms that uncover links to the Widget. It is critical that you search more broadly than just for the trademarks or product name. After having their listing removed once or twice, Counterfeiters tend to reappear with misspellings or merely keywords in their offers in hopes of avoiding further takedowns.

You will next need to submit the Notice and Takedown request. For the first request, you will need to strictly adhere to the method prescribed by the particular site: some require the first request to be faxed; others emailed; still others have no particular procedure and you will have to submit it through a generic "Contact Us" interface. Once the first request has been made, however, most B2Bs will contact you by email and allow subsequent requests by email.

It is best practice to carefully track your requests through spreadsheets, which should include to whom and when a request was made, the names of the infringing companies and the links themselves. This is useful in tracking the responsiveness of the B2Bs and the general proliferation of infringement on them. The spreadsheets also help identify repeat offenders within a single B2B or across all of them. These repeat offenders should be targets for further legal action.

Finally, directly contact each identified counterfeiter with a cease and desist letter in its native language. While response levels will vary, this process ensures that the counterfeiters know that you are aware of their particular activity and puts them on notice for further legal action. And as the one-time offender is the exception, having at the ready cease and desist letters of increasing intensity and aggressiveness for the repeat offender is very useful.

Beyond Notice and Takedown: Turning Up the Temperature

B2Bs are sometimes slow to react or truculent regarding blocking repeat offenders. When frustrations come to a head, consider alternative approaches to improve cooperation.

First, contacting the B2B's General Counsel office directly will turn up the temperature in a hurry. In so proceeding, it is important to point out that the B2B's activities are different from Ebay-type activities, and that they would not be protected by the landmark ruling in *Tiffany (NJ) Inc. v. Ebay, Inc.* On appeal, Ebay was held free of contributory trademark liability in spite of the rampant counterfeiting Tiffany was battling on the auction giant's site. The key to the decision was that Ebay had no specific knowledge that any given listing was counterfeit and thus had no duty to remove such links before being asked to do so by Tiffany.

Here's the difference. By their very nature, B2B websites are significantly different from auction-based websites, which are typically offering single or low-quantity goods to end-consumers. The listings on the B2Bs, on the other hand, are generally posted by manufacturers, and typically boast manufacturing capacity in the hundreds of units, coupled with minimum purchases in equal volume. These offers are not made to the Widget's end user, but to a Widget retailer, ordering three-, four-, or five-hundred pieces later to be sold on Ebay or through its own B2C site.

Thus, by and large, *every* offering on a B2B site of consumer goods (by someone other than your authorized distributor) is for counterfeit goods and is infringing. In many cases, you will not even have an authorized distributor in China or Hong Kong (where the overwhelming majority of the counterfeit manufacturers are located) and you can bet that all of the offers on these B2Bs are infringing. Once pointed out to the B2B that a particular seller is counterfeiting, the B2B is charged now with specific knowledge that further similar postings by that seller are offering counterfeit as well. Again, specific knowledge is the key to contributory infringement.

This is an argument that can have traction from time to time with the B2Bs. When counterfeiting of your particular product becomes rampant in spite of diligent responsiveness to your takedown requests, the B2B's cage can be rattled once in a while by reminding them of this. Such an argument must be revealed cautiously, however, since acting on it means hauling a typically-Chinese company in to court.

Finally, an alternative approach is to motivate your marketing team. Do not underestimate the effectiveness of a carefully worded press release. Alibaba.com, with its Yahoo! ownership stake, and its ongoing attempt to position itself

in the United States and globally as a legitimate company, is particularly responsive to the threat of bad publicity. Its competitors are similarly motivated.

Such an approach can grab attention and motivate the B2B to action in your favor. Be reminded, however, to take great care to steer clear of slander and libel.

SUMMARY

Though B2B enforcement may feel like a frustrating game of whack-a-mole, through persistent and thoughtful effort, you can effectively eliminate the venues and exposure time for counterfeit manufacturers to advertise illegal copies of your product. Vigilance and patience is the key.

If you have the next hot thing on your hands, then you also will have a counterfeiting problem on them too. A complete counterfeiting enforcement program will include flexing your intellectual property rights by utilizing customs agencies worldwide, targeting specific manufacturers for civil and criminal suits, and stemming the flow of counterfeit goods through auction-based shopping websites and business-to-consumer websites. Perhaps the most important activity, however, is a vigilant and thoughtful attack of the manufacturers on the various business-to-business websites through notice and takedown requests. By striking close to the source, you will severely limit the volume of counterfeit goods finding their way to our shores and into the consumer market.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

H. David Starr is a Senior Associate with The Nath Law Group where he manages the firm's Trademarks and Copyrights Department. Mr. Starr advises a wide array of domestic and global clients across all aspects of trademark, unfair competition and copyright law. His practice focuses on: prosecution of U.S. and foreign trademarks; IP portfolio management and strategies; Internet enforcement; licensing and transactional matters; and client counseling. He may be reached at dstarr@nathlaw.com.

Gregory Bennett is an Associate Attorney in the Trademarks and Copyrights Department of The Nath Law Group. His practice includes all facets of trademark and copyright counseling, prosecution, and enforcement for clients worldwide, with particular emphasis on customs and Internet enforcement. He may be reached at gbennett@nathlaw.com.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



14 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Collins on Reed Elsevier, Inc. v. Muchnick

2010 Emerging Issues 4927

Collins on Registration Requirements of 17 U.S.C. § 411(a): Reed Elsevier, Inc. v. Muchnick

By Catriona M. Collins

March 25, 2010

SUMMARY: Before the Reed Elsevier, Inc. v. Muchnick decision by the Supreme Court, the registration requirement of 17 U.S.C. § 411(a) had been widely regarded as "jurisdictional." In Muchnick, the Supreme Court clarified that this registration requirement is not "jurisdictional" but is, rather, a "claim processing" requirement. In this commentary, Catriona M. Collins discusses this case and the long term implications of this ruling.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: Although there is no requirement to register a work with the U.S. Copyright Office to obtain copyright protection under U.S. law, under 17 U.S.C. § 411(a) registration is a prerequisite to filing an action for infringement of the copyright. Before this decision by the Supreme Court, the registration requirement of § 411(a) had been widely regarded as "jurisdictional." In this case the Supreme Court clarified that this registration requirement is not "jurisdictional" but is, rather, a "claim processing" requirement. In reaching this conclusion the Court reaffirmed that the proper reasoning for determining whether a statutory requirement that is not clearly labeled jurisdictional, is nevertheless jurisdictional, is the type of analysis used by the Court in *Arbaugh v. Y&H Corp.*, 546 U.S. 205 (2007). This analysis centers on the provision's text and structure and on its location within the relevant statutory jurisdictional framework. In *Muchnick*, the historical treatment of the statutory requirement as jurisdictional, while still relevant, was relegated to a secondary role in the analysis and did not trump the analysis of the text, structure and overall context of the provision.

BACKGROUND

Reed Elsevier, Inc. v. Muchnick, ___ U.S. ___, 130 S. Ct. 1237, 176 L. Ed. 2d 18 (2010) has its origins in a long-running copyright infringement dispute which eventually reached the Supreme Court in *New York Times Co. v. Tasini*, 533 U.S. 483, 121 S. Ct 2381, 150 L. Ed. 2d 500 (2001). The issue in *Tasini* was whether publishers were entitled to place the contents of their periodicals into electronic databases and onto CDs without first securing the permission of the freelance writers whose individual articles were included in those periodicals. The freelance writers

argued that this practice infringed their registered copyright in their individual articles while the publishers invoked the "revision" privilege with respect to collective works provided in the Copyright Act of 1976, 17 U.S.C. § 201(c). The publishers maintained that they had permissibly reproduced the freelancers' articles as part of electronic revisions of the newspapers and magazines in which the articles first appeared. The district court granted summary judgment for the publishers but the Second Circuit reversed, granting summary judgment for the freelancers. On certiorari, the Supreme Court affirmed the Second Circuit.

Following the freelancers' victory before the Second Circuit other freelance authors filed copyright infringement actions asserting similar claims against publishers with respect to both registered and unregistered works. These actions were consolidated in a class action. Eventually, the Southern District of New York approved a class action settlement. Some of the freelance authors objected to the settlement and appealed. The Court of Appeals for the Second Circuit noted that the majority of the claims within the certified class arose from copyright in works that had not been registered, and asked the parties to address whether the district court had subject matter jurisdiction over the claims of infringement of unregistered works. Both the authors and publishers argued that § 411(a) is not jurisdictional in nature. But a divided panel of the Second Circuit disagreed, holding that the registration requirement is jurisdictional, and because the class included unregistered works, the district court lacked subject matter jurisdiction. The Second Circuit relied on its prior holdings in *Well-Made Toy Mfg. Corp. v. Goffa Int'l Corp.*, 354 F.3d 112, 115 (2d Cir. 2003) and *Morris v. Bus. Concepts, Inc.*, 259 F.3d 65, 72 (2d Cir. 2001) to the effect that district courts lack statutory subject matter jurisdiction over infringement claims arising from unregistered copyrights. Since the issue was jurisdictional, the fact that neither party had raised it did not result in a waiver. Judge Walker dissented, concluding that the registration requirement was not jurisdictional but was, rather, a "claim processing rule."

THE SUPREME COURT'S DECISION

The Supreme Court reversed. The Court's opinion, authored by Justice Thomas, with a concurrence by Justice Ginsburg, agreed with much of Judge Walker's analysis. The Court followed the reasoning adopted in *Arbaugh* to decide whether a statutory requirement is jurisdictional. In *Arbaugh*, the plaintiff had sued her former employer for sexual harassment under Title VII of the Civil Rights Act of 1964. Employees can bring Title VII claims only against employers that have fifteen or more employees. After a verdict awarding damages to the plaintiff, the employer established that it did not have the requisite fifteen or more employees. The Supreme Court in *Arbaugh* held that this so-called "numerosity" requirement of Title VII was not jurisdictional but, rather, a substantive ingredient of a Title VII action. The Court's conclusion was based primarily on the fact that the numerosity provision of Title VII did not clearly state that it was jurisdictional and the section's text and structure did not demonstrate that Congress had rated the requirement as jurisdictional. The fact that the numerosity provision is separate from the section of Title VII dealing with jurisdiction also supported a conclusion that the numerosity requirement was not jurisdictional. See *Arbaugh*, 546 U.S. at 515-516.

Applying a similar analysis to § 411(a) in *Muchnick*, the Supreme Court concluded that § 411 did not clearly state that the registration requirement was jurisdictional. 2010 U.S. LEXIS at *16. Moreover the Court reasoned that the fact that the last sentence of § 411 includes a reference to "jurisdiction" did not undermine this conclusion. The sentence provides that the Registrar of Copyrights may become a party to the copyright infringement action with respect to "the issue of registrability of the copyright claim" but that "the Registrar's failure to become a party shall not deprive the court of jurisdiction to determine that issue." The Court noted that the reference to "jurisdiction" in this last sentence refers to the power of the court to adjudicate the issue of registrability and says nothing about whether a court has subject matter jurisdiction over claims of infringement of unregistered works. 2010 U.S. LEXIS at *16-17. As further support for its conclusion that the registration requirement of § 411(a) is not jurisdictional the Court noted that § 411(a)'s registration requirement, like Title VII's numerosity requirement, is located in a provision which is separate from those granting subject matter jurisdiction over the copyright claims, 28 U.S.C. §§ 1331 and 1338. 2010 U.S. LEXIS at *18.

The Court also found support for its conclusion in the fact that § 411(a) expressly allows courts to adjudicate

infringement claims involving unregistered works in three circumstances, namely, where the work is not a United States work, where the infringement claim concerns rights of attribution and integrity under 17 U.S.C.S. § 106A, or where the holder attempted to register the work and registration was refused. In addition, § 411(c) permits courts to adjudicate infringement actions over certain kinds of unregistered works where the author declares an intention to secure copyright in the work and makes registration for the work, if required by § 411(a), within three months after the work's first transmission. 17 U.S.C.S. § 411(c)(1)-(2). The Court noted that it would be "at least unusual" to ascribe jurisdictional significance to a condition subject to these kinds of exceptions. 2010 U.S. LEXIS at *19.

Finally, the Court dealt with the argument, based on *Bowles v. Russell*, 551 U.S. 205 (2007), that where Congress did not explicitly label a statutory condition as jurisdictional, a court nevertheless should treat it as such if that is how the condition consistently has been interpreted and if Congress has not disturbed that interpretation. This argument had been advanced by the *amicus* who had been appointed by the Court to represent the position of the Second Circuit since neither party had supported the Second Circuit's ruling. The Court distinguished *Bowles* on the grounds that the statutory limitation at issue in *Bowles*, the deadline to file a notice of appeal in a civil case, was of a type that the Court had long held *did* "speak in jurisdictional terms" even absent a "jurisdictional" label, and nothing about the provision's text or context, or the historical treatment of that type of limitation, justified a departure from this view. 2010 U.S. LEXIS at *22-25. Justice Ginsberg in her concurring opinion also pointed out that none of the more than 200 decisions cited by the *amicus* in which courts had characterized § 411(a) as jurisdictional was from the Supreme Court and most were "drive-by jurisdictional rulings" that should be accorded no precedential effect. 2010 U.S. LEXIS at *34.

THE EFFECT OF THE DECISION

The Supreme Court's ruling represents an important change in the way that the registration requirement of § 411(a) is treated. The Second Circuit is not the only circuit to have previously classified the registration requirement as jurisdictional. For example, in *La Resolana Architects, PA v. Clay Realtors Angel Fire*, 416 F.3d 1195, 1200 (10th Cir. 2005), the Tenth Circuit described § 411(a) as "the jurisdictional lynchpin to copyright infringement actions." In *Xoom, Inc. v. Imageline, Inc.*, 323 F.3d 279, 283 (4th Cir. 2003), the Fourth Circuit noted that copyright registration is "a jurisdictional prerequisite to bringing an action for infringement under the Copyright Act." In *Murray Hill Publ'ns, Inc. v. ABC Commc'ns, Inc.*, 264 F.3d 622, 631 (6th Cir. 2001), the Sixth Circuit viewed registration as "a jurisdictional prerequisite to the right of the [copyright] holder to enforce the copyright in federal court." It is significant that the Court did not allow this historical characterization of the requirement by lower courts to play a decisive role in its analysis. This stands in contrast to the *Bowles* Court's reliance on the historical treatment of the provision at issue as jurisdictional. The *Muchnick* Court made it clear that an analysis of a provision's text and structure and its location within the statutory framework is more important in determining whether a requirement is jurisdictional.

The Supreme Court's decision serves to facilitate class action settlements that include unregistered works, which obviously benefits both publishers and authors. As a practical matter, many authors do not register their works with the Copyright Office because of the cost and administrative burdens. But the Supreme Court's decision is likely to have repercussions beyond the arena of class actions and calls into question whether it is always necessary for a copyright owner to register his work before filing a copyright infringement suit. The Court expressly declined to address whether § 411(a)'s registration requirement is a mandatory precondition to suit that district courts may or should enforce sua sponte by dismissing copyright infringement claims involving unregistered works, leaving this an open issue. 2010 U.S. LEXIS at *29-30. There are also important legal consequences flowing from the fact the registration requirement can no longer be viewed as jurisdictional.

Subject matter jurisdiction, because it involves the court's power to hear a case, cannot be waived by the parties or the court. It can be raised by a party or decided sua sponte by the court at any stage in the litigation, even post-trial, as happened in *Arbaugh*. But since § 411(a)'s registration requirement is not jurisdictional, it can be waived. If a defendant in a copyright infringement suit wished to challenge the claim for failure to comply with § 411(a)'s registration requirement, he might do so by filing a motion to dismiss, arguing that the complaint fails to state a claim on which relief can be granted. As pointed out in *Arbaugh*, 546 U.S. at 507, the objection that a complaint "fails to state a claim

upon which relief can be granted," may not be asserted post-trial. Under Rule 12(h)(2), that objection can endure up to, but not beyond, trial on the merits.

The issue of subject matter jurisdiction is often decided by the trial court early in the case, either on motion or sua sponte, but now that the registration requirement of § 411(a) cannot be treated as jurisdictional it may not be so easy to obtain an early ruling dismissing a copyright infringement complaint for failure to comply with the registration requirement. Again, as noted in *Arbaugh*, in some cases, even if subject-matter jurisdiction turns on contested facts, the trial judge may be authorized to review the evidence and resolve the dispute on his own. See *Arbaugh*, 546 U.S. at 514, citing 2-12 Moore's Federal Practice -- Civil § 12.30[3]. But if compliance with a non-jurisdictional requirement is at issue based on contested facts, the factual questions must be decided by the jury. For instance, there may be contested questions of fact underlying the issue of whether a work is a derivative work requiring registration separate from the registration of the underlying work. See, *Well-Made Toy Mfg. Corp. v. Goffa Int'l Corp.*, *supra*.

Further, as also noted in *Arbaugh*, when a federal court concludes that it lacks subject-matter jurisdiction, the court must dismiss the complaint in its entirety. *Arbaugh*, 546 U.S. at 514, citing 16-106 Moore's Federal Practice § 106.66 [1], pp.106-88 to 106-89. In *Arbaugh*, the trial court had dismissed not just the plaintiff's sexual harassment claim under Title VII, but also her pendent state-law claims, because it concluded that it lacked subject matter jurisdiction over her Title VII claim. In contrast, when a court grants a motion to dismiss for failure to state a federal claim, the court generally retains discretion to exercise supplemental jurisdiction, pursuant to 28 U.S.C. § 1367, over pendent state-law claims. *Arbaugh*, 546 U.S. at 514, citing 16-106 Moore's Federal Practice -- Civil § 106.66[1], pp. 106-86 to 106-89. It is not unusual for pendent state-law claims like unfair competition or trade secret misappropriation to be asserted along with copyright infringement claims, so this is an important point for copyright practitioners to keep in mind.

Another potentially important difference is the possible application of *res judicata* to a dismissal of a copyright infringement claim for failure to comply with § 411(a)'s registration requirement. If a copyright owner tries to file a new action after he has complied with the registration requirement he now may face an objection that he is barred by *res judicata* from filing suit a second time for essentially the same claim. *Res judicata* is generally not a bar to a second suit when the first suit was dismissed for lack of jurisdiction. See Restatement (Second) of Judgments § 26(c) (1982).

Regardless of whether copyright registration is viewed as a mandatory precondition to suit, there are important advantages to obtaining a registration before filing suit that will encourage compliance. 17 U.S.C. § 410(c) provides that "in any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute *prima facie* evidence of the validity of the copyright and of the facts stated in the certificate" and, under 17 U.S.C. § 412, registration is a prerequisite to certain remedies for infringement.

RELATED LINKS: For discussion on subject matter jurisdiction, see

- 2-12 Moore's Federal Practice -- Civil Section 12.30[3]

For discussion on Dismissal of Jurisdiction-Conferring Claim, see

- 16-106 Moore's Federal Practice -- Civil Section 106.66[1]

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Catriona M. Collins is an intellectual property litigator practicing in New York and has handled a variety of copyright, patent and trademark cases in trial and appellate courts. She has authored and co-authored amicus briefs on intellectual property issues before the U.S. Supreme Court and the Court of Appeals for the Federal Circuit, and has published and spoken on intellectual property law. Ms. Collins is admitted in New York and in various federal district

and appellate courts and holds law degrees from Trinity College Dublin and Cambridge University, England.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



15 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Westermeier on The Non-Assignability of Open Source Software Licenses

2010 Emerging Issues 4918

Westermeier on The Non-Assignability of Open Source Software Licenses

By J ("Jay") T. Westermeier

March 19, 2010

SUMMARY: Open source software licenses are copyright licenses. The open source software is copyrightable subject matter, and the open source license specifies the extent to which "copying" is permitted and under what terms and conditions. In this commentary, Jay Westermeier discusses the non-assignability of open source licenses and strategies related to their assignment.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: Open source software licenses are copyright licenses. The open source software is copyrightable subject matter, and the open source license specifies the extent to which "copying" is permitted and under what terms and conditions. In this article, we will discuss the non-assignability of open source licenses and strategies related to their assignment.

The Jacobsen Case

In 2008, the Federal Circuit issued a ruling in *Jacobsen v. Katzer*, 2008 U.S. App. LEXIS 17161 (Fed. Cir. August 13, 2008), with respect to the Artistic Open Source License. The Federal Circuit found that the Artistic License is a conditional copyright license and that the terms of the Artistic License are enforceable copyright conditions. While the *Jacobsen* decision concerns the Artistic License the ruling relates to open source licenses generally. As part of the rationale for its holding, the Federal Circuit emphasized that copyright holders who engage in open source licensing have the right to control the modification and distribution of copyrighted materials and that the restrictions set forth in open source licenses might be rendered meaningless unless the copyright holder has the right to enforce the license through injunctive relief. The fact that open source licenses are copyright licenses raises a number of significant issues.

Copyright Licenses

Copyright licenses must be interpreted consistent with copyright law and policy. *See, e.g., S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989). Copyright rights are severable and divisible. A copyright owner can grant rights with respect to any one of the copyright owner's exclusive rights without granting any rights under the owner's

other exclusive rights, and can limit or otherwise restrict any rights granted. Copying in excess of the authorized scope in accordance with the terms of the license is an infringing use. Open source licenses are based on these fundamental principles related to copyright licenses.

Non-Assignability

Copyright licenses are not assignable without the consent of the copyright owner. This rule was recently stressed in *Cincom Systems, Inc. v. Novelis Corp.*, 581 F.3d 431, 437 (6th Cir. 2009). In the *Cincom* case, the Sixth Circuit discussed the general rule regarding assignability in the context of intellectual property. In particular, the Sixth Circuit noted that intellectual property licenses are presumed to be nonassignable and nontransferable in the absence of "express provisions to the contrary." Where the license agreement is silent on its assignability, the license agreement must be construed consistent with Federal copyright law and policy prohibiting unauthorized transfers in the absence of express authorization.

Another example where this rule of non-assignability and transferability in connection with a software license was applied in *Gardner v. Nike, Inc.*, 279 F.3d 774 (9th Cir. 2002). In the *Gardner* case, the Ninth Circuit determined that under the Copyright Act the licensee has the burden of obtaining the licensor's consent before it may assign its rights, absent explicit contractual language to the contrary. Moreover, the Ninth Circuit observed even if the licensee had the right to transfer the license under the applicable state law, the interpretation of state law must bow to federal law because the interpretation interferes with Federal copyright law and policy.

The rule against the assignability and transferability of copyright licenses unless the copyright licensor has expressly consented is really a matter of common sense consistent with permitting the copyright owner to retain control over its copyrighted materials.

Open Source Licenses

Open source software licenses as a general rule do not contain assignment provisions. As such, the rule that copyright licenses are not assignable or transferable without the express consent of the copyright owner applies to open source licenses. Thus, in merger/acquisition transactions or other transactions involving open source software, it is important to realize that, as a matter of Federal Copyright law in the absence of express provisions to the contrary, a prohibition against assignment and transferability is imputed to be in the applicable open source license even though the license does not contain an assignment provision. Unauthorized assignments and transfers of the license agreement may be found to breach the license and may also constitute copyright infringement.

Strategies

New Open Source License

Often the best strategy with open source software licenses is for the successor licensee to obtain the applicable open source software and related open source license directly from the copyright owner. This strategy avoids the need to get an assignment and the treatment of the assignment as a redistribution. Most of the conditions in open source licenses apply to distribution. If the licensed open source software is just used internally many of the "downstream" compliance issues will be avoided.

Equity Transaction

Structuring the transaction in question as a stock purchase rather than as an asset purchase will usually avoid the rule against the non-assignability of open source licenses and related compliance with the license conditions related to distribution.

Separate Agreement

In some circumstances, it may be necessary to obtain the copyright owner's express permission to structure an assignment and transfer of the open source license. Dealing directly with the copyright owner will offer potentially greater flexibility.

Conclusion

The rule prohibiting the assignment and transfer of copyright licenses applies to open source licenses. Open source licenses are not assignable except with the express written authorization of the copyright owner. This non-assignability needs to be fully considered in transactions involving open source licenses.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

J. ("Jay") T. Westermeier is Of Counsel, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP resident in the firm's Reston Virginia office. He is past president of the International Technology Law Association (formerly known as the Computer Law Association); Life Fellow, American Bar Foundation; 2001 Burton Award for Legal Achievement; and a member or former member of the advisory boards for *E-Commerce Law & Strategy*, *Computer Law Reporter*, BNA's *Computer Technology Law*, BNA's *Electronic Commerce & Law*, *The Commercial Law Advisor*, *Intellectual Property Counselor*, *Internet Law and Business*, and *Information Strategy: The Executives Journal*. He is listed in *Intellectual Asset Management* magazine's "IAM250-The World's Leading IP Strategists" (2009-2010); The International Who's Who of Internet and e-Commerce Lawyers; (2009); Best Attorneys in America (Information Technology; 2003-2010); Virginia Super Lawyers (Intellectual Property; 2006-2010); Washington, D.C., Super Lawyers (Intellectual Property; 2007-2010); Super Lawyers Corporate Edition of Top Attorneys in Business Services (Intellectual Property; 2009), peer-rated "AV Preeminent[TM]" by Martindale-Hubbell, and many other honorary lists of distinction.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



16 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

LaFrance on Right of Publicity and False Endorsement: Armstrong v. Eagle Rock

2009 Emerging Issues 4771

LaFrance on Right of Publicity and False Endorsement Claims Relating to Artistic Works: Armstrong v. Eagle Rock Entertainment, Inc., 2009 U.S. Dist. LEXIS 82368, 92 U.S.P.Q.2d (BNA) 1091 (E.D. Mich. 2009)

By Mary LaFrance

December 29, 2009

SUMMARY: Mary LaFrance analyzes *Armstrong v. Eagle Rock Entertainment*, which addressed the interrelationship of federal copyright law, the First Amendment, and federal and state law claims arising from the unauthorized commercial use of a person's name or likeness in connection with a copyrighted work. Although the district court's perfunctory analysis has little persuasive value, it illuminates the gaps and inconsistencies in the area.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ARTICLE: In *Armstrong v. Eagle Rock Entertainment*, n1 a federal district court addressed the interrelationship of federal copyright law, the First Amendment, and federal and state law claims arising from the unauthorized commercial use of a person's name or likeness in connection with a copyrighted work. Although the district court's perfunctory and conclusory analysis in *Armstrong* has little persuasive value on its own, it illuminates the gaps and inconsistencies in the substantial body of precedents that have arisen on similar facts.

I. Facts

The plaintiff, a prominent professional musician, had performed with the Mahavishnu Orchestra at an international jazz festival. These performances were recorded, without the plaintiff's express consent, by Montreux Sounds SA, and the recordings were distributed in DVD format by defendant Eagle Rock Entertainment. The plaintiff was visible in the recorded performance, and still photographs of him appeared on the back cover of the DVD and in the liner notes.

Alleging that he did not consent to the use of his performance or his image on the DVD, the plaintiff sought an injunction and an accounting of profits and other damages from the DVD's distributor, asserting claims for, inter alia, false designation of origin under section 43(a) of the Lanham Act, *15 U.S.C. §§ 1125(a)*, and violation of his common law right of privacy through the unauthorized commercial appropriation of his likeness.

II. District Court Opinion

The defendant filed a motion for judgment on the pleadings and/or summary judgment based on the First Amendment and the Copyright Act. As discussed below, the court granted the defendant's motion, holding that (1) the appropriation claim for the use of the plaintiff's likeness in the DVD recording was preempted by the Copyright Act, and (2) both the appropriation claim and the Lanham Act claim arising from the use of the plaintiff's likeness on the DVD cover and in the liner notes were foreclosed by the First Amendment.

A. Copyright Preemption of the Publicity/Appropriation Claim

To prevail on his commercial appropriation claim under Michigan Law, Armstrong was required to demonstrate (1) that he had a pecuniary interest or significant commercial value in his identity, and (2) that the defendant commercially exploited that identity. *Armstrong*, 2009 U.S. Dist. LEXIS 82368, at *9 (citing *Arnold v. Treadwell*, 2009 Mich. App. LEXIS 1536, *13 (July 16, 2009) (unpub.)). Because the Armstrong court treated the commercial appropriation of identity as synonymous with the right of publicity, *id.* at *8 n.2, the plaintiff's state law claim is referred to here as a publicity/appropriation claim.

With respect to the defendant's use of photos of the plaintiff on the DVD cover and in the liner notes, the district court held that the misappropriation claim was barred by the First Amendment, because the DVD was a "work of artistic expression." *Id.* at *15-16.

On the question whether the defendant misappropriated the plaintiff's performance, however, the court did not resolve the First Amendment issue, because (1) it found that there was a genuine issue of fact as to whether the plaintiff had implicitly consented to the use of his performance on the DVD, and (2) even if he did not consent, the plaintiff's claims were preempted by federal copyright law. *Id.* at *16.

The court's preemption analysis relied on section 301 of the Copyright Act, 17 U.S.C. § 301, which precludes enforcement of a state law (1) which concerns a work within the scope of the "subject matter of copyright" under 17 U.S.C. § 102, and (2) which grants rights that are "any of the exclusive rights within the general scope of copyright" under 17 U.S.C. § 106. *Id.* at *17-18 (quoting *Murray Hill Pubs., Inc. v. ABC Comm'ns, Inc.*, 264 F.3d 622, 636 (6th Cir. 2001); *Wrench LLC v. Taco Bell*, 256 F.3d 446, 453 (6th Cir. 2001)).

In concluding that the first requirement was satisfied, the district court determined that the "work" at issue fell within the general subject matter of copyright, because the recording of Armstrong's performance at the festival was a "motion picture" as defined in section 101 of the Copyright Act, 17 U.S.C. § 101. Montreux Sounds SA, the company that made the recording, owned the copyright in the resulting motion picture. The court saw Armstrong's publicity/appropriation claim as an attempt to interfere with the copyright owner's exclusive right to create derivative works. *Id.* at *22-23 (citing *Landham v. Lewis Galoob Toys, Inc.*, 227 F.3d 619, 623 (6th Cir. 2000)).

The court also found that the second requirement was satisfied, because the publicity/appropriation claim was not "qualitatively different from a copyright infringement claim." 2009 U.S. Dist. LEXIS 82368, at *24 (quoting *Murray Hill*, 264 F.3d at 636; *Wrench LLC*, 256 F.3d at 456). In the court's view, Armstrong was objecting to the defendant's exercise of the right to reproduce the copyrighted work, a right which belongs to the copyright owner under section 106 of the Copyright Act, 17 U.S.C. § 106. Thus, Armstrong's claim was "really a copyright violation claim," and the appropriate legal recourse was for him to seek "a share of the profits" from the copyright holder. 2009 U.S. Dist. LEXIS 82368, at *25. The court did not explain, however, what copyright doctrine would permit a performer to obtain a share of the profits from one who reproduced the performer's recorded performance, and whether his entitlement would depend on whether he had consented to the original recording.

Furthermore, the court indicated that in some situations the copyright owner's right to reproduce a copyrighted work would not preempt a publicity/appropriation claim by a person whose likeness is reproduced in that work:

Although just because the underlying work is copyrighted, this does not mean that a copyright holder can

reproduce it in whatever form it wants without being subject to state-law appropriation claims. For instance, if the copyright holder had licensed out a segment of the performance to a hypothetical defendant such as Gibson to use in a commercial to advertise its guitars, then the outcome would almost certainly be different. But here, the DVD is a reproduction of the recording of the Montreux Jazz Festival performance in 1974, the very subject of the copyright.

2009 U.S. Dist. LEXIS 82368, at *24-25. Unfortunately, the court made no attempt to explain why it would distinguish between reproducing the recording in commercial advertising and reproducing it for commercial distribution, nor did it cite any examples or precedents to support such a distinction.

B. Lanham Act Claim

The district court also rejected Armstrong's claim under section 43(a) of the Lanham Act. It held that the use of Armstrong's likeness on the DVD was not a "false designation of origin," because the "origin" of a DVD is its producer rather than the "author of any idea, concept, or communication embodied" in the DVD; on the facts presented, "[n]o reasonable consumer could be confused about the identity of the producer of the tangible DVD." 2009 U.S. Dist. LEXIS 82368, at *26-27 (quoting *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 37 (2003)).

Even if the section 43(a) claim were interpreted as a "false endorsement" claim, the court held, the plaintiff was still not entitled to relief. Armstrong's "false endorsement" claim was based on the use of his picture on the DVD cover, plus the following language that appeared above his picture:

Founded in 1967, the MONTREUX JAZZ FESTIVAL has established itself as one of the most prestigious annual music events in the world. The extraordinary list of artists who have played there is drawn from across the musical spectrum and from around the world. Now, with the consent of the festival and artists, Eagle Vision is making these concerts available on DVD for the first time.

Id. at *29-30. Armstrong contended that the placement of this language above his picture would lead consumers to believe that he endorsed the DVD. Id. at *29. However, because this language refers generally to "the consent of the festival and the artists," and because, in the court's view, "[m]ost people understand that pictures on the outside of a DVD cover are ordinarily meant to convey something about the content, not necessarily to demonstrate endorsement," the court found only a de minimis likelihood that consumers would believe that Armstrong gave his individual consent. Id. at *29-30.

Under the First Amendment balancing test used by the Sixth Circuit in cases involving works of artistic expression, "the Lanham Act should be applied to artistic works only where the public interest in avoiding confusion outweighs the public interest in free expression." Id. at *28 (quoting *ETW Corp. v. Jireh Pub., Inc.*, 332 F.3d 915, 926 (6th Cir. 2003)). Treating the defendant's DVD as a work of artistic expression, the court concluded that the "relatively slight" likelihood of confusion arising from juxtaposing Armstrong's likeness with the consent statement was outweighed by "the greater public interest in free expression." Id. at *31.

III. Analysis

A. Copyright Preemption of the Misappropriation/Publicity Claim

The question of whether (and if so, when) state law right of publicity claims are preempted under section 301 of the Copyright Act has troubled courts since section 301 was enacted in 1976. Although the right of publicity is not expressly addressed in section 301, the legislative history acknowledges that, at least in some cases, this cause of action is not preempted:

The evolving common law rights of "privacy," "publicity," and trade secrets . . . would remain unaffected as long as the causes of action contain elements, such as an invasion of personal rights or a breach of trust or confidentiality, that are different in kind from copyright infringement.

H.R. Rep. 1476, 94th Cong., 2d Sess. 132 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5748.

As discussed below, in concluding that section 301 preempted Armstrong's state law claims, the Armstrong court's analysis conflicts with the leading Sixth Circuit precedent as well as precedents from the Ninth and Fifth Circuits, but it is consistent with several other district court decisions in the Sixth Circuit as well as the Seventh Circuit's controversial decision in *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663 (7th Cir. 1986).

Armstrong's preemption analysis reflects the confusion that currently pervades the Sixth Circuit's preemption jurisprudence (and that of other circuits as well). For example, in *Landham v. Lewis Galoob Toys, Inc.*, 227 F.3d 619, 623 (6th Cir. 2000), the Sixth Circuit held that section 301 did not preempt a right of publicity claim under Kentucky law. Landham, an actor, brought a state law right of publicity claim as well as a Lanham Act false endorsement claim against a toy company that made a doll based on a character he portrayed in a movie. Landham had never consented to the merchandising of his image. The court noted that copyright law does not automatically preempt all right of publicity claims: "If this were true, . . . state-law rights of publicity would virtually cease to exist." *Id.* at 623. Distinguishing *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663 (7th Cir. 1986) (discussed below), the court noted that Landham was not claiming publicity rights "in order to gain rights in the telecast of his performance, or to contest Fox's right to create derivative works from its copyrighted work in general." 227 F.3d at 623. Rather, he sought to prevent the use of "his personal identity," which the court characterized as "an inchoate "idea" which is not amenable to copyright protection." *Id.* Thus, he was asserting "a right separate from those protected by the Copyright Act." *Id.* (citing *Wendt v. Host Int'l*, 125 F.3d 806, 809 (9th Cir. 1997) (finding no preemption of the right of publicity); *Midler v. Ford Motor Co.*, 849 F.2d 460, 462 (9th Cir. 1988) (finding no preemption, because the distinctive sound of a performer's voice is not protected by copyright)).

Despite its contrary holding, Armstrong arguably presents a stronger case for non preemption than Landham. In the latter case, the actor consented to the filming of his performance; thus, he consented to his image being incorporated into a copyrighted work, and this copyrighted work was the source from which his image was copied for use in merchandise. The Sixth Circuit found no preemption, however, because Landham did not consent to this specific use of his copyrighted image. In Armstrong, the musician contended that he did not even consent to the recording of his image, much less to any specific uses of that recording. Yet the district court held that even if he did not consent, his right of publicity claim was preempted. This holding is not consistent with Landham.

Another recent district court decision from the *Sixth Circuit* is *Romantics v. Activision Publ'g, Inc.*, 574 F. Supp. 2d 758 (E.D. Mich. 2008). In that case, the members of a band brought a right of publicity claim against the maker of the "Guitar Hero" video game, alleging that one of the recordings used in the game embodied their "distinctive sound." In holding the claim preempted, the court distinguished Landham by noting that the actor's claim in the latter case was for the use of his "personal identity," while the claim in *Romantics* was for the use of the copyrighted "sound" of the plaintiffs' song. *Id.* at 767 n. 4. However, the recorded song used in *Guitar Hero* was not the actual recording made by the plaintiffs; it was an imitation of that recording, made pursuant to a license from the owner of the copyright in the musical composition. *Id.* at 767. (An imitation of a recorded song does not infringe the copyright in the sound recording, according to the express language of 17 U.S.C. § 114(b).) Preemption was also found in *Stanford v. Caesars Entertainment, Inc.*, 430 F. Supp. 2d 749 (W. D. Tenn. 2006), which held that copyright law preempted a model's statutory right of publicity claim arising from the use of copyrighted audio and video recordings that exceeded the scope of the "model release" he had executed. In the court's view, the cases finding non preemption were distinguishable because the recordings at issue in this case depicted the plaintiff playing a fictional character; thus, the plaintiff was not suing for the unauthorized use of his likeness, but for the unauthorized use of a copyrightable "dramatic work." *Id.* at 756-57. However, this is not a persuasive basis for distinguishing the Sixth Circuit's decision in Landham, which, as

noted earlier, found no preemption where the likeness in question involved the plaintiff's recorded performance as a fictional character.

The leading case finding copyright preemption of right of publicity claims is the Seventh Circuit's decision in *Baltimore Orioles v. Major League Baseball Players Ass'n*, 805 F.2d 663 (7th Cir. 1986). This court held that the Copyright Act preempted baseball players' rights of publicity in their performances because these performances became copyrightable subject matter once they were fixed in videotape form. *Id.* at 674-76. However, this analysis has been widely criticized. See, e.g., *Nimmer on Copyright*, §§ 1.01[B][1][c] and 2.09[F]; David E. Shipley, Three Strikes and They're Out at the Old Ball Game: Preemption of Performers' Rights of Publicity under the Copyright Act of 1976, 20 *Ariz. St. L. J.* 369, 384-88 (1988); Shelley Ross Saxer, *Baltimore Orioles, Inc. v. Major League Baseball Players Association: The Right of Publicity in Game Performances and Federal Copyright Preemption*, 36 *U.C.L.A. L. Rev.* 861, 870 (1989).

Baltimore Orioles addressed a dispute between the owners of professional baseball clubs and their players over the question of who owned the right to televise their baseball games. Because the players were employees of the clubs, and understood that their games would be televised, the court held that the broadcasts were within the scope of their employment and, accordingly, constituted works made for hire; accordingly, the players had no ownership rights in the copyrighted broadcasts. *Id.* at 670-71 & n.10. Also, in their employment contracts, the players specifically permitted the use of their photographed or filmed images for publicity purposes. *Id.* at 671. Analyzing the players' right of publicity claims under section 301, the court rejected the players' claim that the "works" at issue in the right of publicity claims were their unfixated performances, rather than the copyrightable telecasts of those performances. The court held that: "[T]heir performances are fixed in tangible form, and any property rights in the performances that are equivalent to any of the rights encompassed in a copyright are preempted." *Id.* at 675. In the court's view, "once a performance is reduced to tangible form, there is no distinction between the performance and the recording of the performance for the purpose of preemption under § 301(a)." *Id.* *Baltimore Orioles* distinguished works that have not been fixed in tangible form, *id.* (citing H.R. Rep. 1476, *supra*, at 131), as well as works that have been fixed without the author's consent, noting that "to be "fixed" in tangible form, a work must be recorded "by or under the authority of the author." *Id.*

The Seventh Circuit itself appears to have retreated somewhat from its holding in *Baltimore Orioles*. In *Toney v. L'Oreal USA, Inc.*, 406 F.3d 905 (7th Cir. 2005), the court adopted a narrow interpretation of *Baltimore Orioles*, but stopped short of overruling it. *Toney* held that a model's right of publicity action against the owner of copyright in her photograph was not preempted by section 301, because (1) her identity was not a "work of authorship," but "an amorphous concept that is not protected by copyright law," and (2) although individual photographs of her were "fixed in a tangible medium of expression," her identity was not. *Id.* at 910-11. The fact that the model consented to being photographed did not change the analysis, because she did not consent to the photograph's use in this particular advertisement. *Id.* at 910. With respect to *Baltimore Orioles*, the court stated that "[t]he case simply does not stand for the proposition that the right of publicity as protected by state law is preempted in all instances by federal copyright law." *Id.* at 911. Rather, "*Baltimore Orioles* holds that state laws that intrude on the domain of copyright are preempted even if the particular expression is neither copyrighted nor copyrightable." *Id.*

In contrast to *Armstrong*, *Stanford*, and *Baltimore Orioles*, numerous opinions from other jurisdictions have held that section 301 does not preempt right of publicity claims. For example, the Fifth Circuit held in *Brown v. Ames*, 201 F.3d 654 (5th Cir. 2000), that musicians' right of publicity claims were not preempted, because a performer's persona is not copyrightable subject matter. *Id.* at 658 (citing *Nimmer on Copyright* §1.01[B][1][c]; *Jarvis v. A&M Records*, 827 F. Supp. 282, 297 (D.N.J.1993); *Bi-Rite Enterprises, Inc. v. Button Master*, 555 F. Supp. 1188, 1201 (S.D.N.Y. 1983); *Apigram Publishing Co. v. Factors, Etc., Inc.*, 1980 U.S. Dist. LEXIS 9738, (N.D. Ohio July 30, 1980); *Lugosi v. Universal Pictures*, 25 Cal.3d 813, 849, 160 Cal. Rptr. 323, 603 P.2d 425 (1979) (Bird, C.J., dissenting)). *Brown* distinguished *Daboub v. Gibbons*, 42 F.3d 285, 287, 290 (5th Cir. 2005), where the basis of the plaintiffs' claim was the "misappropriation" of their song, not their names and likenesses. *Brown*, 201 F.3d at 658. *Brown* also distinguished *Fleet v. CBS, Inc.*, 50 Cal. App. 4th 1911, 58 Cal. Rptr. 2d 645, 647-50 (Cal. Ct. App. 1996), which found preemption where actors claimed that their right of publicity was infringed by the performance of a film and by the use of their

likenesses in advertising the film. Brown distinguished both Daboub and Fleet by stating that dramatic performances and songs are copyrightable subject matter, but names and likenesses are not. *Brown*, 201 F.3d at 658.

Like the Sixth Circuit's decision in *Landham*, Brown distinguished Baltimore Orioles "because the right of publicity claimed by the baseball players was essentially a right to prevent rebroadcast of games whose broadcast rights were already owned by the clubs." *Brown*, 201 F.3d at 659. In contrast, on the facts of *Brown*, "the appellee performers did not give permission to the appellants to market their recordings or photographs." *Id.* The Brown court "decline[d] appellants' invitation to find name or likeness copyrightable simply because they are placed on CD's and tapes or in catalogs that have copyrightable subject matter recorded on them." *Id.* at 659.

The Fifth Circuit's analysis in *Brown* is consistent with the Ninth Circuit's decisions in *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir. 1988), and *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093 (9th Cir. 1992), both of which held that a "vocal style" is not copyrightable subject matter. Applying similar reasoning, the Ninth Circuit held in *Downing v. Abercrombie & Fitch*, 265 F.3d 994 (9th Cir. 2001), that a right of publicity claim was not preempted where the plaintiffs' photograph was used without their consent in a clothing catalog that also contained editorial content; *Downing* held that a person's name or likeness is not a work of authorship, even when embodied in copyrighted photograph. Accord, *KNB Enters. v. Matthews*, 78 Cal.App.4th 362, 365, 92 Cal. Rptr.2d 713 (2000) (no preemption of models "misappropriation claim arising from unauthorized publication of photograph, because "a human likeness is not copyrightable, even if captured in a copyrighted photograph") (agreeing with *Brown* and distinguishing *Fleet*). These cases are also consistent with the Ninth Circuit's decision in *Wendt v. Host Int'l, Inc.*, 125 F.3d 806 (9th Cir. 1997), rehearing and suggestion for rehearing en banc denied by 197 F.3d 1284 (9th Cir. 1999), cert. denied, 531 U.S. 811 (2000), which found no preemption where actors from the television series "Cheers" brought right of publicity claims against a bar that depicted their characters in the form of robots. *Wendt* distinguished the California Court of Appeal's decision in *Fleet* on the ground that the claims in the latter case were based solely on the distribution of an actor's performance in a copyrighted film. *Wendt*, 125 F.3d at 810; see also *Wendt v. Host Int'l, Inc.*, 50 F.3d 18 (9th Cir. 1995) (earlier appeal, prior to *Fleet*, finding no preemption on facts of *Wendt*, but offering little analysis).

However, even in the Ninth Circuit, the preemption case law is not entirely consistent. In *Laws v. Sony Music Entertainment, Inc.*, 448 F.3d 1134 (9th Cir. 2006), the Ninth Circuit held that copyright law preempted a statutory right of publicity claim arising from an appropriation of the plaintiff's voice on a copyrighted sound recording, where the defendant used the sound recording under license from copyright owner. *Laws* distinguished *Midler* and *Waits* on the ground that, in those cases, the plaintiff's voices as embodied in copyrighted sound recordings were merely imitated by the defendant. *Laws* also distinguished *Downing*, on the ground that it involved a false endorsement claim rather than a pure right of publicity claim. Finally, it distinguished *Toney* as involving the use of a photograph that exceeded the scope of the plaintiff's consent.

B. Armstrong's Lanham Act Claim

1. First Amendment Analysis

In applying the First Amendment balancing test to the plaintiff's section 43(a) claim, the *Armstrong* opinion fails to distinguish between the underlying work of artistic expression "the DVD" and its packaging. The prominent use of *Armstrong's* image on the packaging arguably overstated his contribution to the DVD, just as giving *Stephen King* name a possessory credit above the title of the film "Lawnmower Man" was held to have overstated his contribution to the film in *King v. Innovation Books*, 976 F.2d 824 (2d Cir. 1992).

Although the *Armstrong* opinion cites the Sixth Circuit's decision in *ETW Corp. v. Jireh Publ'g* for the principle that free expression must be balanced against the likelihood of confusion in the case of artistic works, this balancing approach has generally been applied to the content and title of artistic works, rather than to their packaging. See, e.g., *ETW Corp. v. Jireh Pub'g, Inc.*, 332 F.3d 915 (6th Cir. 2003) (limited edition print of painting of Tiger Woods); *Parks v. La Face Records*, 329 F.3d 437 (6th Cir. 2003) (song title); *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir.

2002) (song lyrics and title), cert. denied, 537 U.S.1171 (2003); *Twin Peaks Prods. v. Publications Int'l*, 996 F.2d 1366 (2d Cir. 1993) (title of television series); *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989) (movie title); *Hormel Foods Corp. v. Jim Henson Prods.*, 36 U.S.P.Q.2d (BNA) 1812 (S.D.N.Y. 1995) (film content), aff'd, 73 F.3d 497 (2d Cir. 1996). In *Armstrong*, however, the alleged misrepresentation was not in the content of the recording, or in its title, but in its packaging. Although two cases (both from courts in the Second Circuit) have applied the balancing approach to the cover of a work, both are distinguishable. In one case, the defendant's work was a parody of the plaintiff's work, and the cover was itself a parody of the plaintiff's cover. *Cliffs Notes, Inc. v. Bantam Doubleday Dell Pub'g Group, Inc.*, 886 F.2d 490 (2d Cir. 1989). In the other case, the defendant's magazine cover imitated the cover of the plaintiff's almanac, but contained an article on a related theme. *Yankee Pub'g, Inc. v. News Am. Pub'g, Inc.*, 809 F.Supp. 267 (S.D.N.Y. 1992). In *Armstrong*, the DVD cover art was not being sold as a work of artistic expression in and of itself (in contrast to the painting of Tiger Woods in *ETW*), nor was it a component of a parody; it was merely the promotional packaging for the defendant's recording. The purpose of the cover art was simply to convey information about the content of the DVD, and to persuade consumers to purchase it. Thus, its purpose was arguably much more commercial rather than it was expressive.

2. Application of Dastar

A part from the court's problematic First Amendment analysis, it can also be argued that *Armstrong* erred in rejecting the plaintiff's "false designation of origin claim" on the merits, on the ground that "[n]o reasonable consumer could be confused about the identity of the producer of the tangible DVD." *Armstrong*, 2009 U.S. Dist. LEXIS 82368, at *26-27. This part of the district court's analysis relied on the Supreme Court's decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003). However, *Dastar* is distinguishable. *Dastar* rejected a 43(a) claim that was based on reverse passing off—that is, failing to give credit to the creator of an artistic work. In *Dastar*, because the work in question was in the public domain, imposing a continuing duty to identify its creators amounted to an impermissible form of quasi-copyright. In contrast, *Armstrong's* claim was a traditional passing off claim, asserting that the defendant had falsely attributed the artistic work to someone who did not play a significant role in its creation. See, e.g., *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14 (2d Cir. 1976) (use of comedy troupe's name on television program altered without their consent violated section 43(a)); *King v. Innovation Books*, 976 F.2d 824 (2d Cir. 1992) (possessory credit that overstated author's creative control over motion picture adaptation violated section 43(a)). If Eagle Rock had used a picture of Barbra Streisand on the cover of a DVD that had nothing to do with her, surely *Dastar* would not prevent a court from finding false endorsement, just as if a famous tennis player's name or likeness were used on a tennis racquet that he or she did not endorse. Cf. *Rogers*, 875 F.2d at 997 ("the purchaser of a book, like the purchaser of a can of peas, has a right not to be misled as to the source of the product"); *Parks*, 329 F.3d at 447 ("the First Amendment cannot permit anyone who cries "artist" to have carte blanche when it comes to naming and advertising his or her works"). Rather than invoking quasi-preemption under *Dastar*, the better analysis would have been to determine whether the use of *Armstrong's* image on the DVD cover and in the liner notes so exaggerated his role in the recording as to be misleading.

In contrast to the *Armstrong* decision, other courts have held that that the passing-off concept applied in the *Gilliam* and *King* cases are still good law even after *Dastar*. See, e.g., *Auscape Int'l v. National Geographic Soc'y*, 409 F. Supp.2d 235, 251 & n. 85 (S.D.N.Y. 2004) ("The truthful use of an author's name in describing authorship is not a false designation of origin. To be sure, the use of the author's name to suggest authorship or approval of a work substantially modified without the author's consent would be another matter.").

IV. Conclusion

The district court in *Armstrong* erred in treating the plaintiff's consent as irrelevant to the question of whether his right of publicity claim was preempted by federal copyright law. If the plaintiff did not consent to being recorded, his publicity/appropriation claim should not have been preempted. To rule otherwise, as the court did, means that a person

who is recorded or photographed without his or her consent has no remedy (subject to *17 U.S.C. § 1101*, discussed below) against a person who exploits the resulting image for commercial gain, an absurd result. In other words, a right of publicity claim would fail if the defendant made an actual unauthorized recording of the plaintiff's image or likeness, but would succeed if the defendant merely imitated the plaintiff. Furthermore, even if a person consents to being recorded or photograph, he or she does not necessarily consent to all possible uses of that recording or photograph. However, under Armstrong's preemption analysis, the creation of a copyrightable work that incorporates a person's likeness eradicates that person's right to object to how the recorded likeness is used. It is unlikely that Congress intended section 301 to sweep so broadly.

Armstrong's analysis of the plaintiff's section 43(a) claims is also questionable, as it (1) fails to distinguish between an expressive work and its packaging, and (2) applies the Supreme Court's quasi-preemption analysis in *Dastar* to a traditional passing-off claim even though *Dastar* arose in the very different context of reverse passing-off, a context that more closely resembles a copyright infringement claim

On the facts of Armstrong, the plaintiff may also have a claim under *17 U.S.C. § 1101*, which grants performers a federal right of publicity in their live musical performances. (And, in a hearing prior to its grant of summary judgment, the district court indicated that the plaintiff could add a section 1101 claim to its complaint after disposition of the summary judgment motion, *2009 U.S. Dist. LEXIS 62748* (July 22, 2009)). In contrast, any unauthorized recording that does not involve a live musical performance falls outside the scope of § 1101. As a result of Armstrong's preemption and Lanham Act analyses, such a plaintiff would appear to have no legal remedy at all.

Even if Armstrong is not overturned on appeal, the flaws in the district court's analysis should prevent the case from being treated as persuasive authority in other jurisdictions.

[Return to Text](#)

ⁿ¹ *Armstrong v. Eagle Rock Entertainment, Inc.*, 655 F.Supp.2d 799, 2009 U.S. Dist. LEXIS 82368, 92 U.S.P.Q.2d (BNA) 1091 (E.D. Mich.2009)

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

Mary LaFrance is a William S. Boyd Professor of Law at the William S. Boyd School of Law, University of Nevada, Las Vegas. Prior to joining the Boyd School of Law, Professor LaFrance served on the faculty of the Florida State University College of Law and the Florida State University School of Motion Pictures, Television, and Recording Arts. She is the author of numerous books and law review articles on domestic and international intellectual property law, as well as the taxation of intellectual property. Her books include *Intellectual Property Cases and Materials* (West 3d ed. 2007) (with David Lange and Gary Myers), *Understanding Trademark Law* (Matthew Bender 2d ed. 2009), *Copyright Law in a Nutshell* (West 2008), and *Global Issues in Copyright Law* (West 2009).

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



17 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Continued Use of Cached Copies After Objection May Infringe the Copyright

2009 Emerging Issues 4682

Continued Use of Cached Copies After Objection May Infringe the Copyright--Parker v. Yahoo.

By Susan L. Ross

December 4, 2009

SUMMARY: A federal trial court ruled that a website owner's failure to 'opt-out' of search engines' information gathering robots gave them an implied license to copy the entire website, but the website owner's subsequent complaints may revoke that license and directly infringe the registered copyrights. The court did not answer whether website owners will be deemed to have granted an implied license unless they optout. Susan Ross analyzes this issue.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: A federal trial court ruled that a website owner's failure to 'opt-out' of search engines' information gathering robots gave the search engines an implied license to copy the entire website, but the website owner's subsequent complaints might be sufficient to revoke that license and cause the search engines to become direct infringers of his registered copyrights. One question that the court did not answer is whether all website owners will now be deemed to have granted an implied license to search engines to copy the entirety of their websites unless they optout.

Background

The facts of this case, on one level, are very simple: the plaintiff, Mr. Parker, authored several works in which he registered the copyright but which he made freely available from his website. Yahoo! and Microsoft's search engines treated his site no differently from others on the web. The search engines crawled the site, indexed it, and stored ('cached') a copy of the site, enabling a user entering a search to elect to view the search results by following a hyperlink to the original website or by viewing a 'cached' copy hosted by the search engine company. Mr. Parker sued (pro se) both Yahoo! and Microsoft, for three different types of copyright infringement, breach of contract and negligence.

The technology of the web and search engines complicates this case and gives rise to the legal issues. If you view a

website from your computer, the pages you request are stored in your browser's temporary storage-known as a 'cache' -on the hard drive of your computer. When you return to a page you have recently viewed, the browser can retrieve it from the cache, rather than taking the time and bandwidth to go to the website itself. Search engines also using caching, and a few other programs. First, a search engine uses a robot or crawler that reads every page of searchable websites, including reading the hyperlinks. Second, the search engine creates a catalog or index of the web pages that the robot has read. Third, the search engine uses a different program to receive your search request, compare it with the search engine's catalog and return the results of your search to you. Partly for the same time and bandwidth reasons your computer uses a cache for websites you visited, a search engine will offer a user the option of clicking on a hyperlink to the original website that matches the user's search terms or clicking on a cached copy stored on the search engine's web servers. In other words, the cached copy is a complete copy of the original work. Finally, search engines such as Yahoo! and Microsoft will not crawl, index, or cache the website if the website owner uses an electronic standard instructing the search engine robots not to include the website pages, known as the Robots Exclusion Protocol or '/robots.txt' file.

The Robots Exclusion Protocol is not an official 'standard': there is no governing body, nor is there any enforcement branch. Compliance with the protocol is voluntary. Adding the Robots Exclusion Protocol is simple: just two commands need to be added to the top-level directory of the web server in a '/robots.txt' file. If those two commands are not present (or are not done correctly), search engines will crawl, index and cache the site.

The case

Direct copyright infringement

In this case, the court found that Mr. Parker knew that his failure to include a /robots.txt file meant that search engines would crawl, index and cache his site. Therefore, the court ruled, as a result of 'Parker's silence and lack of earlier objection the defendants could properly infer that Parker knew of and encouraged the search engines' activity, and ... they could reasonably interpret Parker's conduct to be a grant of a license for that use'. In other words, Mr. Parker's failure to include the /robots.txt 'opt-out' file was deemed an implied license to the search engines to copy his site for caching purposes.

Mr. Parker's claim that the search engines directly infringed his registered copyrights survived the defendants' motion to dismiss because the search engines allegedly continued crawling, indexing, and caching his site even after commencement of this lawsuit. 'Although silence or failure to object to a known use may imply a license, various courts have held that a nonexclusive implied license can be revoked where no consideration has been given for the license'. In other words, 'continued use over Parker's objections might constitute direct infringement: The court did not decide the issue, and permitted the search engines to brief the issue at a later time.

Contributory copyright infringement and vicarious copyright infringement

Mr. Parker also claimed that the search engines indirectly infringed his copyrighted materials, with separate counts of contributory copyright infringement and vicarious copyright infringement. Both causes of action relate to third -party direct infringement somehow assisted by, or to the benefit of, the defendant. n1 There are three elements for a claim of contributory copyright infringement:

- direct copyright infringement by a third party;
- the defendant has knowledge of third-party infringement; and
- the defendant provides a material contribution to the infringement. n2

In contrast, a claim of vicarious copyright infringement requires these three elements:

- direct copyright infringement by a third party;
- the defendant receives a direct financial benefit from the third-party infringement; and
- the defendant has the right and ability to control the infringing activity. n3

Even though Mr. Parker was proceeding with the lawsuit pro se and the court construed his complaint liberally, the court dismissed both indirect copyright claims. The court found that Mr. Parker did not make any plausible allegations that the search engines financially benefited from third-party infringement of his works, nor that the search engines had any knowledge of any third party's infringement.

The most interesting aspect of Mr. Parker's claim was whether third-party infringement occurred. Mr. Parker made copies of his registered works freely available on his website: users were not required to register or go through any security or access measures. The court found that by 'publishing his works online with no registration required or any other access measure taken, Parker impliedly authorizes internet users at large to view his content and, consequently, to make incidental copies necessary to view his content over the internet'. Did the inclusion of a copyright notice on Mr. Parker's site change the result? No: 'The Court, however, finds that this is insufficient to overcome the implied license that Parker gives internet users to read his content by virtue of the fact that he publishes his content without any technological restriction on users' access'.

The court dismissed both state law claims for breach of contract and negligence, ruling that those claims were pre-empted by the federal copyright laws, because those claims covered rights equivalent to those conferred by copyright,

Potential impact

The Parker v. Yahoo! case involved a copyright owner that was aware of the /robots.txt 'opt-out' file and that his failure to include it meant that search engines would crawl, index, and cache his website. One question that the court did not answer is whether all website owners will now be deemed to have granted an implied license to search engines to copy the entirety of their websites unless they optout, regardless of whether they have knowledge of the protocol. Another interesting question is whether a copyright owner terminates the implied license to the already-cached search engine copy if the owner, as a result of this ruling, adds a /robots.txt opt-out file. On the other hand, will the inclusion of a /robots.txt opt-out file lead to per se direct infringement liability if a search engine does not honor the voluntary standard?

Although those answers are not yet known, what is clear is that any website that does not wish to have its content crawled, indexed, and cached by search engines should, at a minimum, include the two-line 'opt-out' to the top-level directory of the web server. Because many website owners believe it is to their advantage to have as much search engine coverage as possible, a complete 'opt -out' may not be in the owners' best interests. Fortunately, the standard is sufficiently flexible to permit users to include or exclude specific pages from search engines, but owners should beware that this file is publicly readable so anyone will be able to learn the directories or pages that the website owner wishes to exclude from search engines.

[Return to Text](#)

n1 *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913, 930 (2005).

n2 The court cited *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 160 (3d Cir. 1984).

n3 The court cited Mr. Parker's previous copyright infringement lawsuit against Google: *Parker v. Google, Inc.*, 422 F. Supp. 2d 492 (ED Pa. 2006), aff'd, 242 Fed. App'x 833 (3d Cir. 2007), cert. denied, 128 S. Ct. 1101 (2008).

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Sue Ross joined Fulbright & Jaworski L.L.P.'s New York location as senior counsel in 2007. Sue's extensive experience with technology and technology contracts includes negotiating, drafting, and interpreting computer hardware and software, consulting, Internet, electronic signatures, web hosting, application service providers and non-disclosure agreements, many of which were for a federal government contractor. Another area Sue handles is U.S. privacy matters, including security breach laws, Gramm-Leach-Bliley and HIPAA. She also has experience counseling clients on advertising, entertainment and sports contracts. Additionally, Sue responds to inquiries from the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice in matters of antitrust counseling.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



18 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

LaFrance on the Seventh Circuit's Approach to Joint Authorship in Copyright Law

2009 Emerging Issues 4520

LaFrance on the Seventh Circuit's Approach to Joint Authorship in Copyright Law: Janky v. Lake County Convention & Visitors Bureau, 576 F.3d 356 (7th Cir. 2009)

By Mary LaFrance

October 29, 2009

SUMMARY: The Janky case presents another variation on the many scenarios that raise difficult questions of copyright authorship (and therefore ownership) in the context of collaborative works. The disagreement between the majority and dissent in this case illustrates the difficulty courts continue to experience in attempting to distinguish between authorial and non-authorial contributions. Mary LaFrance addresses this difficult issue.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ARTICLE: The *Janky* case presents another variation on the many scenarios that raise difficult questions of copyright authorship (and therefore ownership) in the context of collaborative works. The disagreement between the majority and dissent in this case illustrates the difficulty courts continue to experience in attempting to distinguish between authorial and non-authorial contributions.

Facts & Proceedings Below

When members of the doo-wop musical group "Stormy Weather" learned that the Lake County Convention & Visitors Bureau (the "Bureau") was looking for someone to compose a song that would represent the county in a favorable light, one member of the group -- Cheryl Janky -- composed such a song (both music and lyrics), and in May 1999 she registered its copyright in her own name as sole author. Later, another member of the group -- Henry Farag -- suggested that she make some changes to the lyrics. Janky adopted at least some of Farag's suggestions, and in December 1999 she filed a new copyright registration for the revised song, identifying it as a joint work and listing herself and Janky as co-authors. Janky testified that Farag's suggestions accounted for 10 percent of the lyrics in the revised song. She also filed a document with the American Society of Composers Authors and Publishers (ASCAP) stating that Farag owned a 10 percent share of the song. After Stormy Weather agreed to allow the Bureau to use their recording of the song in exchange for reimbursing their production costs, Farag executed a nonexclusive license to that effect. The Bureau commenced use of the song in December 1999. In June 2000, Stormy Weather recorded the song on an album, which was then released by Street Gold Records, a sole proprietorship of which Farag was the sole owner. *2006 U.S. Dist. LEXIS 21781*, *15, *79 U.S.P.Q.2d (BNA) 1564* (N.D. Ind. Mar. 29, 2006).

In 2003, however, Janky filed another copyright registration for the revised song, listing herself as sole author, and also notified the Bureau that she was the exclusive owner. When the Bureau continued to use the song without seeking her consent, she filed suit against Farag, Street Gold Records, and the Bureau, asserting copyright infringement, unfair competition, unjust enrichment, negligence, misappropriation, and an accounting of royalties. *Id.* at *4.

The district court awarded partial summary judgment in favor of Janky, declaring her to be the sole author. Specifically, the district court held that (1) a jury would have to conclude that Farag and Janky did not intend to be joint authors, and (2) Farag's contributions were only "minimal revisions" of Janky's original song. A jury then awarded Janky \$100,000 in damages.

On appeal, a divided panel of the Seventh Circuit panel disagreed with both of the district court's holdings, and reversed and remanded with instructions to enter summary judgment for the Bureau.

Majority Opinion

Section 101 of the Copyright Act of 1976 defines a joint work as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." *17 U.S.C. §101*. The majority in *Janky* applied the Seventh Circuit's interpretation of this provision in *Erickson v. Trinity Theatre, Inc.*, *13 F.3d 1061, 1071 (7th Cir. 1994)*, which held that the § 101 definition requires both (1) intent to create a joint work; and (2) contribution of independently copyrightable material. Elaborating on *Erickson's* interpretation of these tests, the *Janky* majority observed:

With respect to the first element, we explained that the intent prong does not have to do with the collaborators' intent to recognize each other as coauthors for purposes of copyright law; the focus is on the parties' intent to work together in the creation of a single product, not on the legal consequences of that collaboration. We also noted that "'billing' or 'credit' may be evidence of intent to create a joint work." As to the second element, we rejected Professor Nimmer's "de minimis" test, which posits that a joint work exists whenever there is "more than a de minimis contribution by each author." The standard we embraced requires more than that: a contribution that is independently copyrightable. Measured against this standard, we held that the putative joint author of a play was not a joint author where his contributions were limited to "[i]deas, refinements, and suggestions." "[S]tanding alone," we said, these contributions were "not the subject of copyright."

Janky, *762 F.3d at 362* (citations omitted) (citing *Erickson*, *13 F.3d at 1068-72*).

Contrary to the district court, the majority found that, at the time of the collaboration, both Janky and Farag intended to be joint authors. First, Farag "wielded considerable control over what the final song looked like." His contributions were more than mere "suggestions"; "one could even say he *demand*ed the changes." *762 F.3d at 362* (emphasis added). More important than Farag's degree of control over the work, however, was Janky's own acknowledgment (in the December 1999 copyright registration) that Farag was a joint author. *Id.* The majority dismissed Janky's later contradiction of this intent as "post hoc rationalization." *Id.*

As to the second element -- the nature of the putative joint author's contribution -- the majority again followed the rule adopted by the Seventh Circuit in *Erickson v. Trinity* by rejecting Professor Nimmer's "de minimis" test, under which even a contribution consisting solely of abstract ideas may qualify, if it is more than de minimis. Like most courts that have considered the issue, the Seventh Circuit has adopted the "independent copyrightability" test, under which mere "[i]deas, refinements, and suggestions" do not qualify; instead, the joint author's contribution must consist of copyrightable expression. *Id. at 362; Erickson*, *13 F.3d at 1072*. Applying this standard, the *Janky* majority held that Farag's contributions to the song were independently copyrightable, because they went beyond general ideas, and constituted concrete expression. *576 F.3d at 363*. Even if Farag contributed only 10 percent of the lyrics, the majority noted that, while the question was a close one, Farag's contribution was "important not only to the [song's] final sound, but to its commercial viability" because it shifted the focus of the song from the state to Lake County. *Id.* The majority

treated copyrightability as a question of law. *Id.* (citing *Gaiman v. McFarlane*, 360 F.3d 644, 648 (7th Cir. 2004); *Publications Int'l, Ltd. v. Meredith Corp.*, 88 F.3d 473, 478 (7th Cir. 1996)).

Dissenting Opinion

In his dissent, Judge Ripple shared the majority's view of the appropriate test for joint authorship, but disagreed on the application of that test to the facts. In his view, the district court erred in holding that Janky was the sole author, but there was also insufficient evidence to support the majority's conclusion that Farag and Janky were joint authors.

On the question of intent, Judge Ripple noted that the majority paid considerable attention to evidence of Janky's intent, but that there was almost no evidence indicative of Farag's intent. Although the initial copyright registration identified Farag as a joint author, Farag stated that his signature had been forged on the application. *Id.* at 364 (Ripple, J., dissenting). Without evidence of Farag's intent, the dissent argued, it was impossible to conclude that Farag was a joint author, and it was therefore inappropriate to instruct the district court to grant summary judgment for the Bureau. *Id.* The evidence that Farag exercised considerable control over the revision of the lyrics, and that Janky credited him as a joint author in her first registration, was relevant but insufficient to demonstrate Farag's intent. *Id.* at 365-65.

A cryptic passage in Judge Ripple's dissent observes that "Farag's notice of affirmative defenses stated that Ms. Janky did not own the copyrights at issue, a view that undermines the Bureau's claim that Farag intended to create a joint authorship with Ms. Janky." *Id.* at 364. Whatever the intended import of this statement, its literal meaning is incorrect: the assertion that Janky was not the copyright owner of the song is in no way inconsistent with the assertion that Farag was a joint author thereof. In fact, in the proceedings below, Farag characterized Janky's December 1999 copyright registration -- naming Farag as a joint author -- as "a fraudulent document." 2006 U.S. Dist. LEXIS 21781, at *13. It is this assertion -- and not Farag's challenge to Janky's copyright ownership -- that conflicts with the Bureau's argument that Farag was a joint author.

The dissent also took issue with the majority's conclusion that Farag's contribution to the lyrics was independently copyrightable, as required by *Erickson*. In Judge Ripple's view, Farag contributed only uncopyrightable "[i]deas, refinements, and suggestions." *Id.* at 365.

Accordingly, the dissent concluded that neither party was entitled to summary judgment.

Analysis

The Seventh Circuit's difficulty in assessing joint authorship claims is nothing new. The leading case in this circuit is *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061 (7th Cir. 1994), which rejected the joint authorship claims of actors whose improvisations contributed to the development of a series of stage plays. Rather than develop its own test for joint authorship based on the statute and its legislative history, the Seventh Circuit in *Erickson* adopted a test that had been created by the Second Circuit just three years earlier in *Childress v. Taylor*, 945 F.2d 500 (2d Cir. 1991). As phrased by the Seventh Circuit, this test requires the party asserting joint authorship to establish that (1) the parties "intended to be joint authors at the time the work was created," and (2) the putative joint author's contributions to the works "were independently copyrightable." *Id.* at 1071. In practice, both parts of this test have proved problematic. In *Erickson*, for example, rather than focus on whether the collaborators intended to merge their contributions into a unitary work, the court permitted the subjective perceptions of the collaborators -- that is, whether they each perceived one another as being entitled to joint authorship status -- to dictate the outcome of the authorship dispute as to two of the plays, and found itself unable to conclusively determine the perceptions of the parties as to the third play. *Id.* at 1072.

In a subsequent decision, the Seventh Circuit seemed to retreat somewhat from strict adherence to the *Childress* version of the intent requirement. In *Seshadri v. Kasraian*, 130 F.3d 798 (7th Cir. 1997), a student and a professor collaborated on an article, which the professor initially submitted for publication as a co-authored piece with the student's name listed first. After the professor withdrew the submission, the student published it under his own name. Invoking *Childress*, the Seventh Circuit held that the student did not infringe, because he was a joint author. The court

found it significant that, in the professor's initial submission of the article, he had treated the student as the lead author. Although this approach appears superficially consistent with *Childress*, where the Second Circuit treated "billing" or "credit" as significant indicators of intent to share authorship status, 945 F.2d at 508, the *Seshadri* court appeared to treat the authorship credit as significant not for what it indicated about the professor's intent to share authorship, but for what it indicated about the substantiality of the student's contribution: "It would be odd for a senior professor to list a graduate student's name before his own if the student had contributed nothing more to the article than the usual assistance that a research assistant provides." 130 F.3d at 803.

Notably, however, the *Janky* opinion ignores *Seshadri*, and relies entirely on *Erickson* and *Childress* in treating Janky's initial decision to give joint authorship credit to Farag as indicating Janky's intent to share authorship rather than her perception of the substantiality of Farag's contribution.

The Ninth Circuit has considered the *Childress/Erickson* approach to the intent requirement, but has adopted a slightly different test. In *Aalmuhammed v. Lee*, 202 F.3d 1227 (9th Cir. 2000), the Ninth Circuit held that joint authorship requires an assessment of three factors: (1) the extent of each collaborator's control over the creative process, (2) the existence of any objective manifestations of intent to share authorship, and (3) whether the audience appeal of the work turns on both contributions and "the share of each in its success cannot be appraised." *Id.* at 1234.

The Seventh Circuit has also encountered difficulty applying the second prong of the *Childress/Erickson* test: the requirement that each joint author's contribution be "independently copyrightable." In *Gaiman v. McFarlane*, 360 F.3d 644 (7th Cir. 2004), Judge Posner found the test so inappropriate to the facts presented that he simply declined to apply it. *Gaiman* involved a joint authorship dispute over comic book characters that were the product of a creative collaboration. Gaiman, a writer, asserted that he had jointly authored several of these characters with defendant McFarlane. Gaiman named, described, and wrote the dialog for the characters, and McFarlane drew them. *Id.* at 650. In concluding that the parties were joint authors of the characters, *id.* at 657, the court announced that it was carving out an "exception" to the "rule" that a joint author's contribution must be independently copyrightable. *Id.* at 658. Judge Posner explained:

The decisions that say, rightly in the generality of cases, that each contributor to a joint work must make a contribution that if it stood alone would be copyrightable weren't thinking of the case in which it *couldn't* stand alone because of the nature of the particular creative process that had produced it.

Id. at 658-59. In a hypothetical, Judge Posner imagined a scenario where a comic book writer "contributed merely a stock character" which was not copyrightable, and which "achieved the distinctiveness required for copyrightability only by the combined contributions of the penciler, the inker, and the colorist, with each contributing too little to have by his contribution alone carried the stock character over the line into copyright land." *Id.* at 659. "[I]t would be paradoxical," he observed, "if though the result of their joint labors had more than enough originality and creativity to be copyrightable, no one could claim copyright." *Id.* at 658-59.

In *Janky*, both the majority and the dissent agreed that, *Gaiman v. McFarlane* notwithstanding, Farag's contribution to the song should be evaluated under the independent copyrightability standard. Nonetheless, even though there was no significant factual dispute about the substance of Farag's contribution, they were unable to agree on whether the standard had been met. This suggests that the difficulty of distinguishing abstract ideas from copyrightable expression presents a continuing problem for courts applying the independent copyrightability test.

The Seventh Circuit's endorsement of "independent copyrightability" in *Erickson* and *Janky* is also difficult to reconcile with its willingness to jettison that requirement on the facts of *Gaiman*. A legal "standard" lacks teeth if a court can ignore it at will, and the *Janky* court's refusal to repudiate *Gaiman* opens the door to future litigation over whether and when independent copyrightability is required to establish joint authorship. The *Janky* majority acknowledged that *Gaiman* carves out an exception to the independent copyrightability test, but concluded that the exception did not apply in this case, because "Janky's work was copyrightable before Farag got on board," 576 F.3d at

362 n.4. The *Gaiman* exception, in the majority's view, "obtains only when none of the constituent parts could pass the test of copyrightability due to 'the nature of the particular creative process.'" *Id.* (quoting *Gaiman*, 360 F.3d at 659).

Subsequent Case Law

Janky was followed in *Donovan v. Quade*, 2009 U.S. Dist. LEXIS 97131 (N. D. Ill. Oct. 15, 2009), in which a putative joint author sought an accounting of profits derived from a play. In that case, the party asserting sole authorship did not dispute the copyrightability of the other party's contribution to the play, but asserted that she never intended for the parties to be joint authors. However, both parties had submitted a copyright registration identifying themselves as joint authors. Applying *Janky*, the district court described this as "strong evidence" of intent to create a joint work, and found insufficient contradictory evidence to create a genuine issue of fact. *Id.* at *17-19.

Conclusion

Janky reaffirms the Seventh Circuit's commitment to the *Childress/Erickson* concept of joint authorship intent. However, the disagreement between the majority and the dissent illustrates one of the practical problems of assessing intent under this standard. In addition, although the court reaffirmed the "independent copyrightability" standard, the panel's inability to agree on its application to a relatively simple factual scenario highlights the difficulty of distinguishing ideas from expression, and the majority's recognition of the continuing validity of the *Gaiman* exception indicates that the court can still be persuaded to disregard the distinction in certain cases.

RELATED LINKS: For commentary, see

- Mary LaFrance, Authorship, Dominance, and the Captive Collaborator: Preserving the Rights of Joint Authors, 50 Emory L.J. 193 (2001);
- Roberta Rosenthal Kwall, Author-Stories: Narrative's Implications for Moral Rights and Copyright's Joint Authorship Doctrine, 75 S. Cal. L. Rev. 1 (2001);
- 1-6 Nimmer on Copyright "" 6.02-.03

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Mary LaFrance is a William S. Boyd Professor of Law at the William S. Boyd School of Law, University of Nevada, Las Vegas. Prior to joining the Boyd School of Law, Professor LaFrance served on the faculty of the Florida State University College of Law and the Florida State University School of Motion Pictures, Television, and Recording Arts. She is the author of numerous books and law review articles on domestic and international intellectual property law, as well as the taxation of intellectual property. Her books include *Intellectual Property Cases and Materials* (West 3d ed. 2007) (with David Lange and Gary Myers), *Understanding Trademark Law* (Matthew Bender 2d ed. 2009), *Copyright Law in a Nutshell* (West 2008), and *Global Issues in Copyright Law* (West 2009).

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



19 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Freedman on How Anti-Piracy Law Will Aid Publishers

2009 Emerging Issues 4334

Freedman on How Anti-Piracy Law Will Aid Publishers

By Wendy Freedman

September 28, 2009

SUMMARY: In a landmark ruling on April 17, a Swedish court handed down a guilty verdict in the widely followed copyright-infringement trial of the four founders of The Pirate Bay, a notorious hub for the peer-to-peer sharing of video games, software, music, movies and other copyrighted files. Wendy Freedman of LeClair Ryan discusses the implications of this ruling.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: *Law360, New York (June 09, 2009)* -- In a landmark ruling on April 17, a Swedish court handed down a guilty verdict in the widely followed copyright-infringement trial of the four founders of The Pirate Bay, a notorious hub for the peer-to-peer sharing of video games, software, music, movies and other copyrighted files.

The court sentenced the four young men -- Gottfrid Svartholm Warg, Peter Sunde Kolmsioppi, Fredrik Neij and Carl Lundstrom -- to a year in jail for helping users commit copyright violations --by providing a Web site with ... sophisticated search functions, simple download and storage capabilities, and through the tracker linked to the Web site.

It also ordered them to pay damages of 30 million kroner (\$3.6 million U.S.) to a series of entertainment companies, including Warner Bros., Sony Music Entertainment, EMI and Columbia Pictures. Speaking to reporters after the trial, Judge Tomas Norstrom noted the court had taken into account the --commercially driven nature of The Pirate Bay.

Sweden has come under increasing pressure from the United States to take intellectual property violations more seriously. Indeed, many of today's most popular file-sharing sites -- key among them, The Pirate Bay, Kazaa and the peer-to-peer telephony giant Skype -- were established in the country. Fortunately, that pressure appears to be paying dividends.

For example, Sweden's new anti-piracy law, the Intellectual Property Rights Enforcement Directive (IPRED), went into effect on April 1, 2009, adding another tool in the arsenal of those charged with enforcing U.S. copyright holders' rights and interests abroad (Council Directive, 2006/0168, art. 1-11, 2009 Eur. LEXIS 52006PC0168).

The new IPRED law gives copyright holders the right to claim damages against individuals who illegally share material and requires Internet Service Providers to reveal subscribers' Internet Protocol addresses to copyright holders in cases where a court finds evidence of illegal activity.

Piracy constitutes a new kind of high-tech thievery that has dramatically impacted existing business relationships. Likewise, the impact on intellectual property litigation has been dramatic.

The free distribution of pirated movies, music and other content online undermines current business practices, which thrive on the copyrights, patents and licenses that make distributing movies and music profitable.

Some companies, including major players in media-based industries, regard global piracy as a serious threat to their IP and financial interests. Anti-piracy laws addressing copyright protection for works vary from region to region.

In the United States, the U.S. Constitution endows Congress with the right to legislate copyright and patent matters. (U.S. Const., Art. 1, § 8, cl. 8.) The rationale behind this is that innovation thrives when inventors can make a profit by excluding others from the use and exploitation of their inventions and writings.

Inherent in this belief is the assumption that the process of idea development by individuals and businesses would stagnate if people could ride free on the developed technology, reducing the monetary incentive to invest in technological development.

According to this economic model, private investment often fuels the creation of movies, home videos, music, books, periodicals, television shows, video games, software and the like.

Venture capitalists value information as a commodity and invest in software development with the objective of making substantial profits to adjust for their financial risk.

IP Enforcement Actions

Intellectual property litigators bring enforcement actions on behalf of copyright owners against those making, using and selling the infringing material. There has been a tremendous increase in copyrighted Internet content and technology in the past few years.

The fact that national boundaries are highly permeable has provided fertile ground for the proliferation of illegal file-sharing sites, while at the same time creating an obstacle to enforcement of intellectual property rights abroad.

In the United States, copyright protection is afforded to works of authorship and prevents people from reproducing, adapting, distributing, publicly performing or publicly displaying the copyrighted work. (*17 U.S.C. § 106.*)

Congress enacted the Digital Millennium Copyright Act, *17 U.S.C. § 512* ("DMCA") with the intent to "facilitate" the robust development and world-wide expansion of electronic commerce, communications, research, development and education in the digital age.

Relying upon the DMCA, it is common practice for IP attorneys to send cease-and-desist letters to alleged infringers with a directive to Internet Service Providers to follow the "notice and takedown" procedure Congress instituted in the DMCA. (See Section 512(c).)

Nonetheless, this is an ineffective strategy in cases involving foreign-based Web sites. Internet companies have been able to effectively avoid prosecution under the DMCA and other U.S. laws by housing servers outside of the United States.

At the international level, all member states, including Sweden, have been bound by the Agreement on Trade-Related Aspects of Intellectual Property (the "TRIPS Agreement"), concluded in the framework of the World Trade Organization and approved by Council Decision 94/800/EC.

The TRIPS Agreement contains, in particular, provisions on criminal matters, which are common standards applicable at the international level.

But, as noted by the member states to the TRIPS Agreement, the disparities between member states are still too great, and they do not permit effective combating of intellectual property offenses. This has caused a loss of confidence in the internal market in business circles, with a consequent reduction in investment in innovation and creation.

As stated by the European Parliament and the Council:

"Counterfeiting and piracy, and infringements of intellectual property in general, are a constantly growing phenomenon which nowadays has an international dimension, since they are a serious threat to national economies and governments. The disparities between the national systems of penalties, apart from hampering the proper functioning of the internal market, made it difficult to combat counterfeiting and piracy effectively.

The passage of the IPRED law has now minimized the disparities between Sweden and the United States with respect to enforcement of anti-piracy laws.

Internet companies that move their servers to Sweden to avoid prosecution may now find that the IPRED law authorizes the very same enforcement mechanisms found in the DMCA.

Under the IPRED law, the copyright holders, armed with IP addresses, will be able to send a warning letter to the ISP subscriber in Sweden, file a civil action and seek damages. The impact on intellectual property and entertainment litigation will likely be dramatic.

Effects of Piracy

Piracy is changing the landscape of IP litigation and altering the Internet-based marketplace. Historically, vendors of music, film and the like co-opted the content for profitability; the movement toward "balanced" copyright laws in Sweden and abroad promotes the idea that freely available content advances innovation.

The business model functions on the idea that by giving away digital content, companies get a greater market share for their commercial support. According to this view, the public welfare is not maximized by granting property rights because less information is disseminated.

This movement toward freely available content has threatened media companies and industry giants. Companies headquartered in the United States are not immune from the market losses, especially those whose businesses depend on the global distribution and licensing of content, such as film companies and audio publishers.

The Pirate Bay, for example, operated as a "torrent site", which permits, if not encourages, the illegal sharing of film, music and games. Although the company uses the term "pirate" to evoke the image of the Pirates of the Caribbean and swarthy smugglers on the high seas, these are not Somali pirates waving their AK-47s and demanding ransom.

Rather, these are the same type of thieves who walk into a Blockbuster store and steal DVDs off the shelf. The operation of these file-sharing torrent sites is an affront to the property rights of companies.

It is no different than the surreptitious looting of a corporation, embezzlement of corporate funds, or burglarizing the home of an unwitting victim. Lawless thieves break into computers and steal private files to capitalize on a

company's investment of money and intellectual capital.

(Befitting this lawless attitude, Pirate Bay co-founder Peter Sunde Kolmsioppi defiantly announced that he "can't pay and won't pay" the court-ordered damages and urged protestors to "go show their contempt for the court.")

Ultimately, lawmakers must strike a balance between protecting the IP rights of companies and promoting the free exchange of ideas. Recognizing that digital entertainment is more susceptible than encrypted cable or satellite programming to being captured and retransmitted via the Internet, the industry has lobbied for additional digital anti-piracy measures.

As applied to new media, the anonymity preserved on the Internet encourages the free flow of information without regard to the source of such speech. Even with the advent of piracy, however, laws restricting the Internet do not have as their central tenet preserving speech through recognition of the source.

Instead, the restrictions on the Internet focus on the receiver or listener's right to receive and use information. The IP model as applied to the Internet is imperfect in that it grants a copyright owner a property right in his or her work, but does not necessarily grant a correlating right for another user to gain access to the work or contribute further ideas or protect the users' right to privacy when viewing copyrighted materials. Hence, there is a conflict with file-sharing advocates.

In sum, piracy threatens to erode a media company's IP. The recent upward trend in digitization has allowed the distribution of perfect copies of both movie and multimedia works, which poses a threat to traditional IP protection and an increased risk of piracy. With the passage of the IPRED law, companies will have a stronger tool to shut down foreign-based sites that induce infringement of copyrighted works.

The passage of the IPRED law is an imprimatur on extra-territorial enforcement in jurisdictions once a haven for pirates. And, it will be up to the judiciary to define the contours of the law in this area to promote access, integration and use of new mediums from which to view entertainment.

Practitioners will likely look for continued negotiations between copyright owners and users for licensing, blanket licensing and international cooperation regarding encryption rights to avoid the uncertain fate of piracy in the virtual reality.

Like the anti-piracy law, which caused an estimated 40 percent drop in Internet traffic in Sweden immediately after its passage, The Pirate Bay ruling will likely have an immediate impact on file-sharing in Sweden. Both also will encourage other European countries to crack down on copyright-infringers within their own borders.

Owners of file-sharing sites and torrent sites will now be faced with the threat of jail time and penalties in both the United States and the European Union and will likely be branded as criminals, rather than consumer advocates, and will lose not just the freedom to swap songs and movies, but the freedoms of life liberty, and the pursuit of happiness as well.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

Ms. Freedman is a partner in the Firm's Litigation Group. She focuses her practice on intellectual property litigation, Internet law, new media law and entertainment law for clients in film, music, television, post-production, interactive entertainment and mobile consumer products. Ms. Freedman has more than ten years experience counseling

clients on international trademark portfolio management, contested United States Patent and Trademark Office proceedings, licensing, and handling federal court litigation of patent infringement, trademark infringement, dilution and breach of license agreement cases.

Ms. Freedman provides intellectual property law advocacy in numerous venues. She works with and provides training to law enforcement and U.S. Customs officers to combat counterfeiting and piracy, supervises the prosecution and maintenance of trademark and domain name registrations and manages outside investigators on enforcement matters and domain name and trademark recovery matters. Ms. Freedman has developed public relations and advertising campaigns aimed at educating consumers regarding intellectual property rights and has drafted positioning papers on the Internet domain name system and trademark protection on the Internet that clients have submitted to ICANN, the World Intellectual Property Organization (WIPO) and the U.S. Department of Commerce.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



20 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

The Google Library Project Class Action Settlement

2009 Emerging Issues 4150

The Google Library Project Class Action Settlement

By Eric Bensen

August 20, 2009

SUMMARY: Google Library Project involved digitizing millions of books provided by major libraries for online availability. Did Google, which did not acquire copyright licenses for the books before undertaking this ambitious project, engage in large-scale copyright infringement? Eric Bensen, author of *Bensen & Myers on Litigation Management* and co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets*, analyzes this topical issue.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: What's an author or publisher to do? Several years ago, Google began the "Google Library Project," which involves its "digitizing" millions of books provided by major libraries for the purpose of making them available online. Did Google, which did not acquire copyright licenses for the books before undertaking this ambitious project, engage in large-scale copyright infringement? Maybe, maybe not. On one hand, copying is copying, even if it comes in the form of "digitizing." On the other, not all copying is infringement and Google argues that its digitizing and limited display of the copyrighted works was fair use.

It looks like that question will go unanswered. Google and representatives of a putative class that includes all of the authors and publishers affected by the Library Project have reached a proposed settlement (the "**Settlement**") of the matter. At a 135 pages, the Settlement document is undoubtedly thorough. But, nonetheless, the question for authors and publishers not directly involved in the negotiations remains: "What do you think?"

At first blush, it appears an answer is due by September 4, 2009 the last day for class members to "opt out" of the Settlement. However, for those who are neither sure that they wish to opt out nor entirely comfortable leaving their work accessible through the Library Project, it turns out that there are several options available that, in essence, make it possible for a party to join the Settlement, but limit its participation in the Library Project.

The decision to join the Settlement, to join the Settlement, but participate in the Library Project in a limited way, or to opt out altogether, of course, will ultimately depend on the individual work of concern. An overview of the key provisions of the Settlement will be helpful in getting that decision process started. That overview is provided below.

I. Overview

A. Class Action Background

In 2004, Google announced the "The Google Library Project," a project under which Google endeavored to digitize large numbers of books from various libraries' collections for the purpose of making such books searchable and accessible via Google. More than seven million books, including millions that are still under copyright in the United States, have been digitized. Google made "Snippets," i.e., short excerpts consisting of several lines of text, of the books available to Google users.

A class action lawsuit claimed that Google violated the copyrights of the authors, publishers and other owners of copyright interests in books included in the Library Project by digitizing the books, creating an electronic database of the digital images and displaying the Snippets without the permission of the copyright owners. Google argued that such use was permitted under the doctrine of "fair use."

On October 28, 2008, the parties announced a settlement of the matter that, if approved, would resolve the infringement claims.

B. Parties to the Class Action

Plaintiffs include various named publishers and authors and classes of publishers and authors that have a "Copyright Interest," i.e., ownership of or exclusive license for a right under a U.S. copyright, that is implicated by the use authorized by the Settlement.

The named publisher plaintiffs are The McGraw-Hill Companies, Inc., Pearson Education, Inc., Penguin Group (USA), Inc., Simon & Schuster, Inc., John Wiley & Sons, Inc., and Association of American Publishers, Inc. The Publisher Sub-Class includes entities that publish books and their exclusive licensees as well as companies that publish periodicals that have an interest in "Inserts" included in the books that are the subject of the Settlement.

The named author plaintiffs are The Authors Guild, Inc., Herbert Mitgang, Betty Miles, Daniel Hoffman, Paul Dickson, and Joseph Goulden. The Author Sub-Class includes authors and their heirs as well as other members of the Settlement Class that are not members of the Publisher Class.

The putative class is limited to authors and publishers who owned a Copyright Interest as of January 5, 2009. Putative class members who do not opt out of the Settlement by September 4, 2009 will be "Rightsholders" under the Settlement and will constitute the "Settlement Class." Members of the Settlement Class will be bound to the Settlement.

Google, Inc. is the defendant. Libraries that provided books to Google for digitization are third party beneficiaries of the Settlement agreement, but are not parties to the class action.

C. Publications Affected by the Settlement

To be included in the Settlement, a publication must meet the definition of either a "Book" or an "Insert" as set forth below.

1. **"Book"**: A written or printed work on sheets of paper bound together in hard copy format that on or before January 5, 2009:

(a) was published or distributed to the public or made available for public access under the authorization of the work's U.S. Copyright owner(s);

(b) was registered with the U.S. Copyright Office (unless the work is not a "United States work" under the U.S. copyright law); and

(c) was subject to a Copyright Interest (either through ownership, joint ownership, or an exclusive license) implicated by a use authorized by the Settlement (i.e., Google would be exploiting the right that is owned or exclusively licensed).

"Book" does **not** include periodicals (e.g., newspapers, magazines, and journals), personal papers (e.g., unpublished diaries), certain music works, materials in the public domain, and certain government works.

2. "**Insert**": Text (e.g., forewords, afterwords, prologues, epilogues, poems, quotations, letters, textual excerpts from other Books, periodicals or other works, and song lyrics), tables, charts, graphs, musical notation, or children's book illustrations contained in a Book, government work or public domain work published on or before January 5, 2009 that, as of January 5, 2009:

(a) was protected by a copyright held by someone other than the holder of the copyright in the Book containing the Insert, and

(b) registered either alone or as part of another work with the U.S. Copyright Office.

"Insert" does **not** include pictorial works (other than children's book illustrations), maps, paintings, and works that are in the public domain.

D. Google's (and others') Rights to Use Books and Inserts

1. Rights Granted to Google

Under the Settlement, Google would receive a nonexclusive license to continue digitizing Books and Inserts, to sell subscriptions to the digitized library, to sell digitized copies, and to engage in "Display Uses" and "NonDisplay" uses, all subject to a variety of restrictions. Display uses primarily include those described here.

a. **Access Uses:** Viewing an entire book online and printing portions of it. Access Uses include, as defined by the Settlement, Institutional Subscriptions, Consumer Purchases, Public Access at Libraries and Elsewhere (for viewing at no charge and for printing on a fee per page basis) and Other Potential Commercial uses.

b. **Preview Uses:** Permitting users to search (but not print) up to 20% of a book before making a purchase decision.

c. **Snippet Displays:** Permitting users to review three or four lines of a Book.

Non-Display uses primarily include displaying bibliographic information, indexing and listing key terms.

By default, a Commercially Available (i.e., in print) Book will not be included in Display Uses unless the Rightsholder of the Book elects to have it included. Conversely, a Book not Commercially Available (i.e., out-of-print) will be included in the Display Uses unless the Rightsholder elects to have it excluded. Google's intent was to focus on making out-of-print books available through the Library Project. Accordingly, most Books and Inserts will fall outside the Commercially Available category. Google will make the initial determination as to whether a Book or Insert is commercially available.

Interestingly, in the case of a Commercially Available Book, both the publisher and author must consent to the Book being included in Display Uses and either may request its removal. This appears to be the case even where the author has assigned its entire right, title and interest in the copyright to the publisher without contractual reservations, which, in the normal course, would preclude the author from having any right to control the publisher's use of the copyright.

2. Rights Granted to "Participating Libraries"

"Participating Libraries" are libraries participating in the Settlement and are divided into four categories.

a. **Fully Participating Libraries:** Libraries that permit Google to digitize books in their collections and will receive from Google a digital copy of those digitized Books. Fully participating Libraries will be entitled to use Books in its digital copy to create replacement prints of damaged Books in its collection, for limited personal scholarly use by faculty and staff and other limited research activities. All use by Fully Participating Libraries is royalty-free.

b. **Cooperating Libraries:** Libraries that provide Books and Inserts to Google to digitize, but do not receive back a digital copy to use.

c. **Public Domain Libraries:** Libraries that provide only public domain works to Google for digitization and do not receive a digital copy.

d. **Other Libraries:** Libraries that provide Books to Google and may receive back digital copies, but which are not participating in the Settlement.

3. Research Corpus

The Settlement provides that Google may establish a "Research Corpus" comprised of all of the digitized works in Library Project other than books that have been removed by Rightsholders. The Research Corpus will be made available on two "Host Sites" at any given time with Google possibly providing a third. Only "Qualified Users," i.e., individuals engaged in certain types of research such as a linguistic analysis, will be permitted access to the Research Corpus.

E. Right of Rightsholders

A Rightsholder, in addition to having the opportunity to object to the Settlement (only members of the Settlement Class may file objections) has several considerable rights.

1. Google will pay a minimum of \$45 million to compensate Rightsholders for Books scanned prior to May 5, 2009, with class members receiving a "Cash Payment" of at least \$60 per Principal Work, i.e., the main body of a book, \$15 per Entire Insert and \$5 per Partial Insert. Only one payment will be made for the same content, thus, e.g., only one payment will be made for a Book digitized from both its hard cover and soft cover editions.

2. Rightsholders will be entitled to a "Usage Fee," i.e., 63% of the revenues Google earns from the commercial use of their works.

3. In addition to the Cash Payment and Usage Fee, Rightsholders will be entitled to an "Inclusion Fee" for eligible works based on revenues the Registry receives from sales of Institutional Subscriptions. The "target" inclusion fee is \$200 for Books, \$50 for Entire Inserts and \$25 for Partial Inserts.

4. A Rightsholder may request, by April 5, 2011, that a Book not be included in the Library Project.

5. A Rightsholder may request at any time that a book not already digitized by Google not be digitized.

6. A Rightsholder may request at any time that a digitized Book not be included in one or more (or any) Display Uses (a Rightsholder may request that an Insert be excluded from all but not less than all Display Uses) and may change that election from time to time.

7. A Rightsholder may set its own price for a Book sold through the Library Project.

To participate in the Settlement, receive benefits provided by it and/or control Google's use of a Book, a Rightsholder must file a Claim Form. To recover a Cash Payment for books digitized on or before May 5, 2009 (the original opt out date for the Settlement), a Rightsholder must file a Claim Form by January 5, 2010. To remove a book

from the Library Project, a Rightsholder must file a Claim Form by April 5, 2001. To receive an Inclusion Fee, a Rightsholder must file a Claim Form within five years of the Effective Date of the Settlement (generally, when a final judgment approving the Settlement is no longer subject to appeal). To receive a share of all of the revenues Google receives from the use of a Book, a Rightsholder must file a Claim Form within five years of Google's first use of the Book. Otherwise, there is no absolute deadline for filing a Claim Form.

F. Role of "Book Rights Registry"

Google will pay \$34.5 million to establish a non-profit Book Rights Registry to represent the interests of Rightsholders under the Settlement, maintain contact information for authors and publishers, distribute payments due under the Settlement and assist in resolving disputes between Rightsholders. The Book Rights Registry's board of directors will have equal representation from the Author and Publisher Sub-Classes.

II. Decision Points

A. Decision Point 1: Opt Out or Stay In

To be excluded from the Settlement, a class member must opt out by September 4, 2009.

Pros of Opting Out

1. Preserves the ability to pursue damages from Google for copyright infringement, which damages could potentially exceed the Cash Payment provided for in the Settlement. (N.b. Google's current policy is to honor a request even by an opting out party to not digitize or, if it is already digitized, not a display a Book, thus, an opting out party can prevent further use of its work.)
2. Preserves the author's or publisher's ability to separately negotiate a license with Google for inclusion of a work in the Library Project.
3. Allows an author or publisher to continue to control the availability and exclusivity of premium materials in electronic form and otherwise.

Cons of Opting Out

1. Because the Settlement gives Rightsholders a number of rights with respect to limiting Google's use of their works that can be enforced under the terms of the Settlement, but not necessarily by way of general copyright law, opting out parties may lose the ability to take a nuanced and evolving approach to managing the availability of their Books through the Library Project.
2. Opting out parties will not be entitled to receive compensation or royalties for previous and future use of Books other than through a separate agreement, lawsuit or settlement. Google may take an aggressive position in the future when using materials of authors and publishers that opt out and may be unwilling to agree to terms better than those set forth in the Settlement agreement when licensing content in the future.

B. Decision Point 2: Whether to Object to Portions of the Settlement

Assuming an author or publisher does not opt out, it may object to portions of the Settlement on or before September 4th.

Pros of Objecting

Ultimately, this depends on the merits of the objection, but it may result in a favorable modification of the Settlement in a manner that the author or publisher seeks if the court determines that the Settlement does not fairly,

adequately, and reasonably resolve the claims of class members.

Cons of Objecting

1. Objecting Settlement Class members will need to retain their own counsel, which will result in, perhaps considerable, expenditures to evaluate, draft and file the necessary papers.

2. A successful objection may result in approval of the Settlement being delayed as the parties renegotiate the pertinent provisions to address the objection.

3. Because a party must be a member of the Settlement Class to object, i.e., an objecting party must forgo the opportunity to opt out, the party would be bound to the resulting Settlement even if its objections were overruled.

III. Summary of Important Dates:

January 5, 2009:

A Book must have been published by this date for the Book or Inserts in the Book to be included in the Settlement.

May 5, 2009:

Google must have scanned a Book by this date to entitle the author or publisher to a Cash Payment under the Settlement.

September 4, 2009:

Last day for Class Members to opt out of the Settlement or file an objection to it.

October 7, 2009:

Final Fairness Hearing on the Settlement (10:00 a.m. at Southern District of New York, United States Courthouse, 500 Pearl Street, New York, N.Y. 10007).

January 10, 2010:

Last day to claim a Cash Payment for Books digitized by Google.

April 5, 2011:

Last Day to request that a digitized copy of a Book be removed from the Library Project.

5 Years from the First Use of a Book:

A Claim Form must be filed by this time for an author or publisher to be entitled to receive a share of all of the revenues Google receives from use of a Book.

5 Years from Effective Date of Settlement:

A Claim Form must be filed by this time for an author or publisher to be entitled to receive an Inclusion Fee.

No deadline:

To remain part of the Settlement and get the benefit of revenues earned from Google's use of a Book, the author or

publisher needs to file a Claim Form, but there is not absolute deadline for doing so.

Google will honor at any time a request to not digitize a Book that it has not already digitized.

An author or publisher may at any time request that a Book no longer be displayed on Google.

An author or publisher may at any time request a change in how Google uses a Book.

Comments

As noted at the outset, whether the Settlement makes sense for a particular author or publisher depends on the characteristics of the particular work of concern. A couple of observations, however, may be safely made.

The decision to opt out necessarily turns on whether the Cash Payment appears to be adequate compensation for Google's digitizing of a particular work. Keep in mind that, inasmuch as the full Library Project is not in operation yet, the question is one of damages for a presumably small number of infringing copies (i.e., those needed to build the Library Project) and limited use (for Snippets), which may not result in a substantial damages award, and that an opting out party will need to bring a separate, perhaps expensive, action against Google to recover anything (assuming a resolution cannot be reached otherwise). On the other hand, a copyright owner is entitled to pursue statutory damages for even a single infringing copy, which, in theory, can be as high as \$150,000, if willful infringement is shown.

For Settlement Class members, the question is how fully to participate in the Library Project. On one hand, for out of print works still under copyright, the Library Project may very well provide a second life such that unbridled participation could prove profitable. On the other, for a high-ticket book still in print and selling well, the Library Project may not be a good fit for an established marketing strategy. For books at neither extreme, the decision may be more difficult, especially for authors and publishers who see some opportunity in the Library Project, but are accustomed to retaining close control over the marketing of their works.

In all events, members of the Settlement Class should fully consider their options under the Settlement, included their right to not have their Books displayed, to limit display to particular options, and to set the price for their Books, and tailor their participation accordingly.

RELATED LINKS: For guidance in evaluating settlement opportunities, see

- Eric E. Bensen & Rebecca K. Myers, Bensen & Myers on Litigation Management Ch. I.d (LexisNexis 2009)

For a discussion of statutory damages for copyright infringement, see

- 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 14.04 (2009)

For a discussion of the Fair Use Doctrine, see

- 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 13.05 (2009)

For a discussion of the nature of a nonexclusive intellectual property license, see

- 2 Roger M. Milgrim & Eric E. Bensen, Milgrim on Licensing § 15.34 (2009)

Information about the Google Books Settlement, including addresses and forms, can be found at

- www.googlebooksettlement.com/agreement.html

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Eric E. Bensen is a co-author of *Milgrim on Licensing*, *Milgrim on Trade Secrets* and *Bensen & Myers on Litigation Management*. He advises clients on complex intellectual property and litigation management issues and can be reached at ericbensen@gmail.com.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



21 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

White on Troll Co. v. Uneeda Doll Co., 483 F.3d 150 (2d Cir. April 13, 2007)

2008 Emerging Issues 3211

White on Troll Company v. Uneeda Doll Company, 483 F.3d 150 (2d Cir. April 13, 2007)

By Danielle White

December 30, 2008

SUMMARY: In *Troll Company*, the Second Circuit considered the parameters under which an infringer can claim "reliance party" status under the Uruguay Round Agreement ("URAA"), which would entitled it to a one-year sell-off period for products covered by a copyright restored under the URAA. This case is analyzed by Danielle White an attorney with Paul, Hastings, Janofsky & Walker LLP in New York.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: In *Troll Company*, the Second Circuit considered the parameters under which an infringer can claim reliance party status under the Uruguay Round Agreement (URAA), which would entitled it to a one-year sell-off period for products covered by a copyright restored under the URAA, and held that reliance-party status is not conferred where the party claiming reliance party status ceases exploitation of the work for a non-trivial period of time and/or makes or acquires copies of the work after enactment of the URAA.

Summary of Case

In the late 1950s, Danish woodcutter Thomas Dam created the well-known, ugly but endearing troll dolls, known for their brightly colored, wiry hair, large heads, pot bellies and unique faces that became immensely popular in Europe. Dam started selling his troll dolls in the United States in the early 1960s. Dam Things Establishment (Dam), launched by Dam in 1962 to manufacture and market the dolls. In 1965, Dam secured a U.S. copyright for the Good Luck Troll doll and then promptly lost the copyright by selling the doll in the U.S. without a proper copyright notice thereby causing the dolls to enter the public domain. The Good Luck Doll remained protected by copyright in Denmark.

Prior to obtaining (and then losing) the U.S. copyright, Dam granted a license to Uneeda Doll Co., Inc. (UDCI), a predecessor to defendant Uneeda Doll Company (Uneeda), to produce and distribute a specific line of troll dolls under the name Wish-niks. UDCI sold Wish-niks periodically between 1965 and 1996 and sold all of its assets to Uneeda in 1996. After his death in 1989, Dams heirs granted the exclusive right to exploit and license the troll dolls to plaintiff Troll Co., a Danish company.

The United States enacted the URAA on December 8, 1994 and, as a result, Dams copyright was automatically restored on January 1, 1996. Troll Co. applied for and obtained a registration certificate in 2000. After receiving its registration, Troll Co. advised Uneeda of its restored rights. Uneeda informally assured Troll Co. that it had ceased production and distribution of Wish-niks. However, in August 2005, Troll Co. learned that Uneeda was manufacturing and selling to Walmart newly produced Wish-niks bearing a Uneeda copyright. Troll Co. commenced an action against Uneeda on October 7, 2005. Uneeda asserted as defense that its predecessor, UDCI, was a reliance party under URAA because (1) UDCI continued to engage in infringing acts after Denmark became an eligible country upon the URAAs enactment; and (2) UDCI made at least one copy of the troll doll before the URAAs enactment. Uneeda therefore claims that it is entitled to a one-year grace period to sell its existing inventory. The district court rejected the argument that UDCI was a reliance party on the grounds that reliance party status is not extended to a party which had ceased manufacturing, distributing or selling dolls prior to restoration. The court entered a preliminary injunction enjoining Uneeda from manufacturing, distributing and selling Wish-niks. Uneeda appealed the district courts decision.

Pertinent Legal Issues

Significance of Copyright Notice under the 1909 Act. The statutory requirements for valid copyright notice are intricate and complicated by the fact that they are enumerated in three separate copyright acts. To determine the legal significance of any given copyright notice, it is necessary to look to the act that governs the work at issue.

The 1909 Copyright Act, which governs works published prior to January 1, 1978, requires works to include valid copyright notices upon publication to obtain copyright protection. Works with defective notice forfeited any copyright protection and were cast into the public domain. *17 U.S.C. § 10.*

For a discussion of copyright notice, see David Nimmer, 2-7 *NIMMER ON COPYRIGHT §§ 7.02, 7.06 7.10* (2007), 4-14 *NIMMER ON COPYRIGHT § 14.04[B][2][a]*; Roger M. Milgrim & Eric E. Bensen, 1-5 *MILGRIM ON LICENSING § 5.56* (2007).

URAA. The URAA amended § 104A of the Copyright Act, *17 U.S.C. § 104A*, to automatically restore copyrights on the date of restoration, or January 1, 1996, for certain foreign works that entered the public domain for non-compliance with formalities such as publishing the work without proper copyright notices.

The URAA was enacted to bring the United States into compliance with the Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1986, S. Treaty Doc. No. 99-27 (Berne Convention), which it joined in 1989. More specifically, the URAA was intended to bring the United States into compliance with the Berne Conventions Rule of Retroactivity to secure similar protection for American copyright holders abroad. Bernes Rule of Retroactivity is contained in Article 18, which states that the Convention applies to all works which, at the moment of its coming into force, have not yet fallen into the public domain in the country of origin through the expiry of the term of protection.

For a discussion of the URAA and the Berne Convention, see 5-21 *Nimmer on Copyright § 21.13* (2008); 3-9A *Nimmer on Copyright § 9A.02* (2008).

Copyright Restoration. To be eligible for restoration under the UCAA, the work must be original, have at least one author who is a national or domiciliary of an eligible country, still be protected in source country, be in the public domain in the United States for non-compliance with legal formalities, and first published in an eligible country and not published in the United States within thirty days of first publication. *17 U.S.C. § 104A(h)(6).*

Eligible countries include World Trade Organization member countries and adherents to the Berne Convention. *17*

U.S.C. § 104A(h)(3). Source countries that were members of the Berne Convention when the URAA was enacted became an eligible country on the date of the URAAs enactment, December 8, 1994.

Copyright restoration is automatic. An owner of a restored work, which is determined by the law of the source country of the work, must, however, notify reliance parties if the owner intends to enforce the restored copyright. The restored copyright will last for the remainder of the term of the copyright term that the work would have enjoyed if the work had never entered the public domain in the United States.

For a discussion of Copyright Restoration under the URAA, see 5-21 *Nimmer on Copyright § 21.13* (2008).

Reliance Party Status. The URAA affords certain persons who were legitimately exploiting works in reliance on their public domain status prior to restoration a 12-month grace period to sell current inventory or display the work at issue after the restored copyright owner makes known its intent to enforce the copyright. The purpose of the URAAs reliance provisions is to avoid harm that would result to the reliance parties from the sudden inability to engage in the exploitation of a work that had been in the public domain pre-restoration. The three categories of reliance parties include:

(A) [any person who,] with respect to a particular work, engages in acts, before the source country of that work becomes an eligible country, which would have violated section 106 if the restored work had been subject to copyright protection, and who, after the source country becomes an eligible country, continues to engage in such acts;

(B) [any person who,] before the source country of a particular work becomes an eligible country, makes or acquires 1 or more copies . . . of that work; or

(C) [any person who,] as the result of the sale or other disposition of . . . significant assets of a person described in subparagraph (A) or (B), is a successor, assignee, or licensee of that person.

17 U.S.C. § 104A(h)(4).

After receiving either actual or constructive notice, a reliance party must cease making copies of the work. A copyright owner may not enforce its restored copyright without first giving notice of its intent to enforce its copyright.

For a discussion of reliance parties under the URAA, see 5-21 *Nimmer on Copyright § 21.13* (2008).

Second Circuits Decision

On appeal, Uneeda challenged the district courts finding that (1) Troll Co. is not likely to succeed on the merits because Troll Co. has not established that it owns the restored copyright and (2) Uneeda is a reliance party within the meaning § 104A of the Copyright Act. It argued, in part, that the district court erred in not affording Uneeda reliance party status as a defense to copyright infringement.

Troll Co.s Ownership of Restored Copyright. Uneeda argued that Troll Co. had not established its ownership of the copyright because it could not establish a chain of ownership from Dam. However, although that the 2000 copyright registration listing Troll Co. as the owner of the restored copyright was not *prima facie* evidence of ownership, because it was made more than five years after first publication, the Second Circuit noted that it may carry evidentiary weight at the courts discretion. *17 U.S.C. § 410(c)*. Moreover, although the original 1965 registration certificate lists Dam as the author of the Good Luck Troll dolls, the URAA requires that authorship must be determined by the source countrys laws or Danish law. *17 U.S.C. § 104A(b)*. Because neither party submitted evidence on Danish law on copyright authorship, the Second Circuit held, without analysis, that it is likely that Danish law would consider Dam to be the author because he created the troll dolls before Dam was established. The Second Circuit affirmed the district courts holding that Troll Co. is likely to succeed in proving ownership of the restored copyright.

Uneeda as Reliance Party. Uneeda contends that it is entitled to a 12-month grace period to sell its existing inventory of troll dolls because it qualified as a reliance party under the URAA.

Under § 104A(h)(4)(A), a reliance party is any person who engaged in activities prior to the restoration of the work that would have, but for the public domain status of the work at the time, violated section 106 and who, after copyright protection is restored, continues such activity. The Second Circuit found that the term continues was ambiguous. Reviewing the legislative history for the act, which noted that a person claiming reliance party status is required to have continued to engage in the described conduct and that the defendant must have engaged in an ongoing series of acts, it held that reliance party status is only conferred on persons whose infringement is ongoing without more than trivial interruption.

Under this analysis, the Second Circuit found that UDCI may have been a reliance party following the URAAs enactment because UDCI sold Wish-nik dolls up until 1996. Denmark, the source country, became an eligible country on December 8, 1994, the date of the URAAs enactment. Thus, UDCI's acts of selling the Wish-nik dolls periodically from 1965 through 1996 covered both the period before and after Denmark became an eligible country and after Dams copyright was restored. Nevertheless, even if UDCI would have enjoyed reliance party status, after Uneeda's acquisition of UDCI, there was a nine or ten-year hiatus before Uneeda starting making and selling the troll dolls. As a result, the non-trivial gap in time disqualified Uneeda as a reliance party.

In the alternative, Uneeda claims reliance party status by virtue of it having made or acquired one or more copies of the work before the source country becomes an eligible country. Both parties proffered differing constructions of the provision. Absent legislative history, the Second Circuit rejected Uneeda's proffered construction as absurdly broad and ruled that the provision allowed for the distribution of works made or acquired prior to URAAs enactment. Thus, Uneeda's recently manufactured troll dolls, which were not made prior to the URAAs enactment, did not entitle Uneeda to reliance party status.

The Second Circuit affirmed the district court's grant of preliminary injunctive relief.

Comments

Even though the URAA was enacted in 1994, *Troll Company* is the first case to construe the reliance party provisions in § 104A. The court clarified the continuing activity provision excluding Uneeda as a reliance party because it had ceased exploiting the restored copyright for a non-trivial period of time. The court noted that, even assuming UDCI's status as a reliance party at a given point in time based on the fact that it made at least one copy of the troll doll before the URAAs enactment and it had continued to sell troll dolls for a period of time after Dams copyright restoration, Uneeda, as UDCI's successor, could only have retained the reliance party status if it had continued to engage in the infringing acts. Thus even if Uneeda had purchased warehouses of troll dolls from UDCI in 1996, Uneeda's lapse in sales until its attempted re-launch in 2005 would be insufficient to qualify it as a reliance party entitled to the one-year sell-off period.

RELATED LINKS: For a discussion of the URAA and the Berne Convention, see

- 5-21 Nimmer on Copyright § 21.13 (2008);
- 3-9A Nimmer on Copyright § 9A.02 (2008)

For a discussion of Copyright Restoration under the URAA, see

- 5-21 Nimmer on Copyright § 21.13 (2008)

For a discussion of reliance parties under the URAA, see

- 3-9A Nimmer on Copyright § 9A.02 (2008)

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

Danielle M. White is an attorney with Paul, Hastings, Janofsky & Walker LLP in New York, where she focuses her practice on intellectual property litigation.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



22 of 37 DOCUMENTS

Emerging Issues Copyright 2010, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

LaFrance on Copyright Owners Right to Reproduce Collective Works

2008 Emerging Issues 2838

LaFrance on Copyright Owners Right to Reproduce Collective Works: Greenberg v. National Geographic

By Mary LaFrance

September 8, 2008

SUMMARY: Like the Supreme Courts decision in *New York Times v. Tasini*, *Greenberg v. National Geographic Society* addressed the scope of § 201(c) of the Copyright Act, which gives the owner of a collective work copyright a limited right to reproduce and distribute the copyrighted contributions. This case is analyzed by Mary LaFrance, a William S. Boyd Professor of Law at the William S. Boyd School of Law, University of Nevada, Las Vegas.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: In an important follow-up to the Supreme Court's decision in *New York Times v. Tasini*, 533 U.S. 483 (2001), the Eleventh Circuit's *en banc* decision in *Greenberg v. National Geographic Society* addressed the scope of § 201(c) of the Copyright Act, 17 U.S.C. § 201(c), which gives the owner of a collective work copyright a limited right to reproduce and distribute the copyrighted contributions that are included in that compilation. Although *Tasini* made clear that the § 201(c) privilege applies only when the individual contributions are presented in the context of the original collective work, and does not permit them to be exploited outside of that context, questions regarding the scope of this privilege have arisen when multiple issues of collective works are combined in electronic publications which permit individual contributions to be searched and indexed, even if they cannot be viewed separately. *Greenberg* addresses several of these questions.

Background and Procedural History. Plaintiff Greenberg, a freelance photographer, assigned the copyrights in several of his photographs to the National Geographic Society between 1962 and 1990, but regained the copyrights after the initial publication of the photographs in the Society's magazine. In 1997, the Society issued the CNG, a CD-ROM set containing every issue of the magazine from 1888-1996 (approximately 1,200 issues). The CNG reproduced each page of the magazine exactly as it appeared in the original paper version. It did not permit users to separate the photographs from their surrounding context, or to edit the pages in any way. The CNG also included a computer program which compressed and decompressed the images of the magazine pages and allowed users to search the CNG, zoom in on specific pages, and print. In addition, the opening sequence of the CNG displayed ten of the magazine's cover photos, including one of Greenberg's photos.

Greenberg filed suit, alleging that the CNG infringed the copyrights in his photographs. Although the district court

held that the CNG fell within the Society's § 201(c) privilege, a panel of the Eleventh Circuit reversed, holding that even if (*arguendo*) the exact reproduction of the magazine contents was privileged, the computer program and the introductory sequence vitiated the privilege. *Greenberg v. National Geographic Society*, 244 F.3d 1267 (11th Cir.2001) ("*Greenberg I*"). On remand, the district court entered judgment for the plaintiffs.

Soon thereafter, the Supreme Court issued its decision in *New York Times v. Tasini*, 533 U.S. 483 (2001), holding that § 201(c) did not permit the electronic republication of a collective work in a format which, unlike a microform, allowed users to view individual contributions outside of the context of the original collective work. Following *Tasini*, the Greenberg defendants filed another appeal, and a second panel of the Eleventh Circuit held that the CNG was covered by § 201(c), but the introductory sequence was not. *Greenberg v. National Geographic Society*, 488 F.3d 1331 (11th Cir. 2007) ("*Greenberg II*"). Accordingly, the appellate court remanded the case once again for a determination whether the use of Greenberg's cover photo in the introductory sequence was infringing.

The Eleventh Circuit then vacated this opinion and granted rehearing *en banc*, issuing its third opinion in the case. Agreeing with the second panel's decision in *Greenberg II*, the *en banc* decision again reversed and remanded the district court's opinion, holding that, pursuant to *Tasini*, the CNG was privileged as a "revision" of the original collective work within the meaning of § 201(c). *Greenberg v. National Geographic Society*, ___ F.3d ___, 2008 U.S. App. LEXIS 13832 (June 30, 2008) ("*Greenberg III*").

17 U.S.C. § 201(c). Section 201(c), which was enacted as part of the Copyright Act of 1976, is a default rule (thus, capable of being altered by contract) which gives the copyright owner of a collective work the right to reproduce and distribute the individual copyrighted contributions "as part of that particular collective work, any revision of that collective work, and any later collective work in the same series." Unless the parties agree otherwise, this rule defines the respective rights of the collective work's copyright owner and the copyright owners of the individual contributions.

The § 201(c) privilege is not limited to exact reproductions of a collective work. It expressly encompasses "revision[s]" and "later collective work[s] in the same series." Although these terms are undefined, the 1976 House Report provides some clarification:

Under the language of this clause a publishing company could reprint a contribution from one issue in a later issue of its magazine, and could reprint an article from a 1980 edition of an encyclopedia in a 1990 revision of it; the publisher could not ... revise the contribution itself or include it in a new anthology ... or an entirely different magazine or other collective work.

H.R.Rep. No. 94-1476, at 122--123 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5738.

Similarly, the Register of Copyrights, who drafted § 201(c) at Congress's request, noted that the § 201(c) privilege was "not intended to permit revisions in the contribution itself or to allow inclusion of the contribution in anthologies or other entirely different collective works." Staff of H. Comm. on the Judiciary, 89th Cong., Copyright Law Revision pt. 6, Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill 69 (Comm. Print 1965) (emphasis added), *reprinted in* 9 Melville B. Nimmer and David Nimmer, Nimmer on Copyright app. 15-97 (2007).

Despite these contemporaneous clarifications, it may be difficult at times to distinguish between a permissible "revision" and an impermissible "new anthology" or "entirely different . . . collective work." In *Tasini*, the Supreme Court defined a "revision" as a "new 'version,'" and defined a "version" as a "distinct form of something regarded by its creators or others as one work." 533 U.S. at 500. However, *Greenberg III* demonstrates that the Supreme Court's definition does not fully resolve the question whether a particular work such as the CNG is a mere revision or an entirely different and unprivileged collective work.

The Eleventh Circuit's *En Banc* Opinion. In *Greenberg III*, the Eleventh Circuit centered its analysis on the Supreme Court's statement in *Tasini* that "[u]nder § 201(c), the question is . . . whether the database itself perceptibly presents the author's contribution as part of a revision of the collective work." 533 U.S. at 504, quoted at 2008 U.S. App. LEXIS 13832, at *22-23 n.14. Treating this question as the sole test for § 201(c) eligibility, the Eleventh Circuit held, in a sharply divided opinion, that the CNG qualified for the § 201(c) privilege because it presented Greenberg's photographs in the same context as the original National Geographic issues in which they appeared. Thus, retaining the original context was both necessary and sufficient to satisfy § 201(c).

Because the CNG presented an exact image of each magazine page, thus presenting each article and photograph in its original context, the Eleventh Circuit held that the CNG was "analogous" to the microforms which *Tasini* indicated would qualify for the § 201(c) privilege. 2008 U.S. App. LEXIS 13832, at *18. Because the CNG preserved the context of the original collective work, the fact that the CNG aggregated many issues of the Society's magazine into one compilation did not alter the analysis: "Aggregating editions or issues of one magazine into a larger collective work of that same magazine is permissible under § 201(c) insofar as the individual contributions are presented and perceivable to viewers in their original context." *Id.* at *22.

The Eleventh Circuit majority squarely rejected Greenberg's argument that the CNG was a "new collective work." Every revision of a collective work is "new" to some degree, the majority observed, but the legislative history (discussed earlier) reveals that Congress intended to deny the § 201(c) privilege *only* where the revision amounts to an "entirely different" collective work. *Id.* at *26. Specifically, the court held that the addition of new material (such as an index or a forward) to a collective work does not, by itself, cause the enhanced version to fall outside of the § 201(c) privilege: "[T]he pertinent question for a court is whether the new material so alters the collective work as to destroy its original context." *Id.* at *28.

Responding to a scenario presented in Judge Anderson's dissent, the majority opinion observed that its interpretation of § 201(c) would *not* permit the Society to incorporate one entire issue of its magazine in a larger volume presenting "The Complete Intellectual History of Africa from 1900 to 2008." While acknowledging that "the context of the individual contribution within its original collective work may have been preserved" in this example, the majority observed: "[T]hat context is infected to the extent that a 'user' of the larger collective work *will not readily perceive the individual contribution within its original context.*" *Id.* at *29-30 n.18 (*emphasis added*). The majority offered no further explanation as to why it believed that the original context of the contribution would be less perceptible in this situation than in a super-compilation such as the CNG. This less-than-satisfactory attempt to distinguish Judge Anderson's scenario illustrates the difficulty of distinguishing between a mere revision and an "entirely different" work.

Based on this distinction between a revision and an entirely different collective work, the majority concluded that the CNG was within the scope of § 201(c), despite the addition of the introductory sequence and the computer program. The addition of the introductory sequence--which the court described as a "virtual cover" for the collection of magazines--did not alter the context in which the photographs were presented, "just as a new cover on an encyclopedia set would not change the context of the entries in the encyclopedia." *Id.* at *30. Likewise, the inclusion of a computer program with a search function and zoom capacity did not negate the § 201(c) privilege, because it did not alter the original context in which Greenberg's photographs appeared. *Id.* at *31-32.

Nor was the § 201(c) privilege nullified by the inclusion of one of Greenberg's cover photos in the introductory sequence (the "virtual cover" of the CNG), because this was "not just Greenberg's photograph taken apart from its original context but rather the entire original cover." *Id.* at *30-31. However, the majority immediately limited the significance of this holding by adding: "Even though the introductory sequence does not deprive National Geographic of its § 201(c) privilege, we are only deciding that the CNG *as a whole* is privileged." *Id.* at *31 n.19 (*emphasis added*). The majority expressly did not decide whether the reproduction of Greenberg's photo in the introductory sequence was *itself* an infringement, and explicitly adopted the holding of *Greenberg II* that the introductory sequence was not

privileged by § 201(c); it instructed the district court on remand to consider whether the Society had raised any valid defenses to infringement liability based on this *second* usage of the photo. *Id. at* *38 *n. 21*.

Dissenting Views. Five judges dissented from the *en banc* decision, in two separate opinions.

In a somewhat rancorous dissent, Judge Birch argued that the CNG was a "new" collective work rather than a mere revision or republication of the original collective work, for two reasons: (1) instead of reproducing one individual issue of the National Geographic magazine, the CNG reproduced roughly 1,200 issues in a single compilation, *id. at* *53-56 (*Birch, J., dissenting*); and (2) the CNG incorporated significant new material (the computer program), *id. at* *58 *n.8*.

Judge Birch's conclusion that assembling 1,200 magazines into a single compilation gives rise to a "new" collective work rather than a revision is grounded in a passage in *Tasini* in which the Supreme Court considered whether combining multiple issues of a periodical into a larger electronic database constituted a revision of the original periodicals:

One might view the articles as parts of a new compendium—namely, the entirety of works in the Database. In that compendium, each edition of each periodical represents only a miniscule fraction of the ever-expanding Database. The Database no more constitutes a "revision" of each constituent edition than a 400-page novel quoting a sonnet in passing would represent a "revision" of that poem. "Revision" denotes a new "version," and a version is, in this setting, a "distinct form of something regarded by its creators or others as one work." Webster's Third New International Dictionary 1944, 2545 (1976). The massive whole of the Database is not recognizable as a new version of its every small part. . . . Those Databases simply cannot bear characterization as a "revision" of any one periodical edition.

Id. at *70 (*quoting Tasini, 533 U.S. at 500 & 501 n.9*).

Except for these brief passages, however, *Tasini* does not discuss whether assembling multiple collective works into a larger compilation may constitute a revision under § 201(c). Instead, the remainder of the *Tasini* opinion focuses on the fact that the electronic databases at issue there permitted individual articles to be viewed separately from their surrounding context:

The crucial fact is that the Databases . . . store and retrieve articles separately within a vast domain of diverse texts. Such a storage and retrieval system effectively overrides the Authors' exclusive right to control the individual reproduction and distribution of each Article . . .

Tasini, 533 U.S. at 503-04.

Moreover, as noted by the majority in *Greenberg III*, microform reproductions frequently involve compilations of multiple collective works, yet *Tasini* strongly implies that these larger compilations are permitted by § 201(c):

True, the microfilm roll contains multiple editions, and the microfilm user can adjust the machine lens to focus only on the Article, to the exclusion of surrounding material. Nonetheless, the user first encounters the Article in context. In the Databases, by contrast, the Articles appear disconnected from their original context. . . . In short, unlike microforms, the Databases do not perceptibly reproduce articles as part of the collective work to which the author contributed or as part of any "revision" thereof.

Id. at 501-02. Thus, *Tasini* appears to be internally inconsistent on the crucial question whether aggregations of collective works can qualify under § 201(c).

Although Judge Birch's remaining arguments were rejected by the majority because they had not been raised by the parties, they identify two other important issues. One is whether the § 201(c) privilege can be transferred by the original compilation publisher to third parties—in this case, the publisher of an electronic database. Another issue is whether the publication of an electronic database involves an exercise of the public display right under § 106(5), a right

which is not addressed in § 201(c).

In a separate and more succinct dissent, Judge Anderson agreed with Judge Birch that, while *Tasini* establishes that retention of the original publication context is *necessary* to the § 201(c) privilege, *Tasini* does not establish that it is *sufficient*. In Judge Anderson's view, even if the CNG compilation took the form of hard copy rather than an electronic database, the fact that it aggregates 1,200 separate collective works makes it a new work rather than a revision, thus exceeding the scope of the § 201(c) privilege. The addition of computer programs to the super-compilation provided a second basis for Judge Anderson's conclusion that the CNG was a new and unprivileged compilation.

The Second Circuit's *Faulkner* Decision. Between *Greenberg I* and *Greenberg II*, the Second Circuit also addressed the application of § 201(c) to the CNG, in *Faulkner v. National Geographic Enters.*, 409 F.3d 26 (2d Cir. 2005). The facts of *Faulkner* were almost identical to those of *Greenberg*, except that the work of the freelance photographers in *Faulkner* was not incorporated in the CNG's introductory sequence. Therefore, the *Faulkner* opinion focused exclusively on whether the CNG is a "revision" of the original magazine issues. The Second Circuit held that it is.

Faulkner held that the CNG was a privileged revision under § 201(c) because it reproduced the freelance photographs in their original context, with only minor alterations to that context (the index, the opening sequence, and a small number of photographs that were blacked out because their licenses did not permit electronic publication). *Id.* at 38. *Faulkner* also held that the § 201(c) privilege is transferable (an issue that was squarely addressed by the parties in *Faulkner*, but not in *Greenberg*). *Id.* at 38-39.

Faulkner tacitly assumes that the preservation of the original collective work context is both necessary and sufficient for the § 201(c) privilege. The *Faulkner* opinion does not squarely address the possibility that combining 1,200 collective works into a single collective work exceeds the scope of § 201(c).

Conclusion. *Greenberg III* reveals an internal inconsistency in the Supreme Court's *Tasini* decision on the crucial question whether the aggregation of multiple collective works into a single compilation exceeds the § 201(c) privilege. In other words, is preservation of the context of original collective work merely a threshold requirement for § 201(c) to apply, or is it both necessary and sufficient?

In reaching the opposite conclusion from the majority, Judge Birch's dissent appears to be premised on the belief that Congress intended § 201(c) to afford only a minimal privilege to compilation publishers, leaving the free-lance author's copyright interest as unencumbered as possible. The majority and Judge Birch appear to embrace different views of the balance of power which Congress intended to strike between authors and publishers.

Section 201(c) is simply a default rule, and one that no longer operates well due to changes in publishing technology. Until § 201(c) is revised to address the issues raised by electronic publications, free-lancers and collective work publishers can, and should, contract around the statutory ambiguities on a prospective basis, but this strategy does not help in scenarios such as *Tasini*, *Greenberg*, and *Faulkner*, in which the contracts have already been concluded. In the future, some authors may have the opportunity to exercise their termination rights under § 203, terminating their original licensing agreements with compilation publishers so as to regain complete control over their individual contributions. In theory, this would create the opportunity to renegotiate their original licensing agreements. However, their ability to renegotiate will depend on the relative importance of their individual contributions.

RELATED LINKS: For commentary, see

- 3-10 Nimmer on Copyright 10.02[D];
- Deborah Tussey, Technology Matters: The Courts, Media Neutrality, and New Technologies, 12 J. Intell. Prop. L. 427 (2005).

For a comprehensive discussion of U.S. copyright law, see

■ Nimmer on Copyright.

For a comprehensive discussion of international copyright Law, see

■ International Copyright Law and Practice.

To search federal copyright cases on lexis.com, see

■ Copyright Cases, Federal.

For information on litigating a copyright case, see

- Intellectual Property Counseling and Litigation;
- and Total Litigator.

To search copyright law resources on lexis.com, see

■ Copyright Area of Law Page.

To search copyrights on lexis.com, see

■ U.S. Copyrights Combined Files.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Mary LaFrance is a William S. Boyd Professor of Law at the William S. Boyd School of Law, University of Nevada, Las Vegas. Prior to joining the Boyd School of Law, Professor LaFrance served on the faculty of the Florida State University College of Law and the Florida State University School of Motion Pictures, Television, and Recording Arts. She is the author of numerous books and law review articles on domestic and international intellectual property law, as well as the taxation of intellectual property. Her books include *Intellectual Property Cases and Materials* (West 3d ed. 2007) (with David Lange and Gary Myers), *Understanding Trademark Law* (LexisNexis 2005), and *Copyright Law in a Nutshell* (West 2008).

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



23 of 37 DOCUMENTS

Emerging Issues Copyright 2008, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Eric E. Bensen on Leadsinger, Inc. v. BMG Music Publ

2008 Emerging Issues 2651

Eric E. Bensen on the Ninth Circuit's Holding that a Compulsory License Does Not Give a Karaoke Machine Manufacturer the Right to Display Song Lyrics in Real Time with the Licensed Song Recordings: *Leadsinger, Inc. v. BMG Music Publ*, 512 F.3d 522 (9th Cir. 2008)

By Eric E. Bensen

August 11, 2008

SUMMARY: In *Leadsinger, Inc.*, the Ninth Circuit considered whether a party's sale of its karaoke device, which consisted of a microphone that, when plugged into a television set, would play music while displaying accompanying lyrics, was within the scope of its compulsory license. This case and its implications are analyzed by Eric E. Bensen is a co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets*.

PDF LINK: [Click Here for Enhanced PDF of Commentary](#)

ARTICLE: In *Leadsinger, Inc.*, the Ninth Circuit considered whether a party's sale of its karaoke device, which consisted of a microphone that, when plugged into a television set, would play music while displaying accompanying lyrics, was within the scope of its compulsory license under *17 U.S.C. § 115* or whether it also needed lyric reprint and synchronization licenses from the copyright owners to lawfully sell its products. The court held that because the device met the definition of an audiovisual work, and was, thus, outside the scope of a compulsory license, the additional licenses were required to avoid infringement.

Summary of the Case

Leadsinger manufactured a karaoke device in the form of an all-in-one microphone player. When plugged into a television, the player would display lyrics to songs, which were embedded in a microchip in the microphone, in real time while playing the song thereby enabling the consumer to sing along with the lyrics. BMG, which owns or operates copyrights in musical compositions, issued Leadsinger compulsory mechanical licenses to its musical compositions under § 115 of the Copyright Act. In addition to the mechanical license, however, BMG demanded that Leadsinger also pay lyric reprint and synchronization fees in connection with its use of the licensed songs with its device. Leadsinger refused to pay the additional fees and filed an action seeking a declaration to the effect that a § 115 compulsory license gave it the right to visually display song lyrics in real time with the licensed song recordings or, in the alternative, that its display of the lyrics was fair use.

The district court concluded that Leadsinger's device did not meet the definition of a phonorecord, and thus, was outside the scope of the § 115 compulsory license, because the device contained more than sounds. It also held that the

allegations of the complaint did not support a fair use claim. Accordingly, it dismissed the complaint.

Leadsinger appealed.

Pertinent Legal Principles

Leadsinger, Inc. touches on a number of issues concerning the proper subject matter of copyright protection and limitations on the exercise of that protection. Background on those issues is provided below.

Literary Works, Audiovisual Works & Sound Recordings Under the Copyright Act. Literary works, audiovisual works and sound recordings are among the categories of works that can be subject to protection under the Copyright Act. *17 U.S.C. § 102(a)*. A literary work is defined broadly to include any work, other than audiovisual works, expressed in numbers, letters or other symbols in any medium. *17 U.S.C. § 101*. Note that it is the expression that is the subject matter of the copyright, not the medium in which it is recorded, thus, for example, a particular expression may be embodied in the physical form of a book, but the book itself, for the purpose of the Copyright Act, is a copy, not a literary work.

Audiovisual works, or, as more fully identified in the Copyright Act, motion pictures and other audiovisual works, are defined as works consisting of a series of related images intrinsically intended to be shown by the use of a machine or other devices. *17 U.S.C. § 101*. Thus, for example, a photograph, although copyrightable, is not an audiovisual work because it is not a series, but a collection of slides shown in a related sequence is. A motion picture is distinguished from other forms of audiovisual works by the requirement that to qualify as a motion picture, the series of images when shown in succession must impart the impression of motion. *17 U.S.C. § 101*.

Sound recordings are broadly defined to include any work resulting from the fixation of a series of sounds, such as music or the spoken word, other than sound accompanying an audiovisual work, in any material object. A phonorecord under the Copyright Act is the material object embodying the sound recording. While recorded musical works are sound recording for the purposes of the Copyright Act, song lyrics by themselves are considered a literary work.

For a discussion of the subject matter of copyright protection, see 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* Ch. 2 (2008). For a discussion copyrightable subject matter pertinent to technology licensing, see 1 Roger M. Milgrim & Eric E. Bensen, *Milgrim on Licensing* §§ 5.16 5.33 (2008).

Compulsory Copyright Licenses. Among the exclusive rights granted under a copyright is the right to reproduce the work in copies or phonorecords. *17 U.S.C. § 106*. Where the copyrighted work is a nondramatic musical work, i.e., a musical work that is not integral to a larger production (such as theatrical musical comedy), that exclusive right is circumscribed by § 115 of the Copyright Act, which provides that a third party who meets certain requirements is entitled to a compulsory license, sometimes called a mechanical license, to copy the work. Compulsory licensing was originally made part of the Copyright Act of 1909 to permit multiple phonographic recordings of a song to obviate the feared emergence of a music monopoly.

The compulsory license extends only to the creation and distribution of phonorecords of the musical work, it does not give the holder the right to make copies of licensors sound recordings of the work because a sound recording of a musical work is distinct from the musical work itself. Thus, to exercise a compulsory license, one must arrange for an original performance and recording of the musical work that is subject to the license (the compulsory licensee generally becomes the owner of the copyright in the resulting sound recording). Note that the license to perform the work for the purpose of creating a sound recording does not include the right to publicly perform the work. To make copies of another's sound recording, one must obtain a traditional license under the copyright.

There are other limits on the compulsory license. For example, the compulsory licensee does not have the right to create or distribute sheet music for the licensed work. Also, because a motion picture soundtrack is an integral part of the motion picture, musical works in the soundtrack are considered copies rather than phonorecords and, therefore, are

outside the scope of the compulsory license.

The right to a compulsory license is triggered by the distribution of phonorecords of the musical work to the public in the United States under the authority of the copyright holder. Once the license is triggered, it is available to licensees whose primary purpose in making phonorecords of the licensed work is to distribute them to the public for private consumption rather than commercial use, such as broadcasting or juke box operation. As long as the primary purpose is to distribute for private use, the fact that the phonorecords are also used by commercial entities will not defeat the license.

To obtain a compulsory license under current law, the licensee must notify the copyright holder of its intent to exercise the license no more than 30 days after making phonorecords of the licensed work and before any distribution of such phonorecords. (If the name and address of the holder are not available from the records of the Copyright Office, notice may be given to the Office.) Failure to properly provide notice renders the putative licensee ineligible for a compulsory license. Assuming the requirement for the compulsory license are met, the copyright holder, assuming he has identified himself to the Copyright Office by way of registration or recordation, is entitled to a standard royalty on sales of the licensee's phonorecords. The amount of the royalty is set by Copyright Royalty Judges, three attorneys appointed by the Library of Congress after consultation with the Registrar of Copyrights, and available at 37 C.F.R. § 255.3.

For a discussion of compulsory licensing under the Copyright Act, see 2 *Nimmer on Copyright* § 8.01[H].

Synchronization or Synch License. A synchronization license conveys the right to copy a musical work in time-relation on an audiovisual work such as a motion picture.

For a discussion of synchronization licenses, see 2, 6 *Nimmer on Copyright* §§ 8.19[A], 30.02[F][3].

Fair Use. Another limitation on the exclusive rights granted to authors under the Copyright Act is the principle of fair use, which provides that the reproduction of a copyrighted work for such purposes as criticism, comment, news reporting, teaching, scholarship or research is not infringement. 17 U.S.C. 107. In determining whether a given use of a copyrighted work is fair, court will consider the following factors.

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

Id. The factors are not exhaustive; other pertinent factors may be considered by courts. Moreover, fair use is determined in the context of the particular copyrighted work, and therefore, the weight given to any one factor can vary. While use of a work can be both commercial and fair, the commercial aspect tends to weigh against a finding of fair use. Similarly, while the copying of entire work can be fair, the substantial duplication of a work tends to weigh against a finding of fair use.

Significant Supreme Court cases addressing fair use include *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 114 S. Ct. 1164 (1994), *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 105 S. Ct. 2218 (1985) and *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 104 S. Ct. 774 (1984). Although doctrine of fair use was first added to the copyright law in the Copyright of 1976, it was intended to codify existing judicial doctrine, thus, older decisions can also provide guidance on the issue.

For a discussion of the fair use doctrine, see 4 *Nimmer on Copyright* § 13.05; 1 *Milgrim on Licensing* §§ 5.16-5.33.

The Ninth Circuits Decision

Scope of the Compulsory License. The court noted at the outset that while it reached the same conclusion as the lower court, its reasoning differed. In the Ninth Circuits view, a device on which sounds and visual images are fixed did not necessarily fall outside the definition of a phonorecord. An audiovisual work, however, expressly falls outside the definition. As the Leadsinger device met the definition of an audiovisual work, in that it presented a series related images, the song lyrics, sequentially matched to the accompanying music and intrinsically intended to be shown by the use of a machine, it could not be considered a phonorecord. Accordingly, the court held that in addition to a compulsory license, Leadsinger needed additional licenses to reprint the song lyrics and display the lyrics in timed relation to the recorded music.

Fair Use. Although noting that it was unusual to resolve a claimed fair use defense on a motion to dismiss, the Ninth Circuit agreed with the lower court that the allegations in Leadsingers complaint, even if accepted as true, did not support a finding of fair use. As a threshold matter, Leadsinger did not allege that the display of lyrics was for any of the purposes enumerated in the Copyright Acts fair use provision. Turning to the fair use factors, the Ninth Circuit focused on the facts that the use was for commercial gain, i.e., selling the karaoke device for profit, original song lyrics are works of creative expression, precisely the form of expression the copyright law protects, and Leadsinger used the lyrics in the entirety. In response to Leadsingers argument under the fourth factor that there was no market for song lyrics standing alone, and thus, no effect on the potential market for the lyrics, the Ninth Circuit observed that Leadsinger failed to alleged as such in its complaint and that, in all events, because its use was commercial, likelihood of market harm could be presumed.

RELATED LINKS: The subject matter of copyright protection:

- 1 Melville B. Nimmer & David Nimmer, *NIMMER ON COPYRIGHT* Ch. 2 (2008);
- 1 Roger M. Milgrim and Eric E. Bensen, *MILGRIM ON LICENSING* §§ 5.16-5.33 (2008) (the subject matter of copyright protection as pertinent to technology licensing).

Compulsory licensing under the Copyright Act:

- 2 *NIMMER ON COPYRIGHT* § 801[H].

Synchronization or "Synch" Licenses:

- 2, 6 *NIMMER ON COPYRIGHT* § 8.19[A],;
- § 30.02[F][3].

The fair use doctrine, see

- 4 *NIMMER ON COPYRIGHT* § 13.05,;
- 1 *MILGRIM ON LICENSING* §§ 5.16-5.33

ABOUT THE AUTHOR(S):

Eric E. Bensen is a co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets* and a Visiting Assistant Professor of Law at Hofstra University School of Law where he teaches courses in patent law, copyright law and intellectual property licensing.



24 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Bensen on Latin Am. Music v. Archdiocese of San Juan, 499 F.3d 32 (1st Cir 2007)

2008 Emerging Issues 2266

Bensen on Latin Am. Music v. Archdiocese of San Juan, 499 F.3d 32 (1st Cir. 2007)

By Eric E. Bensen

May 5, 2008

SUMMARY: *Latin Am. Music v. Archdiocese of San Juan* considered whether a purported licensee of copyrights to certain musical works had constructive notice of an earlier transferees rights in the copyrights by virtue of the registrations of those copyrights and whether it infringed those copyrights by including them in its catalogue. Eric Bensen, co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets* analyzes this complex case.

PDF LINK: [Click Here for Enhanced PDF of Commentary](#)

ARTICLE: *Latin Am. Music Co. v. Archdiocese of San Juan, 499 F.3d 32, 82 U.S.P.Q.2d (BNA) 1007, Copy. L. Rep. (CCH) P29, 434 (1st Cir. 2007)*, is a fact-intensive case touching on numerous issues of copyright law. The First Circuit considered whether a performing rights society, purported licensee of copyrights to certain musical works, had constructive notice of an earlier transferees rights in the copyrights by virtue of the registrations of those copyrights and, assuming so, whether it infringed those copyrights by including them in its catalogue. The court held that the society had notice, but that authorizing others to perform the work by itself was not an act of infringement. The court rejected the societys counterclaims concerning other works because as a nonexclusive licensee, it did not have standing to sue for copyright infringement.

Summary of the Case

Latin Am. Music Co. was a consolidation of four related cases involving copyrights on more than five hundred songs. It began in 1996 as a suit by the Latin American Music Company (LAMCO), based in New York, and the Asociacion de Compositores y Editores de Musica Latino Americana (ACEMLA), based in Puerto Rico, against the Archdiocese of San Juan of the Roman Catholic and Apostolic Church (the Archdiocese) arising out of allegations of copyright infringement relating to music played on two radio stations owned by the Archdiocese and other broadcasters. The Archdiocese and other defendants brought counterclaims against LAMCO/ACEMLA and third party claims for indemnification against, among others, the American Society of Composers, Authors and Publishers (ASCAP). ASCAP and LAMCO/ACEMLA agreed that the resolution of the ownership and copyright issues as to five specific songs would serve as a roadmap for resolving their disputes concerning the other songs.

ASCAP moved for summary judgment seeking to have the infringement claims dismissed. LAMCO/ACEMLA moved for partial summary judgment that they held performing rights in the five songs. The court held that with respect to four of the songs, ASCAP members held the copyrights, which precluded LAMCO/ACEMLA's infringement claims.

With respect to the fifth song, Ojos Chinos, the court held that LAMCO/ACEMLA had a nonexclusive license, which might entitle it to payment from broadcasters, but did not support standing to maintain a copyright right claim.

The court also held that although LAMCO/ACEMLA recorded its agreement with the composers heirs respecting Ojos Chinos before a conflicting transfer was recorded by an ASCAP member, the recorded documents only identified Ojos Chinos in a list of 29 other songs and did not identify the songs copyright registration number. Because the recordation documents failed to identify the copyrighted work with specificity as required under the Copyright Act, the recordation did not provide constructive notice of the license. The district court granted ASCAP's motion dismissing LAMCO/ACEMLA's infringement claims on all five of the songs that the parties agreed to have the court focus on.

Several music publishers (the Publishers) also brought claims for infringement against LAMCO/ACEMLA claiming that they owned 468 of the songs in the LAMCO/ACEMLA catalogue. LAMCO/ACEMLA conceded that 174 of the songs had been included in its catalogue by mistake (and were since removed), but that it had the right to license the remaining 294 songs because it had properly recorded its exclusive and nonexclusive assignment contracts with the composers without constructive notice of the Publishers purported assignments. The District Court, however, held that the Publishers did not have to record their assignments to put third parties on notice of such assignment. It then referred the ownership issue to a special master.

After receiving the special masters report and holding a subsequent hearing on ownership issue, the court held that the Publishers owned the copyrights to songs at issue and that by including the disputed songs in the ACEMLA catalogues and issuing licenses for the songs to broadcasters, LAMCO/ACEMLA infringed the Publishers copyrights and granted summary judgment to the Publishers.

LAMCO/ACEMLA appealed each decision.

Pertinent Legal Principles

Performing Rights. Among the rights granted under the Copyright Act is the exclusive right to perform a copyrighted work publicly. *17 U.S.C. § 106(4)*. Interestingly, that right extends to musical works, but not to sound recordings, which may appear confusing. To clarify, it should be kept in mind that a musical work and a recording of that work are separately copyrightable. *17 U.S.C. § 102*. Thus, at least in the days of analog recordings (under the Digital Performance Right in Sound Recordings Act of 1995, performance rights extend to *digital* sound recordings), when a recording of a song was played on the radio, two copyrights one on the musical work and one on the sound recording of that work were implicated. The musical work was performed and, in the absence of a license, would constitute an infringement of the copyright held by the work's owner. Under the Copyright Act's scheme, however, the broadcast of the recording would not constitute a performance of the recording itself.

For a discussion of performance rights under the Copyright Act, see 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright § 8.14* (2008).

Performing Rights Societies. A performing rights society is defined under the Copyright Act as an association, corporation, or other entity that licenses the public performance of nondramatic musical works on behalf of copyright owners of such works. *17 U.S.C. § 101*. The first performance rights society, ASCAP, was formed in 1914 to deal with the problem of musical works being performed so extensively that copyright owners could not as a practical matter

enforce their rights. ASCAP, and later-formed societies such as Broadcast Music, Inc. (BMI) and SESAC, Inc., permit copyright owners to collectively enforce their rights.

Performing rights societies essential function is to license, on a nonexclusive basis, the small or nondramatic performance right, i.e., in essence, the right to perform the song where the song is not integral to a larger production, in its members musical works. Typically, the society will grant either a blanket license to all of its members works for a flat fee or percentage of gross receipts or license them for a specified fee for each program in which they will be performed. Society members remain free to directly license their works.

For a discussion of performing rights societies, see 2 *Nimmer on Copyright* § 8.19. For a discussion of the distinction between grand (dramatic) and small (nondramatic) performing rights, see *id.* § 10.10[E].

Standing to Sue for Copyright Infringement. The legal or beneficial owner of an exclusive right under a copyright has standing to sue for acts of infringement committing during the period of ownership. 17 U.S.C. § 501(b). Thus, an action for infringement can be brought by the owner of the copyright or, if the copyright is exclusively licensed, the exclusive licensee. In contrast to the rule under patent law, a true exclusive licensee (as opposed to a party that is in substance an assignee) need *not* join the copyright owner to maintain a suit and the owner *cannot* maintain a suit for infringing acts occurring after the grant of an exclusive license.

A nonexclusive licensee, such as performing rights society, does not have standing to sue for infringement.

For a discussion of standing to sue in the copyright context, see *Nimmer on Copyright* § 12.02[B]. For a discussion of the standing of licensees to bring suit for copyright infringement as well as infringement or misappropriation of other intellectual property rights, see *Milgrim on Licensing* §§ 15.00, 15.31.

Recordation of Transfers of Copyright Ownership. The transferee of an interest in a copyright can protect its interest against a later transfer by the copyright owner by recording the transfer with the Copyright Office. 17 U.S.C. § 205. Proper recordation of the interest will serve as constructive notice to subsequent transferees. 17 U.S.C. § 205(c). In the absence of recordation, the later transfer, if recorded, will prevail if taken in good faith, for consideration and without notice of the earlier transfer. 17 U.S.C. § 205(d). A nonexclusive license, whether recorded or not, will prevail against conflicting transfer if it is in writing and signed by the owner of the rights and (i) it was taken before the execution of the conflicting transfer or (ii) taken in good faith before the recordation of the conflicting transfer and without notice of it. 17 U.S.C. § 205(e).

For a recordation to be effective for the purposes of constructive notice and priority, in addition to formalities such as signature and payment of a fee, the subject copyright must be registered, the recorded document must specifically identify the copyrighted work, and the document must be recorded within a month after its execution (two months if it is executed abroad). 17 U.S.C. § 205(c), (d).

For a discussion of copyright recordation, see 3 *Nimmer on Copyright* § 10.07.

Indirect Copyright Infringement. One need not necessarily create a copy to infringe a copyright. Although not expressly provided for in the Copyright Act, secondary liability for copyright infringement has long been recognized in decisional law. Such liability can be in the form of *respondeant superior*, where a corporation is be liable for the infringing act of an employee, vicarious liability, where the defendant has the right and ability to supervise the infringing conduct and a direct financial interest in the conduct, contributory liability, where the defendant either

participates infringing activity with knowledge of the infringement provides the means for others to infringe, or intent to induce infringement the defendant takes active steps to encourage infringement, such as by distributing a device while promoting its infringing use. Each form of liability has as a prerequisite the requirement that another actually commit an act of infringement.

For a discussion of principles of secondary liability for copyright infringement, see 3 *Nimmer on Copyright* §§ 12.04 et seq.; 2 *Milgrim on Licensing* § 5.35.

The First Circuits Holding

On appeal, LAMCO/ACEMLA challenged the district courts findings that its recordation of its license for Ojos Chinos failed to meet the specificity requirements of § 205(c). It did not, however, argue that a nonexclusive licensee had standing to sue for infringement. In a reply brief, LAMCO/ACEMLA argued that it had received an *exclusive* license from the composers heirs, but, as the issue was first raised in the reply brief, the court refused to consider it.

In the courts view the undisputed deficiency in standing trumped the recordation issue. The court had little trouble concluding that the lower court was correct in holding that a nonexclusive copyright licensee has no standing to sue for infringement. Accordingly, it affirmed the summary judgment as to Ojos Chinos.

With respect to the summary judgment in favor of the Publishers, LAMCO/ACEMLA argued, among other things, that the copyright registration does not provide notice for the purpose of § 205(d) and that recording in compliance with § 205(c) should be required to provide notice. The court rejected the argument adopting the reasoning it used in an earlier portion of its decision to the effect that since a copyright registration provides constructive notice as to the ownership of the copyright, a registration constitutes notice for the purpose of § 205(d).

LAMCO/ACEMLA also challenged the district courts holding that they infringed the Publishers copyrights by including the disputed songs in the ACEMLA catalogue. Here, the court agreed with LAMCO/ACEMLA. The mere authorization of an infringing act, without more, the court held, is not an infringing act. To establish infringement based on an act of authorization, therefore, the claimant must establish an infringing act after the authorization, such a copying or performing the work. LAMCO/ACEMLAs listing of the disputed songs in it catalogue and licensing of those songs to broadcasters was, without more, at most the mere authorization of infringing acts, insufficient by itself to form a basis for liability.

Because issues of fact remained as to whether there were infringing acts after authorization, the court reversed the grant of summary judgment in favor of the Publishers and remanded for further proceedings on the issue.

Comment

The First Circuits holding that a copyright registration can serve as constructive notice for the purpose of § 205(d) deserves some reflection. In an earlier part of its decision addressing one of the five ASCAP songs, Patacon Pisao, the court held as much, but there, the *transferee* registered the copyright. Whether or not that holding finds support in decisional law (in its petition for certiorari, LAMCO/ACEMLA argued that it conflicts with the holding of *Gaiman v. McFarlane*, 360 F.3d 644, 655 (7th Cir. 2004) and *In re World Auxiliary Power*, 303 F.3d 1120 (9th Cir. 2002)), it does at least have the merit of being practical: a party attempting to acquire rights in a registered copyright from a party other than the party identified in the registration certificate as its owner should be aware that something is amiss.

With little additional discussion, the First Circuit referred back to its holding concerning Patacon Pisao to reject, based on the registrations of the subject works, LAMCO/ACEMLAs argument that it did not have constructive notice of the Publishers works. The problem, however, was that the Publishers, unlike the transferee of the Patacon Pisao copyright, were not the parties that registered the subject works. In other words, even if the registrations could have, as

a general matter, given LAMCO/ACEMLA constructive notice of interests in the copyrights, they could not have given LAMCO/ACEMLA constructive notice of the *Publishers* interests in the copyrights.

Read broadly, the First Circuits decision would appear to hold that transfers in registered works need not be recorded to protect the transferees interest. However, given that the factual complexity of the case and the fact that this portion of the holding was not the subject of much discussion, practitioners would be well-advised to continue recording copyright-related transfers, at least until the issue is subjected to a more penetrating analysis by the courts.

ABOUT THE AUTHOR(S):

Eric E. Bensen is a co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets*, the author of a number of articles on intellectual property issues, and an attorney with Paul, Hastings, Janofsky & Walker LLP in New York, where he focuses his practice on intellectual property litigation and licensing.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



25 of 37 DOCUMENTS

Emerging Issues Copyright 2008, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Friel and Meyer on User-Generated Content: Potential DMCA Safe Harbor

2008 Emerging Issues 2008

Friel and Meyer on User-Generated Content: Potential DMCA Safe Harbor

By Alan L. Friel and Nathan D. Meyer

March 7, 2008

SUMMARY: Use Title Below instead of Online Display Name for the ADF/Case Link:Friel and Meyer on User-Generated Content in the Web 2.0 Era: The Potential DMCA Safe HarborAn area of concern for website providers, promotions operators, sponsors, and others that permit third parties to post so-called user-generated content (UGC) is the distinct possibility that the user will infringe third-party intellectual property or personal rights. This article will address the most common complaint by rightholders concerning UGC -- that the content infringes copyright. This expert commentary is written by Alan L. Friel.s a Partner at Wildman Harrold Allen & Dixon LLP in Los Angeles where he practices in the areas of advertising, media and technology law, and Nathan D. Meyer, an associate at Russ August & Kabat P.C. in Los Angeles where he practices in general litigation.

PDF LINK: [Click Here for Enhanced PDF of Commentary](#)

ARTICLE: An area of concern for website providers, promotions operators, sponsors, and others that permit third parties to post so-called user-generated content (UGC) is the distinct possibility that the user will infringe third-party intellectual property or personal rights. This article will address the most common complaint by rightholders concerning UGC that the content infringes copyright.

Copyright Owner Rights. Copyright owners have the exclusive rights to reproduce, distribute, make derivatives from, and publicly perform and display their works. n1 The unauthorized posting, uploading, transmission, and storage of copyrighted works by individual Internet users may constitute an infringement of these rights, specifically those of reproduction, distribution, and performance or display. Theories of liability for UGC that infringe upon third-party copyright include 1) direct infringement; n2 2) contributory infringement, n3 3) inducement liability n4 4) vicarious liability n5 and 5) tertiary liability. n6 Depending upon the facts, both website operators and the operators and sponsors of online UGC contests or other promotions could conceivably fall under one or more of these theories and could potentially be found liable for the copyright infringement caused by users.

Potential Safe Harbor Defense. However, the Online Copyright Infringement Liability Limitation Act, passed in 1998 as Title II of the Digital Millennium Copyright Act (the DMCA) n7 provides that an online service provider, n8 including potentially a single sponsor website and joint operators of co-branded websites, may be able to create a safe harbor defense for what is truly UGC stored at the direction of users if it maintains a proper DMCA compliant notice and take down process. *See, 17 U.S.C. §512(c), (i).* n9

If the website does not receive a financial benefit directly attributable to the infringing activity in a situation where it has the right and ability to control such activity, has registered an agent of service with the U.S. Copyright Office and maintains a procedure compliant with the Act for the removal of UGC upon a valid take down request, it should have a defense to copyright infringement claims by copyright holders for UGC stored at the direction of users. *17 U.S.C. § 512(c)(1)(B)-(c)(2)*, (i). The service provider must respond expeditiously to remove, or disable access to, material that a proper notice identifies as infringing. If the user whose content is taken down files a proper counter-notification requesting the restoration of removed content, the service provider must send a copy of such request to the party that originally requested the removal. *17 U.S.C. § 512 (g)(3)*. Unless that party then obtains a court order supporting removal of the material at issue, the service provider must restore access to the material. *Id.* A service provider does not have a duty to monitor its website for infringing content, but must terminate repeat offenders and must not have actual knowledge that material is infringing. ⁿ¹⁰ *See, 17 U.S.C. §§ 512(c)(1)(A), 512(i)(1)(A) and 512 (m)(1)*. However, if the service provider becomes aware of a red flag from which infringing activity is apparent, it will lose the limitation of liability if it takes no action. ⁿ¹¹

A further requirement for safe harbor under the DMCA is implementation of standard technical measures. *17 U.S.C. §512(i)(1)B*, (i)(2). On this issue, the industry arguably appears to be moving toward a standard as of early 2008. Google's YouTube recently announced that it was testing a copyright filtering system and a coalition of mainstream content companies and several UGC websites announced guidelines calling for adoption of such types of filtering and blocking technology. *See Principles for User Generated Content Services* (www.ugcprinciples.com). The use of content filters, however, is likely to result in complaints by the fair use community that First Amendment protected transformative uses of third-party content (i.e., fair use) are improperly blocked by such technology. *See, Moveon.org Civic Action et al. v. Viacom*, No. 3:07:01657 (N.D.Cal. 2007) (alleging improper DMCA take down notice regarding a political parody and criticism video incorporating clips from a TV show whose host was lampooned). The Copyright Act codifies the concept of fair use at *17 U.S.C. § 107* as a defense to a copyright infringement claim. Under the DMCA's notice and take down scheme, the user that posted allegedly infringing UGC has a procedure, in the form of the counter-notice, for raising the fair use defense. The UGC Principles provide that Copyright Owners and UGC Services should cooperate to ensure that Information Technology is implemented in a manner that effectively balances legitimate interests in (1) blocking infringing user-uploaded content, (2) allowing wholly original and authorized uploads, and (3) accommodating fair use. However, they fall short of setting forth ways in which fair use will be respected and for a method for users to raise a fair use defense to removal or blocking of UGC by filtering technology. Accordingly, it remains unsettled how users will be able to advance a fair use position with respect to UGC caught by filters, short of bringing a declaratory relief action, which few users will have the resources to pursue. Some of the contributors to the drafting of the UGC Principles have opined that fair use can be in part addressed when content owners set usage rules for their content, in connection with filtering, and further by UGC sites when they set up implementation protocols. In addition to fair use concerns, there is also an ongoing controversy as to how the cost burden of filtering should be allocated and concern by smaller online publishers that the cost to them will be too burdensome, chill free expression and create a barrier of entry that protects well-heeled website operators.

Scope of DMCA Safe Harbor. The scope of the DMCA safe harbor is currently the topic of several pending law suits against UGC websites. *See, e.g., Viacom v. YouTube, Inc. et al.*, No. 1:07:02103 (S.D.N.Y. filed March 13, 2007); *UMG Recordings, Inc. v. MySpace, Inc.*, No. 2:06-07361 (C.D.Cal. filed Nov. 17, 2006); *Robert Tur v. YouTube*, No. 06:4436 (C.D. Cal., filed 6/14/06, voluntarily dismissed by Tur to join *Football Assoc.* cases YouTube has appealed.), and *The Football Assoc. Premier League Ltd. and Bourne v. YouTube, Inc. et al.*, No. 07:3593 (S.D.N.Y. filed May 24, 2007). Among the issues to be decided in these cases is whether these websites have the right and ability to control the UGC and, if so, how much commercial activity by the website related to the UGC constitutes direct financial benefit that would preclude the website from falling within the DMCA safe harbor, and what technical measures to prevent infringement are required by the Act. As they address these questions, the courts need to establish what content guidelines and controls, beyond the ability to take down UGC that clearly infringes third-party copyrights, falls short of constituting an ability to control, and how CDA Section 230(c)(2)s encouragement of good faith efforts to restrict obscene, lewd, lascivious, filthy, excessively violent, harassing and otherwise objectionable content interplays with the

DMCA's restriction on a financially interested operator's ability to control UGC and still obtain the safe harbor. Compare e.g. *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 556 (4th Cir. 2004) (website that conducted human review of posted photos for photos that did not depict the applicable subject matter (commercial real estate) and for obvious copyright violations entitled to DMCA protections); and *Hendrickson v. eBay, Inc.*, 165 F.Supp.2d 1082, 1094 (C.D. Cal. 2001); (Congress did not intend for service providers to lose the safe harbor if it monitors its site for apparent infringement and removes same) (quoting House Report 105-796 at 73 (October 8, 1998)) with *Perfect 10, Inc. v. Cybernet Ventures*, 213 F. Supp. 2d 1146, 1182-82 (C.D. Cal. 2002) (service provider maintains right and ability to control where it prescreens sites, gives extensive advice regarding content and limits sites with identical content). These cases, and subsequent cases discussing them, suggest that the ability to control goes to the issue of the operator's editorial activities as opposed to mere monitoring, blocking and removal of postings and non-editorial operational control. See, e.g., *Corbis Corporation v. Amazon.com, Inc.*, 351 F.Supp.2d 1090, 1102 (finding Amazon's regulation of its merchant partners more like LoopNet and eBay than Cybernet). In the *Tur* case, however, the court denied YouTube's Motion for Partial Summary Judgment on the DMCA safe harbor issue finding issues of fact as to YouTube's ability to exercise control over infringing activity on its site. In its discussion of the issue, the court took a more restrictive reading of some of the DMCA cases, noting that while the right and ability to control infringing activity, as the concept is used in the DMCA, has been held to mean something more than just the ability of a service provider to remove or block access to materials posted on its website . . . , the requirement presupposes some antecedent ability to limit or filter copyrighted material. *Tur*, supra, 2007 U.S. Dist. LEXIS 50254 (decided June 20, 2007 YouTube has appealed)(emphasis added), citing *Hendrickson v. eBay, Inc.*, 165 F.Supp.2d 1082, 1093 (C.D. Cal. 2001); *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp.2d 1146, 1183 (C.D. Cal. 2002); *Corbis Corp. v. Amazon.com, Inc.*, 351 F.Supp.2d 1090 (W.D. Wash. 2004); *Cherry Auction v. Fonovisa, Inc.*, 76 F.3d 259, 63 (9th Cir. 1996); and *MGM, Inc. v. Grokster*, 125 S.Ct. 913, 926 (2005).

Future of Commercial UGC sites. If the UGC sites lose on right and ability to control, there is sparse authority giving meaningful guidance to what constitutes direct financial benefit. The legislative history instructs that [i]n determining whether the financial benefit criterion is satisfied, courts should take a common-sense, fact-based approach, not a formalistic one. n12 Charging the users posting infringing content set up and service fees has been found not to be a direct financial benefit. *Perfect 10, Inc. v. CC Bill LLC*, 481 F.3d 751, 767 (9th Cir. 2007); and *Ellison v. Robertson*, 357 F.3d 1072, 1079 (9th Cir. 2004); cf. *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544 (4th Cir. 2004) (suggesting in dicta no direct financial benefit from subscription service); and *Hendrickson v. eBay, Inc.*, 165 F.Supp.2d 1082 (C.D. Cal. 2001) (suggesting in dicta no direct financial benefit from service fees on online auctions). Whether serving ads (contextual or otherwise) n13 on the same page as UGC or within the UGC itself, using UGC as part of a sponsor's promotion of its products and services or as part of a sponsored contest or other promotion, or enlisting users to create user generated ads for a site's sponsors are direct financial benefits remain unanswered. Some UGC sites have taken steps to separate their revenue generating activities from UGC by limiting ads and revenue sharing with content providers to pages of the site that have content licensed from mainstream content providers rather than users.

It is important to note that the DMCA safe harbor will not apply other than to qualifying online service providers (which at least for now appears to include websites, supra n. 8). Thus, if a company is operating a UGC promotion other than on its own site (e.g., via a YouTube user group), the company will not have a DMCA copyright-infringement shield. However, promotions sponsors and operators may be subject to copyright infringement claims for UGC posted as part of a promotion under one of the indirect or secondary liability theories discussed in notes 2 through 5. Sponsors of UGC promotions can reduce the potential for liability by restricting the content to be used to content that is either original to the user and/or certain pre-cleared content made available to the users for purposes of the promotion. n14 It is also advisable to direct users to sources that explain the basic rules of copyright, intellectual property and personal rights (while disclaiming responsibility for the completeness or accuracy of that information) and to explain to users that infringement is prohibited and grounds for account termination and/or disqualification from the promotion. An alternative approach is to opt for clearance and active control as the preferred method of risk management over an attempt to fall under CDA and DMCA protections. At least one major promoter of user-created ads has taken this route and elected not to have submissions posted on a public website by users, but rather privately submitted, reviewed and

cleared by the provider and its sponsors before the ads are publicly displayed.

UGC is an important part of the second generation Web Web 2.0 and so long as users continue to embrace the ability to create and post content as a method of online expression, websites and advertisers and promoters seeking to capture users attention, will continue to provide venues for UGC distribution. A decade has passed since the DMCA was passed, and courts or Congress need to further flesh out how the Act should be interpreted and how websites and copyright owners are to interact and cooperate within the structure of the Acts safe harbor provisions. The high profile cases currently working their way through the courts will likely provide some guidance in this regard.

For additional information regarding UGC, see Nimmer on Copyright, Ch. 12B, Liability for Online Copyright Infringement, § 12B.04.

Return to Text

n1 . *See 17 U.S.C. § 106.*

n2

[2]. To establish direct copyright infringement, a plaintiff must establish 1) as valid copyright and 2) copying of constituent elements of the work that are original. *Fiest Publications, Inc. v. Rural Telephone Serv. Co.*, 499 U.S. 340, 361 (1991).

n3

[3]. *Perfect 10 v. Visa International*, 494 F.3d 788 (9th Cir. 2007) (One contributorily infringes when he 1) has knowledge of another's infringement; and 2) either (a) materially contributes to or (b) induces that infringement.); *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001) (Contributory liability found where a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to the infringement.).

n4

[4]. *MGM Studios v. Grokster, Ltd.*, 545 U.S. 913, 936-37 (2005) ([O]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for [inducing] the resulting acts of infringement by third parties.).

n5

[5]. *Cherry Auction v. Fonovisa, Inc.*, 76 F.3d 259, 262-63 (9th Cir. 1996) (Vicarious liability exists where the defendant: 1) possesses the right and ability to supervise; and 2) has an obvious and direct financial benefit from the infringement.).

n6

[6]. *UMG Recordings, Inc. v. Hummer Winblad, et al.*, 2006 U.S. Dist. Lexis 30338 (N.D. Cal. 2006) (raising possibility of tertiary liability for investors in contributorily infringing companies).

n7

[7]. Equally importantly, the Communications Decency Act of 1996 (the CDA) provides certain immunities for other types of causes of action (e.g., state tort claims) protecting providers and users of interactive computer services. These protections are discussed in more detail in a subsequent LexisNexis Expert Commentary by the same authors to follow. Such article will outline the bounds of CDA immunity, both in terms of what laws are carved out of CDA immunity, and what acts must be taken by a provider to preserve CDA immunity generally.

n8

[8]. The DMCA explicitly protects service providers. This term of art has been interpreted by courts to include websites. *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 556 (4th Cir. 2004); *Hendrickson v. eBay, Inc.*, 165 F.Supp.2d 1082, 1088 (C.D. Cal. 2001) (eBay clearly meets the DMCA's broad definition of online "service provider."). Viacom, in a pending case against a UGC website, has challenged that the DMCA protections apply to most websites in its pleadings. *See Viacom v. YouTube, Inc. et al.* Case No. 07:02103 (S.D.N.Y., filed 3/13/07), complaint at 38.

n9

[9]. The DMCA also provides safe harbors for (1) transitory digital network communications, (2) system caching, and (3) information location tools. 17 U.S.C. § 512(a),(b),(d).

n10

[10]. [A] service provider need not monitor its service or affirmatively seek facts indicating infringing activity...in order to claim this limitation on liability. House of Rep., Rept. 105-551, Part 2, page 53, 105th Congress, 2d Session (July 22, 1998).

n11

[11]. Id.

n12

[12]. House of Rep., Rept. 105-551, Part 2, page 54, 105th Congress, 2d Session (July 22, 1998).

n13

[13]. Contextual advertisements are targeted ads served to users based upon a users input, such as search terms or the content of a piece of UGC. Other advertisements are run more broadly to any user who visits a given site.

n14

[14]. Such restrictions are also frequently employed by website operators who do potentially qualify for DMCA protection. Arguably, however, this type of limitation and direction of UGC could be indicia of an ability to control, which, as noted above, could negatively affect the service providers ability to claim a safe harbor. Given, though, that the purpose of such restrictions is to try to prevent copyright infringement, such a finding would be inconsistent with the intent and purpose of the DMCA and support can be found in prior cases that efforts to prohibit infringement should not be used to bar the safe harbor.

ABOUT THE AUTHOR(S):

Alan L. Friel is a Partner at Wildman Harrold Allen & Dixon LLP in Los Angeles where he practices in the areas of advertising, media and technology law. He may be reached at friel@wildman.com, 323-951-9765.

Nathan D. Meyer is an associate at Russ August & Kabat P.C. in Los Angeles where he practices in general litigation. He may be reached at nmeyer@raklaw.com, 310-826-7474.



26 of 37 DOCUMENTS

Emerging Issues Copyright 2008, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Eric E. Bensen on Bridgeport Music, Inc. v. WB Music Corp.

2008 Emerging Issues 1870

Eric E. Bensen on Bridgeport Music, Inc. v. WB Music Corp., 508 F.3d 394 (6th Cir. 2007)

By Eric E. Bensen

February 6, 2008

SUMMARY: Use Title Below instead of Online Display Name for the ADF/Case Link:Eric E. Bensen on the Sixth Circuits Holding that the Receipt of Royalties Did Not Support an Inference of the Existence of a License: *Bridgeport Music, Inc. v. WB Music Corp., 508 F.3d 394 (6th Cir. 2007)*.In *Bridgeport Music, Inc. v. WB Music Corp.*, the Sixth Circuit considered of whether plaintiff, which alleged that defendant contributorily infringed its copyright by granting a license to the infringing work to a third party, raised a genuine issue of material fact as to existence of the license by offering evidence of defendants receipt of royalties for the work and held, on the facts of the case, that it had not.Eric E. Bensen is a co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets*, the author of a number of articles on intellectual property issues, and an attorney with Paul, Hastings, Janofsky & Walker LLP in New York, where he focuses his practice on intellectual property litigation and licensing.

PDF LINK: [Click Here for Enhanced PDF of Commentary](#)

ARTICLE: In *Bridgeport Music, Inc. v. WB Music Corp., 508 F. 3d 394 (6th Cir. 2007)*, the Sixth Circuit considered of whether plaintiff, which alleged that defendant contributorily infringed its copyright by granting a license to the infringing work to a third party, raised a genuine issue of material fact as to existence of the license by offering evidence of defendants receipt of royalties for the work and held, on the facts of the case, that it had not.

Summary of the Case

The P-Funk All Stars composed *Pumpin It Up* and in 1983, released it on an album entitled, *Urban Dancefloor Guerillas*. Bridgeport Music, Inc. (Bridgeport) owned one hundred percent of the interest in that composition. Some time later, Calvin Broadus (a.k.a. Snoop Dogg), Priest Joseph Brooks and Lenton Hutton composed *Change Gone Come*. Allegedly, lyrics from *Pumpin It Up* were interpolated in *Change Gone Come*.

On January 31, 2000, Universal-MCA Music Publishing, Inc. (Universal) entered into an Exclusive Songwriter & Co-Publishing Agreement (the Agreement) with Hutton, who owned fifty percent of *Change Gone Come*, under which Universal acquired fifty percent of Huttons interest, i.e., twenty five percent ownership of the entire song, and the right to use the composition. The Agreement also gave Universal the exclusive right to administer and grant rights in the

composition. The other writers owned the remainder of the copyright in *Change Gone Come*.

In October of 2000, D-3 Albums released, *Dead Man Walkin*, which contained a recording of *Change Gone Come*. Earlier, in May 1999, Soul Town, another record company, released, *Well Connected*, which also contained a recording of *Change Gone Come*. Universal did not manufacture, distribute or sell either album. Moreover, it denied granting any licenses authorizing the use of *Change Gone Come* on those albums. However, it did receive a small amount of royalties (just over \$600) for *Change Gone Come*, although there was no evidence that those royalties came from sales of *Dead Man Walkin* or *Well Connected*.

Bridgeport sued Universal and others alleging that the use of *Pumpin It Up* lyrics in *Change Gone Come* violated its copyright. With respect to its claim against Universal, the gist of Bridgeports theory was that Universal committed contributory copyright infringement by granting licenses to *Change Gone Come* in connection with the *Dead Man Walkin* and *Well Connected* albums.

Universal moved for summary judgment on the grounds that there were no genuine issues of material fact regarding whether Universal granted a license to *Change Gone Come*. In response to the motion, which was supported by an affidavit by Universals vice president to the effect that Universal never granted a license to *Change Gone Come*, Bridgeport argued that a reasonable trier of fact could conclude that Universal granted either an oral or an implied license for the work from the facts that Universal had a partial ownership interest in the infringing song and the fact that Universal received royalties in connection with the song. The district court granted the motion.

Bridgeport appealed to the Sixth Circuit.

Pertinent Legal Issues

Copyright Infringement. Copyright infringement occurs where the original elements of a work protected by a valid copyright are copied without the owners consent. Typically, infringement is established by a showing that the defendant had access to the copyrighted work and the two works are substantially similar. The infringer need not copy the entirety of the copyrighted work a derivative of a work may infringe the copyright on the original.

For a discussion of the elements of copyright infringement, see 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.01 *et seq.* (2007); 1 Roger M. Milgrim & Eric E. Bensen, *Milgrim on Licensing* § 5.36 (2007). For a discussion of copyrights in derivative works, see 1 *Nimmer on Copyright* § 3.01; 1 *Milgrim on Licensing* § 5.23.

Indirect Copyright Infringement. The Copyright Act does not expressly provide for secondary liability for copyright infringement, but such liability has long been recognized in decisional law. There are several bases for such liability.

Respondeant Superior. As applied in the copyright area, that doctrine provides that a corporation can be liable for the infringing act of an employee.

Vicarious Liability. Vicarious liability is related to the *Respondeant Superior* doctrine, but is broader. Vicariously liability may exist where the defendant has the right and ability to supervise the infringing conduct and a direct financial interest in the conduct. For example, the owner of a theater may be liable for an infringing performance by a band performing there, even though the band chose the music it performed.

Contributory Liability. There are two paths to contributory liability. The first is actual participation in the infringing activity with knowledge of the infringement. In contrast to vicarious liability, a contributory infringer need not have supervisory control over the direct infringer or a financial stake in the infringing activity; it is sufficient for liability that the defendant had knowledge of the infringement and aided the infringer in accomplishing its activity, such

as a radio station that runs advertisements for a product it knows to infringe. The second is providing the means to infringe. Again, supervisory control and financial stake in the infringement are not necessary; it is sufficient that the defendant furnish the copyrighted work to the direct infringer and have knowledge of the intended infringing use, such as where the owner of a self service sound recording duplication facility lends to its customer a copyrighted tape for the purpose of duplication.

Intent to Induce Infringement. Secondary liability may also exist where the defendant takes active steps to encourage infringement, such as by distributing a device while promoting its infringing use. Evidence of such intent may be present where the defendant instructs others in how to engage in an infringing act or generally encourages such infringement.

For a discussion of principles of secondary liability for copyright infringement, see 3 *Nimmer on Copyright* § 12.04 *et seq.*; 2 *Milgrim on Licensing* § 5.35. Liability for contributory infringement was the subject of such notable cases as *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) and *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001). Inducement to infringe was the subject of the Supreme Courts decision in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764 (2005).

Oral Copyright Licenses. Under the Copyright Act, a transfer of ownership of a copyright, which can be in the form of an assignment, mortgage, exclusive license or any other form of transfer of exclusive rights in the copyright, must be in writing. 17 U.S.C. § 204(a). However, transfer, as defined in the Copyright Act, expressly excludes nonexclusive licenses such that a nonexclusive license is not a transfer of ownership and need not be in writing to be enforceable. 17 U.S.C. § 101.

For a discussion of nonexclusive copyright licenses, see 3 *Nimmer on Copyright* § 10.03[A][7]. For a discussion of the pertinent aspects of a nonexclusive licenses generally, see 2 *Milgrim on Licensing* § 15.34.

Implied Copyright Licenses. A nonexclusive copyright license may be implied where the parties conduct evidences an intent that such a license be granted. Such circumstances may exist where the licensor requests the creation of the work and the licensee creates it and delivers it with the intention that the licensee copy and distribute it. An implied license, in the absence of consideration, is revocable, although if the licensors conduct led the licensee to believe it had a right to engage in the infringing conduct and the licensee relied on the conduct to its detriment, the licensor may be estopped from terminating the license.

For a discussion of the implied copyright licenses, see 1, 2 *Milgrim on Licensing* § 5.41 (implied copyright licenses); § 15.48 (implied licenses generally). See also 3 *Nimmer on Copyright* § 10.03[A][7].

The Sixth Circuits Decision

The Sixth Circuit reviewed the grant of summary judgment to Universal within the framework of Bridgeports theory that in view of the royalties received by Universal in connection with *Change Gone Come*, there was a genuine issue of material fact as to whether Universal infringed Bridgeports copyright in *Pumpin It Up* by authorizing the use of *Change Gone Come* on the "Well Connected" and "Dead Man Walkin" albums. In doing so, the court put considerable weight on the evidence produced by Universal that it had granted no licenses for *Change Gone Come* and Bridgeports failure to introduce any evidence to the contrary. Notwithstanding that evidentiary imbalance, Bridgeport stood its ground arguing that in view of Universals ownership interest in *Change Gone Come* and the infringement, and Universals receipt of royalty payments in connection with *Change Gone Come*, a jury could infer that an oral or implied license had been granted.

The Sixth Circuit rejected Bridgeports argument. In the courts view, the affidavit submitted by Universal to the effect that it had granted no licenses for *Change Gone Come* put the burden on Bridgeport to come forward with evidence connecting Universal to the distribution and sale of the "Well Connected" and "Dead Man Walkin" albums. As the court explained, neither the ownership interest in the song combined with the infringement nor the receipt of royalties for the song by Universal permitted an inference that a license had been granted. The court affirmed the grant of summary judgment.

Comments

In the normal course, one would expect that the receipt of royalties to be at least an indication of the existence of a license. That Universals receipt of royalties in connection with *Change Gone Come* was not viewed as contradicting its affidavit to the effect that it never licensed the song is not explained, but may be attributable to the fact that the royalties were negligible (\$.86 in mechanical royalties, approximately \$600 in foreign royalties, and \$.38 in performance royalties). In all events, the fatal flaw in Bridgeports case was not relying on the receipt of royalties to support an inference that a license existed, but rather, failing to provide any evidence connecting that license to the *albums* in question.

ABOUT THE AUTHOR(S):

Eric E. Bensen is a co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets*, the author of a number of articles on intellectual property issues, and an attorney with Paul, Hastings, Janofsky & Walker LLP in New York, where he focuses his practice on intellectual property litigation and licensing.



27 of 37 DOCUMENTS

Emerging Issues Copyright 2008, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

White on Pre-1979 Publications Lacking Copyright Notice Invalidated Protection

2008 Emerging Issues 1768

White on Pre-1979 Publications Lacking Copyright Notice Invalidated Protection

By Danielle M. White

January 9, 2008

SUMMARY: Use Title Below instead of Online Display Name for the ADF/Case Link: Danielle M. White on the First Circuits Ruling that Pre-1979 Publications Lacking Copyright Notice Invalidated Copyright Protection in *Roy Brown v. Latin American Music Co., Inc., No. 06-2710, 2007 U.S. App. LEXIS 18690* (1st Cir. Aug. 7, 2007) In *Roy Brown*, the First Circuit addressed the issue of copyright notice under the 1909 and 1976 Copyright Acts and held that where works were first published from 1952 to 1976 without a copyright notice, the putative copyright holder could not establish copyright validity. This commentary addresses the implications of the ruling. Danielle M. White is an attorney with Paul, Hastings, Janofsky & Walker LLP in New York, where she focuses her practice on intellectual property litigation.

PDF LINK: [Click Here for Enhanced PDF of Commentary](#)

ARTICLE: In *Roy Brown*, the First Circuit addressed the issue of copyright notice under the 1909 and 1976 Copyright Acts and held that where works were first published from 1952 to 1976 without a copyright notice, the putative copyright holder could not establish copyright validity.

Summary of Case

The Latin American Music Company and the Asociacin de Compositores y Editores de Msica Latino Americana (collectively, LAMCO) held a copyright registration for a work entitled *Oubao Moin y 17 Obras Mas de Juan A. Corretjer*, which included eleven poems by Juan Antonio Corretjer. The February 2000 registration listed February 19, 1979 as the date of the works first publication. Corretjer authored the eleven poems during the early 1950s through the 1970s. Ten of the poems were published without copyright notices in books or pamphlets bearing publication dates from 1952 to 1976.

From 1975 to 1987, Roy Brown, a music composer and performer, wrote, performed, and recorded musical adaptations of Corretjers eleven poems. The registered copyrights for Browns musical works listed Corretjer as the poems author.

On March 4, 2005, Brown sought a declaration that a poem written by Corretjer was in the public domain. LAMCO filed a counterclaim alleging that Browns musical adaptations of eleven of Corretjers poems infringed LAMCOs February 2000 registered copyright.

On January 23, 2006, Brown moved for summary judgment on the grounds that LAMCO did not possess a valid copyright, ten of the eleven poems at issue were in the public domain, the musical adaptation of the eleventh poem was authorized by the poet, and the copyright infringement claim was time-barred. The district court denied Browns motion for summary judgment because there were material facts in dispute.

The court, however, dismissed LAMCOs copyright infringement counterclaim with prejudice because LAMCO failed to prove it possessed a valid copyright. The district court accepted Browns documentary evidence that ten of the poems had been published without the required copyright notices. Moreover, because no action was taken within five years of the publication of each poem to cure that omission, the district court held that the poems were placed in the public domain either immediately upon publication under the 1909 Copyright Act or five years later under the 1976 Copyright Act.

The district court noted that LAMCO failed to offer any evidence to prove that the poems at issue were not published before February 19, 1979 and, in fact, admitted that five of the poems had been published in 1957 when responding to Browns statement of undisputed facts submitted in support of his summary judgment motion.

LAMCO appealed the district courts decision.

Pertinent Legal Issues

Copyright Notice. The statutory requirements for valid copyright notice are intricate and complicated by the fact that they are enumerated in three separate copyright acts. Until the Berne Convention Implementation Act of 1988 (BCIA) was enacted to amend the Copyright Act of 1976, failure to include the proper copyright notice in both form and content invalidated copyright protection. The 1988 amendment altered the notice requirement prospectively but did not alter and explicitly retained the notice requirements for published works that predated the effective date of the amendment. Thus, to determine the legal significance of any given copyright notice, it is necessary to look to the act that governs the work at issue.

The 1909 Copyright Act, which governs works published prior to January 1, 1978, requires works to include valid copyright notices upon publication to obtain copyright protection. Works with defective notice forfeited any copyright protection and were cast into the public domain. *17 U.S.C. § 10*.

The 1976 Copyright Act, which governs works published between January 1, 1978 and March 1, 1989, also requires works to include valid copyright notices upon publication. Failure to include the requisite notice at the time of publication, however, could be cured if, *inter alia*, the work is registered within five years of publication and a reasonable effort is made to add the notice to publicly distributed copies. *17 U.S.C. §§ 401--402, 405 (pre-BCIA)*.

Under the BCIA amendments, which govern works published after March 1, 1989, defective notice no longer invalidates copyright protection. Providing notice, however, remains advisable. A defendant claiming innocent infringement may be able to limit a damages award to the statutory minimum if the defendant can prove that he or she acted in good faith and had no reason to believe that his or her acts constituted copyright infringement. A copyright notice, however, will absolutely defeat that innocent infringers good faith or lack of knowledge defense.

While each Act also dictates the proper form, content, and placement of a copyright notice, a copyright owner generally provides notice by placing the word Copyright (or, in some circumstances the abbreviation Copr. or the symbol), the name of the copyright owner, and the year of first publication on all publicly distributed copies of a work.

For a discussion of copyright notice, see David Nimmer, *2-7 Nimmer on Copyright §§ 7.02, 7.06 7.10* (2007), 4-14 *Nimmer on Copyright § 14.04[B][2][a]*; Roger M. Milgrim & Eric E. Bensen, 1-5 *Milgrim on Licensing § 5.56* (2007).

First Circuits Decision

On appeal, LAMCO challenged the district courts dismissal of the copyright infringement counterclaim. It argued, in part, that the district court erred in considering Browns evidence establishing pre-1979 publication dates for ten poems without copyright notices because LAMCO had controverted that evidence with general denials. The First Circuit rejected LAMCOs attempt to shift the burden of proof, affirmed the district courts decision, and held that LAMCO failed to prove the validity of the copyrights at issue.

The First Circuit confirmed that the threshold question was whether or not LAMCO held a valid copyright. Affirming the district courts holding, the First Circuit set forth the requirements for copyright notice under the 1909 and 1976 Copyright Acts. Similarly accepting Browns documentary evidence of the poems previous publication without copyright notice and no subsequent action to cure that lack of notice, the First Circuit confirmed that the poems were not entitled to copyright protection. The First Circuit noted that Congress included the provision that a registration obtained after five years benefits from no presumption [of validity] because a significant lapse in time between publication and registration increases the likelihood that the information stated in the certificate will be unreliable. LAMCOs failure to counter Browns evidence that the poems were in the public domain was fatal.

In light of LAMCOs admission that five poems were published in 1957, the twenty-year gap between the first publication and the registration, and the uncontroverted evidence of prior publication without the required copyright notice, the First Circuit affirmed the district courts decision dismissing LAMCOs copyright infringement claim with prejudice.

Comments

Brown is an interesting reminder that in copyright infringement cases involving older published works, it is necessary to carefully consider the operative act and its implications on the claims at issue. All things being equal, had the poems at issue been published after March 1, 1989, there would have been a different outcome.

ABOUT THE AUTHOR(S):

Danielle M. White is an attorney with Paul, Hastings, Janofsky & Walker LLP in New York, where she focuses her practice on intellectual property litigation.



28 of 37 DOCUMENTS

Emerging Issues Copyright 2008, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Graham on Goss International Americas, Inc. v. A-American Machine & Assembly Co.

2008 Emerging Issues 1757

Graham on Goss International Americas, Inc. v. A-American Machine & Assembly Co.

By Joshua P. Graham

January 8, 2008

SUMMARY: Use Title Below instead of Online Display Name for the ADF/Case Link:Graham on Goss International Americas, Inc. v. A-American Machine & Assembly Co.: The Northern District of Illinois Weighs in on the Circuit Split over Whether a Copyright is Registered for Purposes of Initiating an Infringement Action upon Filing an Application or upon Approval of an Application In Goss International Americas, Inc. v. A-American Machine & Assembly Co., the Northern District of Illinois weighed in on the split between the Circuits over whether a party may initiate action after filing a copyright application with the Copyright Office or if it must wait until approval of the application. This commentary discusses the basis for both sides of the split, which may provide a framework for copyright applicants and alleged infringers to argue their position in venues that have yet to weigh in on the issue. Joshua P. Graham is an attorney at the law firm of Merchant & Gould in Minneapolis, MN. His practice focuses on Intellectual Property litigation.

PDF LINK: [Click Here for Enhanced PDF of Commentary](#)

ARTICLE: I. Introduction. In *Goss International Americas, Inc. v. A-American Machine & Assembly Co.*, the U.S. District Court for the Northern District of Illinois held that a party may initiate an action for infringement of a federal copyright upon properly filing a copyright application. n1 Section 411(a) of Title 17 requires that "no action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title." In interpreting this requirement, the Circuits have split over whether a party may initiate action after filing a copyright application with the Copyright Office or if it must wait until approval of the application. n2

In making its determination, the Northern District of Illinois weighed in on the split between the Circuit. n3 Circuits requiring approval of a copyright application generally rely on the plain language of the copyright statutes. n4 Circuits only requiring the filing of an application generally rely on policy and practicality. n5 Knowing the basis for both sides of the split provides a framework for copyright applicants and alleged infringers to argue their position in venues that have yet to weigh in on the issue.

II. *Goss International Americas, Inc. v. A-American Machine & Assembly Co.* and the Policy and Practicality Basis for Only Requiring Filing of an Application. In holding that a party need only properly file a copyright application to initiate an infringement action, the Northern District of Illinois focused on two issues. From a policy

standpoint, the court reasoned that requiring a copyright applicant to idly wait for a decision by the Copyright Office while suffering financial damages as a result of a competitor copying its work is unfair. n6

From a practical standpoint, this unfairness is compounded by the fact that the copyright applicant may initiate an infringement action whether the Copyright Office approves or refuses the application. n7

In any case, however, where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights.

17 U.S.C. § 411(a), second sentence. As described by another court, "the argument goes, a copyright owner can get into court without being held hostage by the vagaries of the Copyright Office . . ." n8 Thus, the Northern District of Illinois held that "[the copyright applicant's] registration is effective for purposes of initiating an infringement suit as of the day plaintiff filed its application." n9 This holding is consistent with both the Fifth and Eighth Circuits. n10

IV. The Plain Language Basis for Requiring Approval of an Application. On the other side of the split, Circuit courts have focused on the language of Title 17 in requiring approval of a copyright application before initiation of an infringement action. n11 According to this interpretation, the plain statutory language distinguishes "application" from "registration." n12 First, § 411(a) itself uses the term "application" as clearly something separate and apart from "registration." n13

In any case, however, where the deposit, *application*, and fee required for *registration* have been delivered to the Copyright Office in proper form and *registration* has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights.

17 U.S.C. § 411(a), second sentence (emphasis added).

Second, § 410(a) requires examination of submitted material before registration.

When, after examination, the Register of Copyrights determines that, . . ., the material deposited constitutes copyrightable subject matter and that the other legal and formal requirements of this title have been met, the Register shall register the claim and issue the applicant a certificate of registration . . .

17 U.S.C. § 410(a), first sentence. This requirement would be meaningless if filing and registration were synonymous. n14

Third, § 410(b) requires the Copyright Office to refuse to register submitted material if the material does not constitute copyrightable material.

In any case in which the Register of Copyrights determines that, . . ., the material deposited does not constitute copyrightable subject matter . . ., the Register shall refuse registration . . .

17 U.S.C. § 410(b). The statutorily prescribed authority of the Copyright Office to refuse to register a filing as a copyright "'drives a wedge' between mere 'application' and actual 'registration.'" n15 This theory is followed by the Tenth and Eleventh Circuits. n16

V. Moving Forward. At least four Circuit courts, and a number of District courts, have weighed in on whether mere application or actual registration of a copyright is necessary to initiate an infringement action. The reasoning of these courts provides a framework to argue in venues that have yet to weigh in on this issue.

From the standpoint of an alleged infringer attacking the standing of a party who has filed a copyright application that has neither been approved nor refused, the focus of the arguments should be on the statutory language. Using language of §§ 410 and 411 to drive a wedge between the meaning of application and registration, an accused infringer

should be able to effectively argue the mere application does not confer standing to initiate an infringement action.

Conversely, for the copyright application, the argument should focus on policy and practicality. If the copyright applicant may initiate an infringement action regardless of whether the application is approved or refused, why should it have to wait for the Copyright Office to take action? n17 This argument grows more persuasively as time passes and damages increase. Like the Northern District of Illinois, courts seem reluctant to require a copyright applicant watch its damages accumulate while waiting for the Copyright Office to make a decision, especially because the copyright applicant's right to initiate an action does not depend on what that decision is.

Return to Text

n1 * Joshua P. Graham is an attorney at the law firm of Merchant & Gould. This paper may or may not reflect the views of the author and should not be attributable to Merchant & Gould or any of its principals, clients, or former clients.

[1]. 07 C 3248, 2007 U.S. Dist. LEXIS 88382, *7 (N.D. Ill. Nov. 30, 2007).

n2

[2]. Compare, *Apple Barrel Prods., Inc. v. Beard*, 730 F.2d 384, 386--87 (5th Cir. 1984), and, *Action Tapes, Inc. v. Mattson*, 462 F.3d 1010, 1013 (8th Cir. 2006), with, *La Resolana Architects, PA v. Clay Realtors Angel Fire*, 416 F.3d 1195, 1205 (10th Cir. 2005), and, *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486, 1488 (11th Cir. 1990).

n3

[3]. *Id.* at *5-*6.

n4

[4]. See, e.g., *La Resolana Architects*, 416 F.3d at 1201--05.

n5

[5]. See, e.g., *Apple Barrel Prods.*, 730 F.2d at 386--87 (citing 2 *Nimmer on Copyrights* § 7.16[B][1]).

n6

[6]. *Goss Internat'l Ams., Inc.*, 2007 U.S. Dist. LEXIS 88382, *7.

n7

[7]. *Id.*

n8

[8]. *La Resolana Architects*, 416 F.3d at 1204 (citing *Intern'l Kitchen Exhaust Cleaning Ass'n v. Power Washers of N. Am.*, 81 F. Supp. 2d 70, 72 (D.D.C. 2000)).

n9

[9]. *Goss Internat'l Ams., Inc.*, 2007 U.S. Dist. LEXIS 88382, *7.

n10

[10]. *Id.* at *5-*7 (citing *Lakedreams*, 932 F.2d at 1108 (5th Cir.) and *Action Tapes*, 462 F.3d at 1013 (8th Cir.)).

n11

[11]. *La Resolana Architects*, 416 F.3d at 1202.

n12

[12]. *Id.* at 1202.

n13

[13]. *Id.* (citing *Mays & Assocs. v. Euler*, 370 F. Supp. 2d 362, 368 (D. Md. 2005)).

n14

[14]. *Id.* (citing *Robinson v. Princeton Review, Inc.*, 96-CIV-4859, 1996 U.S. Dist. LEXIS 16932, *21 (S.D.N.Y. Nov. 15, 1996)).

n15

[15]. *Id.* (quoting *Loree Rodkin Mgmt. Corp. v. Ross-Simons, Inc.*, 315 F. Supp. 2d 1053, 1056 (C.D. Cal. 2004)).

n16

[16]. *Id.* at 1205 (10th Cir.); *M.G.B. Homes*, 903 F.2d at 1488 (11th Cir.).

n17

[17]. One argument to this question that has not been raised stems from the second and third sentence of § 411(a).

In any case, however, where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights. The register may, at his or her option, become a party to the action with respect to the registrability of the copyright claim . . .

This section, providing the Copyright Office an opportunity to weigh in during litigation on the registrability of material it found to be unregistrable. Allowing a copyright applicant to initiate an infringement action upon the filing of an application that the Copyright Office eventually refuses may strip the Copyright Office of its opportunity to join in the litigation.

ABOUT THE AUTHOR(S):

Joshua P. Graham is an attorney at the law firm of Merchant & Gould in Minneapolis, MN. His practice focuses on Intellectual Property litigation. He received his J.D. from Franklin Pierce Law Center and undergraduate degrees from the University of California, San Diego.



29 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

David Nimmer on Jarvis v. K2 Inc., 486 F.3d 526 (9th Cir. 2007)

2008 Emerging Issues 1453

David Nimmer on Jarvis v. K2 Inc., 486 F.3d 526 (9th Cir. 2007)

By David Nimmer

December 12, 2007

SUMMARY: The Copyright Act contains a special provision allowing later editions of collective works to be reissued. So, if the Juvenile Encyclopedia hired Jack and Jill in 1980 to write two articles, then it could release the Juvenile Encyclopedia-Second Edition in 2007, containing the same two articles with no further permission from Jack and Jill. In this Emerging Issues Analysis, David Nimmer exposes the perils of that way of proceeding.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ARTICLE: Dont cry! We need to talk about derivative works and collective works. But lets try it without the tears, this time.

Special rules for collective works

The issue arises because of a special provision in the Copyright Act of 1976, not much litigated until this decade, that provides as follows:

Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.

17 U.S.C. § 201(c). It wasnt until *New York Times Co. v. Tasini* that this issue finally got ventilated in the courts. In that case, the U.S. Supreme Court ruled that free-lance journalists cannot complain when a periodical reissues one of its own previous editions, as long as that edition is maintained in the same context. So, its fine to reprint the Jan. 14, 1955, edition of the *New York Times* as is, with the same interrelationship of articles and ads that originally appeared on that date--the article from page A15 is adjacent to the ones on A14 and A16, with the same advertisements gracing those

pages. It is not fine, however, to carve up the issue so that each separate article appears in the Lexis database, without the original context of each adjacent article. *533 U.S. 483 (2001)*. The high court held that new methodology to be infringing, at the same time that it blessed more traditional forms, such as microfilming all back issues of *National Geographic* or issuing CD-ROMs embodying a century of that magazines issues (the modern electronic equivalent of microfilm). *See 3 Nimmer on Copyright § 10.02[D]*.

Jarvis v. K2

A half-dozen years after *Tasini*, the Ninth Circuit confronted a scenario very different from *New York Times* and *National Geographic*. In *Jarvis v. K2 Inc.*, *486 F.3d 526 (9th Cir. 2007)*, a professional photographer sued the sporting goods manufacturer to whom he had formerly been under contract. K2 paid Jarvis \$17,200, in exchange for which he provided thousands of slides, some of which K2 used during the contract term in magazines as collage advertisements. Those collages consisted of edited versions of the photos combined with other images, marketing graphics and promotional slogans. *Id.* The question arose after the contractual term had expired, at which point K2 scanned those collage ads for display on its website: Does Section 201(c) immunize that later exploitation?

Had the parties contract allowed continued use of the photos even after its term ended, plaintiff would have lost on that basis. But Judge Fisher concluded that the term limits contained in the contracts contained no such authorization, meaning that the application of Section 201(c) was soundly joined. *Id. at 530*, citing *1 Nimmer on Copyright § 3.07[B]*. The issue therefore ripened whether the collage ads constituted collective works, which would open application of Section 201(c). On that score, the district court had held the collages to be collective works. *Id. at 530*.

The panel disagreed. Heres where life gets interesting. One imagines that the Ninth Circuit would have quoted the definition of collective works and offered its opinion as to why the collages failed to qualify. But, in fact, it did no such thing. Instead, it analyzed a *different* question: whether the collages constituted derivative works. To appreciate the twists and turns, we first need to confront the pertinent definitions.

What the statute says

Okay, here they are, as set forth in the definitions section of the Copyright Act:

A collective work is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.

* * *

A derivative work is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a derivative work.

17 U.S.C. § 101.

Now that the rules of the road have been set, how should they apply to Mr. Jarvis's images, as made into a collage by K2? The district courts conclusion that they qualified as a collective work makes sense. Consider how independent works were combined into a collective whole:

In the SP5 ad, for example, Jarvis six photos are of all different shapes and sizes, one of them has a drawing of a falling skier superimposed, there are at least six photos not taken by Jarvis in the arrangement and K2s logo and the slogan Are You Listening are prominently displayed. Similarly, in the FT10 ad, seven of Jarvis photos are arranged in trapezoidal wooden frames of different sizes along with more than a dozen other photos, and the words Factory Team: Forty Years in the Making appear in the upper right-hand section of the ad.

486 F.3d at 531532. So why didnt the Ninth Circuit affirm? Here is the crucial part of its holding:

In accordance with his usual practice, Jarvis delivered all of his images to K2 in the form of identical square slides. The collage ads did not merely compile these slides as an album might, or as Jarvis own website does. To the contrary, the ads shrank, expanded, distorted, overlaid and otherwise edited the original images, while also combining them with photos taken by other photographers, additional graphics, the K2 logo and marketing slogans.

Id. at 531 (citation omitted). Based on those circumstances, the court concluded that the collages constituted derivative works. *Id. at 532.* Standing by itself, that determination is correct. After all, Jarvis original photographs endured many transformations before emerging in collage form. *See 1 Nimmer on Copyright § 3.01.* Yet, building on that unobjectionable foundation, the Ninth Circuit went much further, concluding that the ads could not qualify as collective works: The ads did not simply compile or collect Jarvis images, but rather altered them in various ways and fused them with other images and artistic elements into new works that were based on--i.e., derivative of--Jarvis original images. *486 F.3d at 532.* That conclusion follows only on the basis of a hidden fallacy: the supposition that any given work can be either a derivative work or a collective work (or perhaps neither). Unimagined by this opinion, a given work can, in fact, be both.

Different types of primary works

Consider a motion picture, such as *Toy Story* (1995). Plainly, it qualifies as an audiovisual work. *See 17 U.S.C. § 102(a)(6).* As a computer-generated work, it consists entirely of software, meaning that it equally qualifies as a literary work. *See 17 U.S.C. § 102(a)(1).* Aspects of the work straddle other categories: the award-winning song Youve Got A Friend in Me by Randy Newman, is a musical work. *See 17 U.S.C. § 102(a)(2).* Mr. Potato Head and other characters are graphic works. *See 17 U.S.C. § 102(a)(5).* And so on.

Different types of secondary works

Moving from those distinct conceptual types to the subject matter at hand, where does *Toy Story* stand on the spectrum of derivative and collective works? Parallel reasoning indicates that, just like its qualification across multiple lines as different types of primary works of copyrightable authorship, it may equally qualify as one or both of these secondary types of copyrightable authorship. Investigation proves that both are, indeed, applicable here.

Consider first its *derivative* status. As a longer version of an earlier work (in this case, Pixars own *Tin Toy*, although many films actually dramatize novels of decades earlier), it qualifies on that basis. To the extent that the songs on its soundtrack were reworkings of old standards rather than original compositions, it would be equally derivative on that basis.

Moving next to its *collective* status, we would need to know more about its composition to offer an answer. Were various independently copyrightable parts assembled together? Because that information is not readily accessible, well need to change focus before reverting to that inquiry. But first, lets broaden our horizons.

Ubiquity of cross-overs

The foregoing exercise of characterizing *Toy Story* as multiple types of copyrightable subject matter is scarcely unique; indeed, it would be unusual for any published work to fit rigorously within one, and only one, category of copyrightable subject matter.

Consider a published novel. It fits classically into the realm of a literary work. Yet it is the rare book that does not build upon popular culture by incorporating fragments, quotations, references, and nods to previous publications. Does that mean that the work is a derivative work? It could be conceptualized as meeting that definition. In addition, it is the rare book that does not include a photo of the author on the dust jacket, an introduction by an admirer, some blurbs on the back from fellow authors, and more contributions by others. Illustrative is *A Thousand Splendid Suns* (2007) by Khaled Hosseini--its dust jacket credits Honi Werner as designer of the image of Afghanistan on the cover and other jacket art, Andrew Testa as Hosseini's photographer, and five periodicals as the source of laudatory blurbs, also quoted thereon. Does that mean that the book is a collective work? Again, one could conceptualize it as meeting the requisite definition.

In light of the profusion of categories into which any given work may fall, how is analysis to proceed? Common sense must furnish the best guide. Although any work could be made to fit into multiple categories, the consequences should, in each instance, be limited to those that make sense for that category. For instance, although special dispensations allow backup copies to be made of computer software, see *17 U.S.C. § 117*, courts should not deem them applicable to allow reproduction of *Toy Story*, except insofar as the litigant in court honestly seeks to treat that work as a piece of software. By the same token, although a special mechanical license allows exploitation of musical works, see *17 U.S.C. § 115*, courts should not deem them applicable to *Toy Story*, except insofar as the litigant in court honestly seeks to bring a song published as part of that film into the scope of that compulsory license. In each instance, prudence and sensitivity to the real-world issues that are implicated is indicated, rather than blind adherence to the categories established under the Copyright Act.

Encyclopedic analogies

We are now ready to revert to the inquiry that was placed on hold above, namely when does something deserve the label collective work? Consider the fictitious *Encyclopedia Navahopi*, assembled to increase Native American pride out of 500 entries from the *Encyclopedia Americana*, each one being translated into Navajo for that purpose with the permission of its author, plus another 300 essays specially written in Hopi for the same purpose, along with the usual photos, maps, etc. Does this assemblage qualify as a collective work? Unquestionably so. Not only does the statute itself single out an encyclopedia as an example of a qualifying collective work, but its definition--a number of contributions, constituting separate and independent works in themselves--is wholly on point with the separately authored essays that form this whole.

Does the *Encyclopedia Navahopi* also qualify as a derivative work? Unquestionably so. Not only does the statute itself single out a translation as an example of a qualifying derivative work, but its definition--any other form in which a work may be recast, transformed, or adapted--is wholly on point with the separately translated essays that form this whole. Is there any tension from the overlap in categories? Not at all. As already observed, a single motion picture may fall within a half-dozen or more primary categories. No bar disqualifies the instant encyclopedia from two secondary categories. In fact, it even occupies a third, as well: it is a compilation, defined as a super-category to include all collective works. One could, with little effort, add a fourth as well: composite work, as defined in *17 U.S.C. § 304(a)(1)(B)(i)*. See *3 Nimmer on Copyright § 9.03[B]*.

Divergent treatment

For most purposes, the Copyright Act treats derivative works and collective works the same. *See* 3 Nimmer on Copyright §§ 3.033.07. But there are a few instances in which the treatment of those two categories diverges. Included are the following:

contributions to collective works, but not derivative works, may qualify as specially commissioned works for hire. *17 U.S.C. § 101. See 3 Nimmer on Copyright § 5.03[B][2][a][i];*

a transmission program created pursuant to the ephemeral recording exception is disabled from protection as a derivative work, but not as a collective work; *17 U.S.C. § 112(g). See 3 Nimmer on Copyright § 8.06[A];*

basically the same considerations apply to a sound recording made pursuant to the mechanical compulsory license. *17 U.S.C. § 115(a)(2). See 3 Nimmer on Copyright § 8.04[F];*

there are special provisions for derivative works, but not collective works, created prior to statutory termination of the underlying work on which they were based. *17 U.S.C. §§ 203(b)(1), 304(c)(6)(A). See 3 Nimmer on Copyright § 11.02[C];*

there are likewise special provisions for derivative works, but not collective works, created based on foreign works that have been restored to U.S. copyright protection. *17 U.S.C. § 104A(d)(3)(A). See 3 Nimmer on Copyright § 9A.04[C][4];* and finally

collective works, but not derivative works, are subject to the reissue privilege of Section 201(c), the provision at issue in *Tasini* and *Jarvis* itself.

Consider the first item in that enumeration: If the Hosseini novel invoked above is conceptualized as a collective work, it becomes eligible to be treated as a specially commissioned works for hire. Unfortunately, Congress drew many of the lines sloppily here, such that it is impossible to apply the various categories exactly the way Congress enacted them. *See* David Nimmer, Peter S. Menell & Diane McGimsey, *Preexisting Confusion in Copyrights Work for Hire Doctrine*, 50 J. Copyright Socy 399 (2003). Accordingly, common sense must be deployed to draw a line here--that characterization should be limited to the contributions of Werner and Testa, not to that of author Hosseini himself. [I]magine that John Grisham writes his next novel, for which the publisher commissions X to write an afterword and Y to do the jacket art. The contributions of X and Y can be considered works made for hire, that of Grisham not. David Nimmer & Peter S. Menell, *Sound Recordings, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. Copyright Socy 387, 407 n.132 (2001).

Applied to collages

Now we can revert to the Section 201(c) privilege at play in *Jarvis*. It makes sense that neither Werner nor Testa should be allowed to stand in the way of the fifth edition of *A Thousand Splendid Suns*, issued without their permission--for, insofar as their contributions are concerned, the work is indeed a collective whole. On the other hand, it makes little sense to deprive author Hosseini himself of his statutory ability to regulate post-contract exploitations of his work, under the guise that his is not really a unitary novel but rather is a collective work in the eyes of the Copyright Act.

Just as much common sense is needed when dealing with derivative works. Consider that tee-shirts embodying the first stanza from *Youve Got a Friend in Me*, together with brief commentary, recast that song, and therefore are derivative works. In some sense, the entire motion picture *Toy Story*, which embodies the song on a portion of its soundtrack, is also a derivative work. But such a wide gulf separates the few lines on the tee-shirt from the full-length motion picture that it invites mischief to treat both identically. Whereas it makes sense to deny copyright protection to the few comments added to an unauthorized tee-shirt, inasmuch as infringing expression pervades it, it makes no sense

to deny copyright protection to the entirety of *Toy Story*, even if it were to develop that the song on the soundtrack had been unlicensed. In these manners as well, more subtlety is demanded than a one-size-fits-all approach can sustain.

Illustrative is *Brown v. McCormick*, 87 F. Supp. 2d 467 (D. Md. 2000), in which Universal Studios obtained a release from the wrong party, and therefore turned out to have no license to use one of the quilts portrayed in its film, *How to Make an American Quilt*. Though it had to pay small damages as a consequence, no one ever drew the imputation that the entire film stood outside copyright protection as a result of that discrete infringement making it an unauthorized derivative work. See 3 Nimmer on Copyright § 3.06.

Encyclopedic wisdom

The legislative history for Section 201(c) defines the paradigmatic case to which it applies: reprinting an article from a 1980 edition of an encyclopedia in a 1990 revision of it. H. R. Rep. No. 94-1476 (1976), p.122. Encyclopedia A about Tasmania, published in 1980, might take a journalists photo of a duck-billed platypus and a biologists taxonomic description of that bizarre creature and include them unaltered. It is eligible for reissuance under Section 201(c) in 1990 or 2007. Encyclopedia B about world fauna, also published in 1980, might crop the photo that is submitted, condense the technical and expand the other parts of the biologists taxonomy to clarify it for the general reader, and combine both with graphics and slogans that are used throughout B for the sake of consistency. It is equally eligible for reissuance in 1990 or 2007. In short, both works A and B are subject to Section 201(c), inasmuch as each meets the statutory requirement of being a collective work. Because all the contributors to A and to B consented that their work would be embodied into a collective whole, they are powerless to prevent its reissuance in the same format in 1990 or 2007.

It so happens that B is not only a collective work containing the photo and essay, but is also a derivative work of both originals, whereas A is not a derivative work, having reproduced each underlying component unaltered. But that circumstance is of no moment to Section 201(c), which does not qualify eligibility on being a collective work *but not a derivative work*. Instead, of setting forth the hypothetical italicized language, Section 201(c) applies to all collective works, no matter how else they also may be legitimately compartmentalized.

It is now clear that Encyclopedia B qualifies for the Section 201(c) privilege as a collective work, regardless of the fact that it also happens to be a derivative work. The parallel inquiry arises for the collage advertisements at issue in *Jarvis v. K2*: regardless of the fact that they might have been derivative works at their inception, were they collective works? The statute qualifies them as such if they contain a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole. The Ninth Circuit ignored that inquiry altogether, instead proceeding on the tacit assumption that if the collages were derivative, then they cannot possibly be collective. For the reasons just outlined, that assumption is in error.

The panels opinion contains an appendix setting out Jarvis original photo and the collage ads. 486 F.3d at 539540. Although the reproduction quality is low, it would seem that those ads may indeed qualify as collective works. For, as already noted above, one collage apparently collects six separate photos by Jarvis, and there is juxtaposition with six photos by others, as well as graphic material. Proper analysis should inquire whether the work in question qualifies as a collective work because it contains a number of contributions, constituting separate and independent works in themselves, not whether it is ineligible because it is a derivative work.

The opinion did not undertake that analysis, however. Instead, the pertinent part of its inquiry is as follows: K2 fails to offer any case law in support of its position that the collage ads were collective works. It does argue that the collage ads in no way transformed or altered [Jarvis] preexisting photographs. However, even a cursory look at the ads--which transformed or altered Jarvis photographs in a variety of ways--demonstrates the weakness of this claim. 486 F.3d at 532. The logic here places the burden on K2 of negating derivative status in order to be allowed to claim collective status. That logic is unsupportable; the two inquiries must proceed independently.

But there is more to the error at work here. The opinion goes further to recite, Counsel for K2 also emphasized during oral argument that the collage ads that appeared on K2s website were identical to the original magazine inserts. *Id.* Yet the panel rejected that protestation as irrelevant to our inquiry into the ads nature with the observation, A derivative work remains derivative when it is scanned and placed online, just as a collective work would remain collective if it were transferred from one medium to another. *Id.*

In fact, counsels emphasis was well placed. The collages were created during the course of the parties contract, with Jarvis consent. If they were collective works at that juncture, then (under the courts own logic) they remained so even when transferred from one medium to another by being loaded onto K2s website. Such a finding should seal the applicability of the Section 201(c) privilege.

In short, the courts holding that the four collage ads were all derivative rather than collective works requires re-examination. Instead of assuming that the collages status as derivative works ipso facto disentitles them to the status of collective works, that investigation must proceed on its own merits. If, as seems likely, those collages actually comprised a number of contributions, constituting separate and independent works in themselves, then the Section 201(c) privilege should be deemed to apply to them. Unfortunately, the contrary holding in *Jarvis* is the product of an unexamined assumption that does not hold water. It is up to future decisions, therefore, to realize that this case is all wet.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

David Nimmer authors *Nimmer on Copyright* (11 volumes), the treatise that is routinely cited by U.S. courts at all levels when construing copyright law, as well as by the courts of many other nations. As cases in point, the Southern District of New York, Second Circuit, and Supreme Court decisions in *Tasini* all cite to the treatment of 17 U.S.C. § 201(c) set forth in *Nimmer on Copyright* § 10.02; the Ninth Circuit in *Jarvis* likewise repeatedly cites the treatise.

Besides teaching copyright law at UCLA School of Law, Prof. Nimmer litigates copyright cases and provides cutting-edge advice to a range of entertainment, technology, and individual clients at Los Angeles Irell & Manella LLP.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



30 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Bensen on Darden v. Peters, 488 F.3d 277 (4th Cir. 2007).

2008 Emerging Issues 1433

Bensen on Darden v. Peters, 488 F.3d 277 (4th Cir. 2007).

By Eric E. Bensen

December 11, 2007

SUMMARY: In *Darden*, the Fourth Circuit addressed a question of whether the Copyright Office abused its discretion in rejecting an application for registration of a derivative work that consisted of the addition of color, shading and labels to preexisting black and white Census maps and held that because such changes lacked even the minimal level of creativity required for copyright protection, there was no abuse of discretion.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: In *Darden*, the Fourth Circuit addressed a question of whether the Copyright Office abused its discretion in rejecting an application for registration of a derivative work that consisted of the addition of color, shading and labels to preexisting black and white Census maps and held that because such changes lacked even the minimal level of creativity required for copyright protection, there was no abuse of discretion.

Summary of the Case.

Darden created a web based referral service through which consumers could locate real estate appraisers that had, as its central feature, a series of maps to guide consumers in their selection. The homepage was a stylized map of the United States from which consumers could follow links to detailed state maps. Using a state map, consumers could select a county, which would lead them to a list of appraisers. To create the maps, Dardens web designer started with preexisting digital black and white Census maps of the United States and the individual states and added color and shading, to give them a three-dimensional effect, and corresponding labels.

Darden filed an application with the Copyright Office to register the website as a technical drawing. He described the web site as a derivative work based on US Census black and white outline maps and claimed copyright protection for the graphics, text, colors, and arrangement added to preexisting work. Darden also filed an application for copyright protection on the maps in which he claimed copyright protection for font and color selection; visual effects such as relief, shadowing, and shading; labeling; callouts.

Both applications were rejected. The application concerning the web page was rejected, in part, because it did not contain a technical drawing and, with respect to the graphic elements, because the added material was not sufficiently original to warrant copyright protection. With respect to the application concerning the maps, the Copyright Office concluded that the labeling, relief, shadowing and shading added to the preexisting maps were standard elements that did not contain copyrightable authorship.

Darden filed an amendment for one application and sought reconsideration concerning the other, but both efforts were rebuffed for largely the same reasons. He next sought review by the Copyright Appeals Board, but there too met with rejection because of the lack originality in the work. Undeterred, Darden brought a claim in the District Court against the Registrar of Copyrights under the Administrative Procedure Act. Applying an abuse of discretion standard, the district court granted the Registrars motion for summary judgment. Darden appealed.

Pertinent Legal Principles

Copyright Registration. To illustrate the significance of copyright registration, it may be helpful to first briefly review the role federal registration plays in securing rights to other common forms of intellectual property. Receiving a patent, of course, is a threshold requirement for patent protection; without one, an inventor has no patents rights even in a new, useful and nonobvious product or process. On the other extreme, no registration is required to have rights in a trade secret (nor is such registration available). The owner of a trade secret, *i.e.*, information that derives economic value from not being generally known, is entitled to protection against misappropriation under state law (in most states, the Uniform Trade Secret Act) by virtue of its taking reasonable measures under the circumstances to maintain the confidentiality of the secret.

In the middle, one may observe, are trademarks. Unlike patents, trademark rights may arise in the absence of registration where a mark is used in connection with the sale of goods or services such that, in the consumers mind, it identifies the source of those goods. On the other hand, unlike trade secrets, federal registration, at least of a mark used in interstate commerce, is available for trademarks. Such registration provides the trade secret owner with significant benefits over common law protection, such as constructive notice to infringers and, potentially, incontestability of the mark.

Copyright registration provides yet another variant of IP registration. Registration is not a prerequisite to ownership a copyright arises automatically upon the creation of the work, *i.e.*, the point at which it is first fixed in a copy. Registration of a copyright *is* a prerequisite to bringing suit for infringement, although once the copyright owner is entitled to bring suit, it can seek redress (with some limitations) for infringement that occurred prior to the registration (subject to the statute of limitations). The Copyright Act creates an incentive for early registration by limiting the availability of statutory damages and attorneys fees to copyright claimants who obtained a registration *before* the infringing activity began or, at least, within three months of the creation of the work. Registration provides prima facie evidence of validity.

Interestingly, while the approval of a copyright registration will entitle the copyright owner to bring suit for infringement, the refusal of the registration will have the same effect. *17 U.S.C. § 411(a)*. In other words, by virtue of its application for the registration, the copyright owner will, at some point, be entitled to sue for infringement. Accordingly, some courts will permit a copyright owner who has applied for, but not yet received, a registration to maintain a suit, which is arguably consistent with the fact that the effective date of a registration is the date on which the application (which is later deemed acceptable for registration) is received by the Copyright Office, *17 U.S.C. § 410(d)*. Other courts, however, will dismiss a copyright claim under those circumstances.

For a discussion of the significance of and procedure for copyright registration, see 2 Melville B. Nimmer & David Nimmer, *NIMMER ON COPYRIGHT* §§ 7.16, 7.18 (2007); 1 Roger M. Milgrim & Eric E. Bensen, *MILGRIM ON*

LICENSING § 5.71 (2007). For a discussion of the requirements and procedures for applying for a patent, see 3, 4 Donald S. Chisum, *CHISUM ON PATENTS* §§ 7.01 *et seq.*, 11.01 *et seq.* (2007). For a discussion of the requirements for trade secret protection, see 1 Roger M. Milgrim & Eric E. Bensen, *MILGRIM ON TRADE SECRETS* § 1.01 *et seq.* (2007). For the significance of and procedure for trademark registration, see Anne Gilson Lalonde, *GILSON ON TRADEMARKS* §§ 4.01 *et seq.*, 15.01 *et seq.* (2007).

Originality Requirement for Copyright Protection. A copyright can only exist in an original work of authorship. Original, however, is not defined by the Copyright Act. Nonetheless, there is general agreement that the requirement of originality is not the same as the requirement of novelty in patent law; that is, it does not require that a work be entirely new and unanticipated to receive protection. Rather, originality essentially requires that the work originate with the author rather than be copied from another work. Not surprisingly, given the different standards, it is far more common for a patent to be held invalid for lack of novelty than for a copyright to be invalidated for lack of originality.

Notwithstanding the low threshold for originality, a noncopied work can fail to meet the originality threshold. To understand how, it will be helpful to keep in mind that copyright law does not protect ideas, but rather, the form in which they are expressed. Where there are only limited ways to express an idea, such as, for example, in the case of a telephone directory or numerical designations for a parts catalogue, copyright protection for the expression would in effect afford copyright protection for the idea and, therefore, will be denied. In a similar vein, copyright protection will be denied where the original expression is simply too trivial to warrant protection. Thus, the Copyright Office will reject copyright protection for words and short phrases such as names, titles, and slogans; familiar symbols or designs; mere variations of typographic ornamentation, lettering or coloring; [or] mere listing of ingredients or contents. . 37 *C.F.R.* § 202.1.

For a discussion of originality in copyright law, see 1-2 *NIMMER ON COPYRIGHT* § 2.01; 1 Roger M. Milgrim & Eric E. Bensen, *MILGRIM ON LICENSING* § 5.10 (2007).

Derivative Works. A derivative work is work based on one or more preexisting works in the sense that it substantially copies the expression of ideas as opposed to the ideas themselves in those works. A derivative work is copyrightable if it (i) meets the requirement of originality, *i.e.*, the author makes more than a minimal contribution of original material to the preexisting work, and (ii) does not itself infringe another copyright, either because the copyright owner of the underlying work has consented or because the underlying work is in the public domain. The author of the derivative work does not by virtue of that authorship acquire a copyright in the preexisting work.

For a discussion of copyrights in derivative works, see 1-3 *NIMMER ON COPYRIGHT* § 3.01; 1 Roger M. Milgrim & Eric E. Bensen, 1-5 *MILGRIM ON LICENSING* § 5.23.

The Fourth Circuits Decision.

Darden fared no better before the Fourth Circuit than he did below. In the courts view, while maps could, as a general matter, be entitled to copyright protection, the purported original elements of Dardens maps, *i.e.*, the addition of color, shading and labels to the original, lacked even the minimal creativity required for copyright protection. In fact, the court observed, they resemble[d] the examples of uncopyrightable works set for in the Copyright Office rules, 37 *C.F.R.* § 202.1(a) (quoted above).

Darden argued that the Copyright Office abused its discretion by not considering evidence, such as offers from real estate companies and others to license the maps from Darden, that others in the industry associated the maps with Darden and evidence that customers were confused about the source of a competitors web site after the competitor utilized Dardens maps. The court rejected this argument on two grounds. First, whether any confusion as to source resulting from the competitors use of the maps gave rise to an enforceable right of Dardens was an issue for trademark law; it was not the concern of the Copyright Office. Second, a work is copyrightable, if at all, at the time of its creation.

That others associated the maps with Darden may be a sign of commercial success, but not originality.

Accordingly, the Fourth Circuit affirmed the district courts decision.

Comments.

Darden underscores the importance of pursuing the right intellectual property protection for ones work. The putative author engaged in a lengthy and, presumably, expensive process the original application, the amended application and reconsideration and the appeal within the Copyright Office, the district court action and the appeal to the Fourth Circuit to get a copyright registration. In the end, however, he came away empty handed because his work lacked originality.

Darden may have had more success had he looked to trademark law. Unlike copyright law, trademark law is not intended to protect originality, but rather, to prevent confusion in the marketplace as to the source of products and services. Thus, the look and feel of Dardens web site, if it acted as a source identifier as Darden claimed, may have been protectable as trade dress.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

Eric E. Bensen is a co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets*, the author of a number of articles on intellectual property issues, and an attorney with Paul, Hastings, Janofsky & Walker LLP in New York, where he focuses his practice on intellectual property litigation and licensing.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



31 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Myers on N.Y. Mercantile Exch., Inc. v. IntercontinentalExchange, Inc.

2008 Emerging Issues 1443

Myers on N.Y. Mercantile Exch., Inc. v. IntercontinentalExchange, Inc.

By Rebecca K. Myers

December 11, 2007

SUMMARY: In *N.Y. Mercantile Exch., Inc.*, the Second Circuit addressed a question of whether settlement prices that a futures exchange produces to value its customers futures contracts were entitled to copyright protection and held that, because there were only limited ways to express such prices, copyright protection was barred under the merger doctrine.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: In *N.Y. Mercantile Exch., Inc.*, the Second Circuit addressed a question of whether settlement prices that a futures exchange produces to value its customers futures contracts were entitled to copyright protection and held that, because there were only limited ways to express such prices, copyright protection was barred under the merger doctrine.

Summary of Case.

N.Y. Mercantile Exchange, Inc. (NYMEX) operates a trading floor in New York for energy commodities futures and options contracts. A futures contract requires the delivery of a commodity at a specified future date and at a specified price, therefore it differs from an options contract, which gives the holder the right, but not the obligation, to buy or sell. Most futures contracts are liquidated before physical delivery occurs.

On a daily basis, the subcommittees of the NYMEX Settlement Price Committee determine the settlement prices for each open futures contract for each commodity. In essence, a settlement price is the fair market value for each NYMEX contract at the end of the trading day. Once determined, NYMEX uses and disseminates its settlement prices in at least four ways: (1) its Clearing House uses the settlement prices to value its customers open positions; (2) it publicly discloses them by the next business day to comply with the Commodities Exchange Act; (3) it supplies them to market vendors, such as Reuters, pursuant to license agreements, who then disclose the prices to their subscribers; and (4) it discloses them to the public on its Web site.

InterContinentalExchange, Inc. (ICE) operates an electronic, Internet-based trading market for trading physical commodities and over-the-counter derivative accounts. ICE receives NYMEXs settlement prices through a licensed market vendor and uses them to value its own customers open positions. ICE cannot clear trades itself so it contracts

with the London Clearing House (LCH) to do so. ICE forwards NYMEXs settlement prices to LCH, which then uses the settlement prices to clear all of ICEs customers contracts.

In March 2002, NYMEX sought a copyright for its database and the settlement prices it produces, but the Copyright Office refused NYMEXs application on the grounds that it was unwilling to provide a copyright in the settlement prices. Thereafter, NYMEX filed a replacement application for the database only. The replacement application was approved and NYMEX received copyright registration in the database only.

In November 2002, NYMEX brought suit against ICE, alleging, among other things, that ICEs use of NYMEXs settlement prices constitutes copyright infringement. There was some dispute between the parties as to the methodology used by NYMEX to determine the settlement prices, particularly with respect to how much subjectivity was applied to the determination. The Southern District of New York found however, that to a great extent, the settlement prices were dictated by actual market conditions since NYMEXs subcommittee members determined the *actual* value of particular futures contracts rather than opining on how the market *should* or *will* value those contracts. Accordingly, without determin[ing] the degree of creativity that goes into the setting of individual prices, the district court found two grounds for withholding copyright protection to NYMEXs settlement prices: *First*, they were facts which could only be expressed by a single number and therefore, the idea of the settlement price cannot be distinguished from the expression of that settlement price preventing copyright protection under the merger doctrine. *Second*, that they were non-copyrightable words or short phrases. The court awarded summary judgment to ICE and NYMEX appealed.

Pertinent Legal Issues

Merger Doctrine: Copyright law does not protect ideas, but rather, the form in which they are expressed. Thus, under the doctrine of merger, where an idea and the manner in which it is expressed are so inextricably intertwined that there is only one way to express the idea, or, as some courts have found, where the range of expressing the idea are so limited, copyright protection will be denied. In such a case, application of the merger doctrine to deny infringement claims will avoid private ownership of ideas and therefore permit others to express the same idea.

In determining whether the merger doctrine applies, courts will look at the range of possible expressions and consider whether all possible expressions are so substantially similar that granting the copyright would bar others from expressing the underlying idea. Thus, copyright protection has been denied to a sweepstake rule providing instructions on how to enter, where to view official rules, what information to submit, and where to submit the entry form. It has also been denied to product shots of a Skyy vodka bottle, the headings on a chart containing washing instructions and to a pin shaped in the form of a jewel-encrusted bee.

For a discussion of the Merger Doctrine, see 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 2.03 (2007); 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.03[B](3) (2007); 1 Roger M. Milgrim & Eric E. Bensen, *Milgrim on Licensing* § 5.38 (2007).

The Second Circuits Decision

Merger Doctrine applied: In the courts view, the expression of NYMEXs settlement prices merged with the idea and was therefore not entitled to copyright protection.

Substantial Similarity Test: The court found that because the settlement prices are derived from analyzing the same underlying market facts, any dissension in settlement prices for any particular futures contract would be

exceptionally narrow. Therefore, NYMEX failed to meet its burden of showing that the range of possible settlement prices is broad enough that any possible expression will not necessarily be substantially similar.

Policy Considerations did not weigh in finding copyright protection: Turning to the policy considerations that underlie application of the merger doctrine, the court recognized that one of the objectives of copyright law is to provide economic incentives, in the form of exclusive rights to their creations, to authors who, without such incentives, might direct their energies elsewhere, depriving the public of their creations and impeding the advancement of learning. The court found, however, that NYMEX needs no such incentives here and application of the merger doctrine to deny copyright protection would not undo the protection that the copyright law intends to accord.

Accordingly, the court held that, in using the settlement prices, ICE took nothing more than ideas, for which the copyright law affords no protection to the author. Because the expression is essential to the statement of the idea, the expression is also unprotected.

Notes.

The Second Circuit began its analysis of the copyrightability of the settlement prices with a discussion of the requirement for originality. Copyright protection extends only to original works of authorship. Although the Copyright Act does not define original or set forth a test for originality, a long standing and consistent body of case law holds that original means that the work was independently created by the author and that it possesses at least some minimal degree of creativity.

The majority opinion stresses the strong argument that the settlement prices fail to meet the threshold requirement of creativity but then, recognizing that the line between creativity and discovery was not clear-cut in this situation, it declined to resolve the originality issue and instead affirmed the district courts grant of summary judgment based on application of the merger doctrine. Accordingly, the entire discussion with regard to the originality of the settlement prices is dicta.

It is worth noting, however, that in the Second Circuit, consideration of the merger doctrine occurs only in the context of determining whether infringement occurred, not in determining the copyrightability of the original work. *Cf. CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61, 72 n.6. Therefore, in order to reach its holding that NYMEX's copyright infringement claim failed due to application of the merger doctrine, the Second Circuit necessarily had to assume that the settlement prices met the originality requirement for copyright protection.

Although not a central issue in the case, it may be helpful to note that typically, in order to have standing to sue for copyright infringement, the complaining party must have a copyright registered with the Copyright Office. The action brought by NYMEX, however, was initiated under 17 U.S.C. § 411 which provides that where all components of a copyright registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant may nevertheless initiate an action for copyright infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

Rebecca K. Myers is an attorney with Paul, Hastings, Janofsky & Walker LLP, where she focuses her practice on

intellectual property litigation and counseling.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



32 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Myers on TiseoArchitects, Inc. v. B&B Pools Serv. and Supply Co.

2008 Emerging Issues 1445

Myers on TiseoArchitects, Inc. v. B&B Pools Serv. and Supply Co.

By Rebecca K. Myers

December 11, 2007

SUMMARY: In *TiseoArchitects*, the Sixth Circuit considered, in an action for copyright infringement, whether there was a substantial similarity between two architectural drawings prepared by different companies for the same site, and held that there was not. Rebecca K. Myers is an attorney with Paul, Hastings, Janofsky & Walker LLP, where she focuses her practice on intellectual property litigation and counseling.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ARTICLE: In *TiseoArchitects*, the Sixth Circuit considered, in an action for copyright infringement, whether there was a substantial similarity between two architectural drawings prepared by different companies for the same site, and held that there was not.

Summary of Case

B&B hired TiseoArchitects in June 2003 to prepare a design and site plan for a proposed addition to B&Bs commercial building. John Juntunen, President & CEO of B&B, provided TiseoArchitects with a sketch of what B&B wanted the addition to look like and various requirements for the plans based on B&Bs preferences and existing zoning requirements. Juntunen requested multiple revisions to TiseoArchitects initial draft of the architectural plans. TiseoArchitects plans were used by B&B to obtain site plan approval from the city zoning board.

Thereafter, B&B hired Gary Olson, an architect unaffiliated with TiseoArchitects, to prepare the construction plans. As was the case with the plans commissioned from TiseoArchitects, Juntunen provided Olson with a sketch of what B&B wanted the addition to look like and made multiple requests for changes to the plans. Juntunen also provided Olson with access to TiseoArchitects site plan documents.

After discovering that B&Bs addition had been completed in November 2004, TiseoArchitects filed its architectural plans with the Copyright Office and initiated an action for, among other things, copyright infringement against B&B

and Olson, alleging that the creation of the construction plans Olson created for B&B violated TiseoArchitects copyright in the site plan drawings.

TiseoArchitects claim for copyright infringement was dismissed in an oral opinion issued by the district court after the close of evidence in a bench trial. In addressing the substantial similarity issue, the court found that, although the floor plan[s] of both designs are very, very similar you can just look at the two drawings and see that they are substantially similar there is an explanation for that offered by defendant that I think balances the fact of the similarity of the two works. The district court then explained that because both drawings were based on Juntunens drawings and suggestions as well as the existing zoning requirements and physical limitations of the site, there werent a lot of ways to lay out these offices and that there are very few ways that this idea can be expressed consistent with the specific requests made by Mr. Juntunen, and I think that balances, if not outweighs the substantial similarity between the floor plans. The district court then compared the differences between the plans (*e.g.*, the materials used, roof lines and windows) and concluded that TiseoArchitects failed to carry its burden of proving substantial similarity by a preponderance of the evidence.

TiseoArchitects filed a motion for reconsideration, which was denied. Thereafter, it appealed to the Sixth Circuit on the grounds that the district court did not apply the correct legal analysis to determine substantial similarity because it first made a factual finding of substantial similarity and then proceeded to impermissibly apply a balancing test to determine the reasons why the plans came to be substantially similar.

Pertinent Legal Issues

Prima Facie Showing for a Copyright Infringement Claim: In order to establish a claim for copyright infringement, a copyright claimant must show: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original. A copyright claimant, of course, would prefer to offer direct evidence of copying if at all possible. However, since the copying of protected works is not typically a public event, such evidence is usually lacking. Fortunately, the lack of such evidence is not fatal to the copyright holders claims.

As an alternative to direct evidence of copying, courts will permit a party asserting a claim for copyright infringement to show (1) defendant had access to the allegedly-infringed work and (2) that there is a substantial similarity between the two works at issue.

For a discussion of the prima facie showing for a copyright infringement claim, see 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.01 et seq. (2007); 1 Roger M. Milgrim & Eric E. Bensen, *Milgrim on Licensing* § 5.71 (2007).

Access: As is the case with establishing actual copying, access is often hard to prove. Access can be shown in a multitude of ways, including through evidence that directly tends to prove *either* that the defendant (1) viewed the plaintiffs work, or (2) had a reasonable opportunity to view the plaintiffs work.

In the absence of showing that defendant viewed or had the opportunity to view the work, however, courts have permitted copyright claimants to establish access by showing that the similarity between works is sufficiently striking. If such a showing is made, the trier of fact may infer that defendant had access to the allegedly infringed work. Sufficiently striking has been defined to mean that the similarities between the two works are so striking that the only explanation is that the work was copied rather than created through coincidence, independent creation, or prior common source. *See, Stratchborneo v. Arc Music Corp.*, 357 F. Supp. 1393, 1403 (S.D.N.Y. 1973).

Finally, in the absence of any of the evidence described above, courts have permitted a copyright claimant to rely

on circumstantial evidence to establish access, such as unusual speed in creating the work. Circumstantial evidence of this sort is the least reliable form, however. Although relying on circumstantial evidence to prove access is not necessarily fatal to a copyright infringement claim, a copyright claimant would not want to rely it, if at all possible.

For a discussion of the access requirement in a claim for copyright infringement, see 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.02 (2007).

Substantial Similarity: Courts apply a two-step test to determine whether substantial similarity exists between two works: *First*, the court identifies which aspects of the allegedly infringed work, if any, are protectible by copyright and filters out of the analysis any elements that are deemed unoriginal. *Second*, the court determines whether the allegedly infringing work is substantially similar to the protectible elements of the allegedly infringed work. This test is also referred to as the abstraction, filtration and comparison test because the court must first extract the expression from the idea and then engage in the filtration and comparison test, as set forth above.

For a discussion of these substantial similarity tests, see 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.03 (2007); 1 Roger M. Milgrim & Eric E. Bensen, *Milgrim on Licensing* §§ 5.31, 5.36 (2007).

For a discussion of negating substantial similarity, see 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.03[B] (2007).

The Sixth Circuits Decision.

There was no need for the Sixth Circuit to address the access issue as defendants admitted access to TiseoArchitects plans. Thus, the court focused on whether the district court applied the proper standard in determining whether there was substantial similarity between the two plans.

The District Court Applied the Proper Legal Analysis: The Sixth Circuit found that the district court applied the proper legal analysis and concluded that what TiseoArchitects labels a balancing test was actually the courts application of the first step in the analysis, *i.e.*, filtering out the unoriginal elements of TiseoArchitects plans. Thus, the sixth circuit found that the district court was not engaging in a balancing test but rather was explaining that the layout of the offices and various features of the floor plan were unoriginal because those elements were attributable to Juntunens sketch or were dictated by zoning regulations or the realities of the existing physical structure.

The court also found that the district court then proceeded to properly compare the remaining elements of the plans for substantial similarity and upheld its finding that there were a lot of differences between them, including the materials used, the roof line and the windows.

After concluding that the district court applied the proper standard for assessing substantial similarity, the Sixth Circuit upheld the district courts finding of no substantial similarity and summary judgment to defendant on the copyright infringement claim. In doing so, the court stated that it had no basis for disturbing the district courts finding of no copyright infringement since TiseoArchitects offered no argument on appeal to refute the district courts finding.

Comments:

Although copyright protection grants the copyright holder certain exclusive rights, as set forth in Section 106 of the Copyright Act, that panoply of rights is not deemed to be a monopoly in the same sense that patent rights are found to be. Thus, if a subsequent work is deemed to be substantially similar, but has been independently created without

reference to the prior work, there will be no finding of copyright infringement.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

Rebecca K. Myers is an attorney with Paul, Hastings, Janofsky & Walker LLP, where she focuses her practice on intellectual property litigation and counseling.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



33 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

David Nimmer on the constitutionality of anti-bootlegging legislation

2008 Emerging Issues 1131

David Nimmer on the constitutionality of anti-bootlegging legislation

By David Nimmer

November 27, 2007

SUMMARY: The author offers a comprehensive analysis of challenges to the constitutionality of the anti-bootlegging provisions of the Uruguay Round Agreements Act: *17 U.S.C. § 1101*, creating civil liability for bootlegging live musical performances, and *18 U.S.C. 2319A*, imposing criminal liability for the same activity.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ARTICLE: *Screen Kiss, or Setting the Stage for the U.S.'s Anti-Bootlegging Right*

It doesn't have to be the most complicated thing in the world. Decked out in their trademark face paint and garish stage outfits, the American rock band KISS performed a 1976 concert at New Jersey's Roosevelt Stadium. While the band was onstage, its performance was simultaneously projected onto a screen behind the band, thanks to a cameraman hired to film them for that purpose. Three decades later, the lost footage resurfaced. Packaged as *KISS: The Lost Concert*, DVDs began selling in 2003. Litigation ensued under the caption *KISS Catalog v. Passport International Productions*, *350 F. Supp. 2d 823, 828 (C.D. Cal. 2004)*.

At roughly the same time, the U.S. Attorney in Manhattan brought criminal charges for a comparable offense, in *United States v. Martignon*, *346 F. Supp. 2d 413 (S.D.N.Y. 2004)*. In both cases, defendants challenged the constitutionality of the implicated statutes.

Kissing Cousins, or 17 U.S.C. § 1101, Meet 18 U.S.C. § 2319A

If videos of the KISS concert had gone on sale nearer in time to the concert, federal law would have afforded no remedy. Both in 1976, before the current Act took effect, and even for almost two decades after, federal law did not regulate unfixed concert performances.

But the law took a radically new direction when Congress passed the Uruguay Round Agreements Act, Pub. L. No. 103-465, *108 Stat. 4809 (1994)*. That amendment added Chapter 11 to the Copyright Act, comprising a single section

creating civil liability for bootlegging live performances. See *17 U.S.C. § 1101*. Simultaneously with creating that civil remedy, the URAA also defined the same activity as a crime. See *18 U.S.C. § 2319A*. That latter provision is sandwiched into the codification of criminal law, in between the antecedent provisions for criminal copyright infringement, *18 U.S.C. § 2319*, and for trafficking in counterfeit goods or services, *18 U.S.C. § 2320*.

The impetus for those provisions is that the TRIPs Agreement (part of the Agreement establishing the World Trade Organization, which came out of the Uruguay Round of multilateral trade negotiations) mandates that all member states must respect the Rome Convention. That international treaty, many decades old, requires recognition of performers' rights.

Although the United States could have implemented its requirement to recognize performer's rights by according them solely to non-Americans, Congress did not choose that methodology. Instead, the scope of Section 1101 and Section 2319A is broad. On their face, they are wide enough to encompass the 2003 release of the 1976 KISS concert. But is such a law constitutional? Aye, there's the rub.

Mononucleosis, or The Strange Sleep of Constitutional Oversight on Capitol Hill

Immediately after passage of the URAA, this writer noted the eerie abdication of oversight that marked its formulation. Whereas prior amendments to copyright law had been invariably rooted carefully into the fabric of the Copyright Clause, the URAA broke new ground in ignoring its constitutional justification.

In a federal system based on delegated powers, it is invariably important to inquire after the constitutional basis for any piece of legislation. In that regard, it is most instructive to scrutinize the Act, as well as its House Report, Senate Report, and the Administration's Statement of Administrative Action. In the aggregate, the way that these voluminous materials address the issue of constitutionality is: not.

David Nimmer, *The End of Copyright*, 48 *Vand. L. Rev.* 1385, 1408 (1995). Thus, the seeds for challenging the constitutionality of the URAA were sown right at its inception.

Oddly, however, it took over a decade for them to germinate. In 2007, the Tenth Circuit called into question one portion of the URAA on First Amendment grounds. See David Nimmer, *Nimmer on Golan v. Gonzales*, 501 *F.3d* 1179 (10th Cir. 2007), LexisNexis Expert Commentary (November 2007). That same year, the Second Circuit likewise invoked First Amendment grounds to call into question the anti-bootlegging features that are the subject matter here. But before we get there, other ground first needs to be plowed.

Long ago, the Supreme Court described the Copyright Clause as both a grant of power and a limitation. *Graham v. John Deere Co.*, 383 *U.S.* 1, 5, 86 *S. Ct.* 684, 15 *L. Ed.* 2d 545 (1966). In recent decades, two schools of thought have coalesced on the issue addressed in that snippet. One takes the statement at face value, maintaining that it would render meaningless the limited Times and other boundaries of the Copyright Clause to rule that Congress could go beyond the limitations imposed by the Copyright Clause by simply invoking its concurrent powers under the Commerce Clause. See Paul J. Heald & Suzanna Sherry, *Implied Limits on the Legislative Power: The Intellectual Property Clause as an Absolute Constraint on Congress*, 2000 *U. Ill. L. Rev.* 1119. The opposite perspective looks beyond that sentence in *Graham v. John Deere* to other Supreme Court precedents in allied areas, concluding that each constitutional grant of power to Congress is separate, such that Congress can indeed act under one clause in a way that, in isolation, would be prohibited under another. See Thomas B. Nachbar, *Intellectual Property and Constitutional Norms*, 104 *Colum. L. Rev.* 272 (2004). (For a summary of these positions, see generally 1 *Nimmer on Copyright* § 1.09.)

This dispute gained new urgency in 1994 with adoption of the anti-bootlegging provisions of the URAA. Let us start with the most blatant shortcomings of Section 1101 and Section 2319A. Both apply to unfixed performances. Neither contains any limit in time, thus purportedly creating protection that endures perpetually, and that applies

retroactively without limit. As such, these features run roughshod over the Copyright Clause of the United States Constitution, art. I, § 8, cl. 8, which authorizes Congress to grant protection only for limited Times and solely to the Writings of authors.

As this writer observed, No respectable interpretation of the word writings embraces an untaped performance of someone singing at Carnegie Hall. *48 Vand. L. Rev. at 1409* (The *Moghadam*, *KISS Catalog*, and *Martignon* opinions discussed below disagree as to many particulars; but each quotes that sentence from this writer's 1995 article. *See 175 F.3d at 1274*; *346 F. Supp. 2d at 423*; *350 F. Supp. 2d at 830*; *405 F. Supp. 2d 1169*.) Yet, essentially, that impossible scenario is realized under the statute, as the defendants in both *KISS Catalog* and *Martignon* learned to their peril.

Air Kiss, or A Superficial Examination in United States v. Moghadam

Before treating the current cases, it is necessary to revert to a predecessor. *United States v. Moghadam*, *175 F.3d 1269 (11th Cir. 1999)*, side-stepped difficult questions arising under the Copyright Clause of the Constitution. The Eleventh Circuit there declined to address whether *18 U.S.C. § 2319A* violated the limited Times aspect of the Copyright Clause, inasmuch as the accused failed to preserve that argument on appeal. *Id. at 1274 n.9*. But he did explicitly advance the Carnegie Hall point: that a live performance, by definition, has not been reduced to a tangible form or fixed as of the time of the performance, meaning that it fails to qualify as a Writing. *Id. at 1274*. The court assumed *arguendo*, without deciding, that the above described problems with the fixation requirement would preclude the use of the Copyright Clause as a source of Congressional power for the anti-bootlegging statute. *Id.* It adopted that tentative posture because of its separate decision to validate this criminal enactment under the Commerce Clause. Notwithstanding that Congress thought it was acting under the Copyright Clause, and for that reason included no legislative findings regarding the effect of bootlegging of live musical performances on interstate or foreign commerce, *id. at 1275*, the court ruled those defects not necessarily fatal, *id. at 1275* & n.10.

The Eleventh Circuit concluded, The link between bootleg compact discs and interstate commerce and commerce with foreign nations is self-evident. *Id. at 1276*. The court noted in this context the nexus between the statute and the World Trade Organization, the deleterious effect of bootlegging on the recording industry, and the fact that bootleggers depress the legitimate market. *Id.*

United States v. Martignon: Round I

A decade after enactment of the Uruguay Round Agreements Act, *Moghadam* remained the only published opinion on this aspect of the URAA. Then, the Southern District of New York issued its ruling in *United States v. Martignon*, *346 F. Supp. 2d 413 (S.D.N.Y. 2004)*. Judge Baer noted at the outset that Mr. Martignon advanced the full challenge that Mr. Moghadam had partially waived. *Id. at 419* (This Court is faced with the broader challenge, envisioned by the *Moghadam* Court, to both the Copyright Clauses fixation and durational limitations.). He canvassed the various indicia by which Congress had demonstrated its intent to enact this provision pursuant to its Copyright Clause authority, including such factors as that the definitions in Section 2319A of such crucial terms as musical work and sound recording are drawn directly from the Copyright Act. *Id. at 422*. In short, he concluded,

While Congress belief as to the power under which it enacts legislation is immaterial, its placement of a statute provides a valuable window through which to view what Congress believed to be the central thrust of the statute. Therefore, the anti-bootlegging statutes positioning as an offshoot of the Copyright Act supports an interpretation of the statute as one directed at protecting the interest of *artists*, rather than *commerce*, and therefore further sustains the view that the statute is copyright-like in nature.

Id. (emphasis original).

Not even the prosecution argued that the Copyright Clause could validate this criminal provision. *Id.* In its lack both of a fixation requirement and a durational limit, it exceeded the maximum extent authorized thereunder. *Id. at 423424*, citing *3 Nimmer on Copyright § 8E.05*. Accordingly, it stood or fell based on its Commerce Clause moorings. Without disputing *Moghadams* conclusion that bootlegging harms the recording industry, the court concluded that Congress may not do indirectly what an explicit constitutional clause forbids it to do directly. *Id. at 424428*. Independently, Judge Baer concluded that the Constitution prohibits legislation fundamentally inconsistent with the Copyright Clauses fixation and duration limitations. *Id. at 428429*.

The opinion analyzes authority starting with *Marbury v. Madison*, 5 U.S. (1 Cranch) 137 (1803), and culminating with *Railway Labor Executives Association v. Gibbons*, 455 U.S. 457, 102 S. Ct. 1169, 71 L. Ed. 2d 335 (1982). It termed the latter case, striking down special legislation aimed at the bankruptcy of one particular organization, highly instructive.

[B]ecause the Bankruptcy Clause [of the United States Constitution] itself contains an affirmative limitation or restriction upon Congress power, namely that Congress may only enact uniform Laws on the subject of Bankruptcies, Congress may not utilize its Commerce Clause authority to bypass this constraint. If we were to hold that Congress had the power to enact nonuniform bankruptcy laws pursuant to the Commerce Clause, we would eradicate from the Constitution a limitation on the power of Congress to enact bankruptcy laws.

346 F. Supp. 2d at 426 (citations omitted).

Spin the Bottle, or The Flip-Flop of KISS Catalog v. Passport Intl Prods.

The government duly appealed that ruling. But it took almost three years for the Second Circuit to rule in the matter. In the meanwhile, the action shifted from the criminal to the civil sphere. As previously noted, *KISS Catalog v. Passport International Productions*, 350 F. Supp. 2d 823 (C.D. Cal. 2004), arose out of a 1976 New Jersey concert by the rock band KISS, filmed at the time by the promoter in order to simultaneously project the performance on-screen behind the band while it was onstage. *Id. at 825*. After the long forgotten footage was sold in DVD format starting in 2003, a civil lawsuit under the anti-bootlegging provision ensued.

At the outset, defendants disputed the conclusion set forth in *3 Nimmer on Copyright § 8E.03[C][3]* that the statute applies even to fixations that took place before its enactment in 1994. Against their argument that Nimmers opinion is wrong because it is based on faulty readings of the TRIPs Agreement and the Berne Convention for the Protection of Literary and Artistic Works, the court concluded that in fact, Nimmers opinion is based largely on a reading of the plain text of the statute. *Id. at 828 n.1*. The Central District of California agreed that the plain language of the statute does not limit its scope to post-1994 live performances. *Id. at 829*, citing *17 U.S.C. § 1101(a)(3)*. The court derived further support from the international backdrop against which the URAA was adopted: Given that the sale of DVDs starting in 2003 was well within fifty years of the 1976 concert, it fell within the minimum period of protection established by TRIPs. *Id. at 829 n.2*. See *3 Nimmer on Copyright § 8E.02*.

Turning to the matter of constitutionality, the court evaluated Section 1101 in light of *Nimmer on Copyright* and the district courts conclusion in *Martignon*.

This Court does not believe there can be much debate that § 1101 is a copyright-related statute. Unlike the criminal prohibitions contained in § 2319A, section 1101 is attached to the rest of the U.S. Codes copyright provisions and seeks to offer copyright-like protections for recordings of live performances.

350 F. Supp. 2d at 830. It further noted that Section 1101 offers the remedies provided in sections 502 through 505, to the same extent as an infringer of copyright. *Id.* at 830 n.3.

Like Judge Baer in *Martignon*, Judge Rea in *KISS Catalog* interpreted the Copyright Clause as both a grant of power and a limitation. *Id.* at 831. Given no doubt that the enactment exceeded the fixation and duration limitations of the Copyright Clause, Judge Rea concluded that the statute failed to pass constitutional muster on that basis. Turning to the question with no clear answer, *id.* at 833, whether the Commerce Clause could validate what the Copyright Clause prohibits, he decided to follow Judge Baers conclusion barring indirect circumvention of constitutional strictures. *Id.* at 834. The court elaborated,

In the instant case, allowing Congress to invoke the Commerce Clause in a situation where the Copyright Clause would otherwise be violated would eradicate from the Constitution a limitation on the power of Congress. The framers certainly believed that some limit on protection for copyrights and patents should exist; otherwise, they would not have included the explicit limits contained in Art. I, § 8, cl. 8. Permitting the current scope of the Commerce Clause to overwhelm those limitations altogether would be akin to a repeal of a provision of the Constitution.

Id. at 837 (citation omitted).

Unfortunately, however, *KISS Catalog* held this provision unconstitutional without having notified the Attorney General, as required by law whenever such an invalidation of federal law is under judicial consideration. 28 U.S.C. § 2403; see Rule 24(c), Fed. R. Civ. P. Given Judge Reas intervening death, the case was reassigned to another judge, who reopened the matter. 405 F. Supp. 2d 1169 (C.D. Cal. 2005). Agreeing that the Copyright Clause was an unlikely vehicle to validate Section 1101, *id.* at 1172, Judge Fischer nonetheless adopted the governments position that the Commerce Clause grants the necessary authority, *id.* at 1172-1173. She further opined that this civil provision is not fundamentally inconsistent with the Copyright Clauses fixation and duration limitations. *Id.* at 1173-1176. Instead,

what Congress regulates here is an unauthorized and (by this statute) unlawful recording of a live performance, not an authorized, protected, and constitutionally-encouraged fixation of an authors original work. Thus, the Statute complements, rather than violates, the Copyright Clause by addressing similar subject matter, not previously protected--or protectible--under the Copyright Clause.

Id. at 1176. As between the parties, therefore, plaintiff triumphed in this case.

United States v. Martignon: Round II

All the time that the disparate *KISS Catalog* opinions ruled on Section 1101 by relying on or distinguishing Judge Baers order striking down the constitutionality of Section 2319A, the appeal from Judge Baers order was pending. The Second Circuit ultimately vacated the district courts ruling in *United States v. Martignon*, 492 F.3d 140 (2d Cir. 2007). In its stead, the court reached an intermediate position regarding the conflict between Commerce and Copyright Clauses. As will be seen, that stance may reverberate from the criminal to the civil sphere in surprising ways.

At the outset, even the government conceded on appeal that Congress lacked authority to enact Section 2319A pursuant to the Copyright Clause. *Id.* at 144. It nonetheless argued for reversal on two bases: first, that the Copyright Clause constitutes solely an affirmative grant of power and does not limit Congresss power to act under other clauses of the Constitution, and second, that even assuming such limitations, they can only apply to matters within the Copyright Clauses scope, namely fixed creative works or Writings. *Id.*

Judge Pooler began her examination with the observation that in limited instances, the expressed limitations of one clause do apply externally to another clause. *Id.* at 144. But that recognition did little to resolve this case. It is not clear from the wording of the Copyright Clause where the grant of power ends and where the limitation(s) begin(s). *Id.* at 145

The panel therefore examined past Supreme Court precedent evaluating legislation rooted in the Commerce Clause, which at times has validated and at other times has overturned those enactments. It placed a different spin on the case cited by Judge Baer, *Railway Labor Executives Association v. Gibbons*, 455 U.S. 457, 102 S. Ct. 1169, 71 L. Ed. 2d 335 (1982), to conclude with a fine distinction: We believe that the Supreme Courts cases allow the regulation of matters that could not be regulated under the Copyright Clause in a manner arguably inconsistent with that clause unless the statute at issue is a copyright law. 492 F.3d at 149. More specifically, two factors must be present to conclude that Congress has transgressed the limitations imposed by the Copyright Clause: (1) the law it enacts is an exercise of the power granted Congress by the Copyright Clause and (2) the resulting law violates one or more specific limits of the Copyright Clause. *Id.*

The first question, accordingly, is whether Section 2319A is not simply copyright-like, but is actually a copyright law. *Id.* at 150. Muddying the waters is that the Copyright Clause, phrased in terms of securing exclusive rights to authors in their writings, itself does not employ the term copyright. So the Second Circuit focused on whether Section 2319A, in the language of the Constitution, secures Rights, i.e., creates, bestows, or allocates rights. *Id.* at 150. Unlike the six exclusive rights accorded copyright owners under the Copyright Act, 17 U.S.C. § 106, the provision in question forms part of the criminal law, and thus can be exercised only by the government through the exercise of prosecutorial discretion. The court accordingly concluded that it does not create rights, and is not a copyright law. It therefore reasoned that, regardless of what Congress might have thought, it did not enact Section 2319A under the Copyright Clause. *Id.* at 152.

That reasoning allowed the court to elide the inquiry whether Section 2319A violates the limits of the Copyright Clause. *Id.* Accordingly, the sole remaining question became whether the Commerce Clause can validate its scope. On that score, the court reached the uncontroversial conclusion that the nexus between bootlegging and commerce amply warranted the enactment, viewed solely through the prism of the Commerce Clause. *Id.*

Kiss of Death?, or Does Validation of the Criminal Provision Doom the Civil Counterpart?

Where does the progression of cases recounted above leave us? Among the five published opinions by which Moghadam KISSed Martignon, there is unanimity (whether explicitly or *arguendo*) as to three propositions: First, the Copyright Clause, standing alone, cannot validate enactment of either Section 1101 or Section 2319A; second, the Commerce Clause, standing alone, could validate the existence of each; and third, the interaction of those two constitutional provisions is clouded, yielding no clear determination whether the latter can authorize passage of legislation forbidden under the former.

The only precedential ruling among the lot is the Court of Appeals in *Martignon* (given that the Eleventh Circuit in *Moghadam* was careful to specify that its decision would not govern a more careful litigant who timely raised the right constitutional objections). Therefore, at least within the Second Circuit, it is clear that criminal prosecutions may proceed under *Section 2319A of Title 18, United States Code* (subject to a First Amendment wrinkle discussed below). But what of civil suits under Section 1101 of the Copyright Act, Title 17, United States Code? Although the two *KISS Catalog* rulings reached opposite results based on their divergent interpretations of the Southern District of New Yorks ruling in *Martignon*, the Central District of California ultimately upheld the constitutionality of that provision. Later the Second Circuit in *Martignon* rebuffed any constitutional challenge. On the surface, it would seem that that latter ruling should cement the correctness of the second *KISS Catalog* holding, vindicating the constitutionality of the sister provision.

Upon excavation, however, there is reason to conclude exactly the opposite. At the outset, the Second Circuits opinion disclaimed any spill-over from criminal to civil enactment. 492 F.3d at 142 (Our conclusion is limited to [18

U.S.C. § 2319A(a)(1)] alone and does not reach other anti-bootlegging provisions of the Uruguay Round Agreements Act, from which Section 2319A is drawn. (citation omitted)). The opinion further noted the differences between the civil cause of action for a performer whose performance was recorded without her consent and the provision under review, which provides criminal remedies to the government. *Id.* & n.1.

Lest there be any doubt, the end of the opinion returned to that theme:

This commercial purpose distinguishes Section 2319A from Section 1101. A person who recorded a concert for her personal enjoyment would not violate Section 2319A. Further, because no commercial motive is required for a Section 1101 violation, we specifically limit today's holding to Section 2319A and express no opinion on Section 1101's constitutionality.

Id. at 153 n.8. By that holding, the issue remains open, even after *Martignon*, whether Section 1101 withstands constitutional scrutiny.

How should that question be resolved? Had the Second Circuit adopted the prosecutions reasoning, the inquiry would be brief. It will be recalled that the government argued on appeal that the Copyright Clause constitutes solely an affirmative grant of power and does not limit Congress's power to act under other clauses of the Constitution and, as a backup, even assuming such limitations, they can only apply to matters within the Copyright Clauses scope, namely fixed creative works or Writings. *Id. at 144.* Either of those bases, if adopted, would quickly validate Section 1101 along with Section 2319A. It is therefore noteworthy that the path Judge Pooler traversed differed markedly from the government's suggestion. Rather than looking at the Copyright Clause solely as an affirmative grant of power, the decision carefully aligned past Supreme Court precedent about the clash of constitutional clauses to conclude that, under given circumstances, it is indeed possible for Congress to have transgressed the limitations imposed by the Copyright Clause. *Id. at 149* (We believe that the Supreme Court's cases allow the regulation of matters that could not be regulated under the Copyright Clause in a manner arguably inconsistent with that clause *unless the statute at issue is a copyright law.* (emphasis added)). Rather than accepting that unfixed works lie wholly outside the ambit of the Copyright Clause, the decision concluded, based on its historical examination, that duration and fixation requirements are not identifying characteristics of copyright laws. *Id. at 150.* The *Martignon* courts two-element test, applied above in the analysis of Section 2319A, furnishes the touchstone to determine the validity of Section 1101. Under that test, the section would be valid unless: (1) the law [Congress] enacts is an exercise of the power granted Congress by the Copyright Clause and (2) the resulting law violates one or more specific limits of the Copyright Clause. *Id. at 149.*

The first inquiry is whether the subject enactment is not simply like a copyright law, but is actually a copyright law. *Id. at 150.* On this score, there is not a lot of doubt that Section 1101 qualifies. Unlike Section 2319A, Section 1101 unquestionably creates, bestows, or allocates rights. *Id.* Unlike Section 2319A, which only the government can invoke, Section 1101 forms part of the Copyright Act itself, and therefore may be freely enforced by any affected performer. Finally, in contrasting Section 1101 to the criminal sanctions of Section 2319A under review, the Second Circuit explicitly noted, *17 U.S.C. § 1101(a)* provides that *copyright remedies* shall be available against persons who commit the same acts. *Id. at 143 n.1* (emphasis added). For all these reasons, criterion (1) for invalidating Section 1101 is present.

What about criterion (2)--does Section 1101 violate the specific limits of the Copyright Clause? Because *Martignon* did not reach that inquiry, it is unclear how it envisioned that the analysis should proceed. Nonetheless, it would seem manifest that, if any law can be deemed beyond Congress's scope to legislate pursuant to its authority to protect the Writings of authors, an untaped performance of someone singing at Carnegie Hall should qualify. *The End of Copyright*, *supra*, 48 Vand. L. Rev. at 1408-1409. Subject to the crucible of future litigation, therefore, it would seem that the two criteria for rejecting constitutionality are present as to Section 1101.

Judas' Kiss, or Lingering Anomalies

The appellate court resolutions in both *Moghadam* and *Martignon* leave open an ominous possibility: If Congress can criminalize copyright-adjacent behavior, is there any limit to its authority under the Commerce banner? The Second Circuit added the following considerations:

We acknowledge that our analysis necessarily triggers concerns about the ability of Congress to criminalize other conduct that would be permitted under the Copyright Clause and the copyright laws of this country, for instance the reproduction and sale of a literary work that has long lost its copyright protection. Because such statutes are not before us, we cannot address them. We do note, however, that there could be other constitutional problems associated with such statutes, including possible violations of the Due Process Clause and the First Amendment.

492 F.3d at 152 n.7. That last consideration was not limited to the hypothetical. Rather, a First Amendment challenge arose to the actual statute under which the government prosecuted Mr. Martignon. For even though the Second Circuit validated the constitutionality of Section 2319A against challenge under the Copyright Clause, the possibility still remained that it is infirm on other bases. In particular, Mr. Martignon and his academic *amici* argued that Section 2319A violates the First Amendment because it is unconstitutionally overbroad, containing no fair use exception or durational limitation. *Id. at 153.* The panel remanded that issue for the district court to consider. *Id.* It therefore remains possible that the government will ultimately lose this case on those grounds.

One other lingering matter likewise remains unaddressed, even after the five opinions canvassed above: Can the Necessary and Proper Clause come to the rescue of the anti-bootlegging civil and criminal provisions? *See* U.S. Const., art. I, § 8, cl. 18. *Martignon* ruled that that provision does not figure in our disposition of this case. *492 F.3d at 143 n.2.* So the question remains open whether, ancillary to its ability to pass all laws necessary and proper to the implementation of the United States treaty obligations, Congress has the authority to adopt civil and criminal anti-bootlegging provisions. Given that Congress adopted those provisions, under the Uruguay Round Agreements Act, to implement the TRIPs Agreement, with its embedded requirement to follow all the strictures of the Rome Convention, that course seems to hold initial promise. *See 3 Nimmer on Copyright § 8E.02.*

Yet the bloom soon fades from that rose. The reasons inhere in history. Beginning with the New Deal, President Franklin Roosevelt started submitting international agreements to Congress to ratify by a simple majority of both houses rather than to the Senate to pass by a two-thirds vote. *See* Bruce Ackerman & David Golove, *Is NAFTA Constitutional?*, 108 *Harv. L. Rev.* 799 (1995). President Bill Clinton followed that example in the instances of both NAFTA and the WTO Agreement that emerged from the Uruguay Rounds. *Id.* A basic question arises whether those instruments are even constitutional. *Compare id. with* Laurence Tribe, *Taking Text and Structure Seriously: Reflections on Free-Form Method in Constitutional Interpretation*, 108 *Harv. L. Rev.* 1221 (1995).

That large question need not be joined here. Rather, all that is necessary to note is that the United States has never ratified the Rome Convention and President Clinton decided not to present any treaty for ratification when joining the WTO and presenting the Uruguay Round Agreements Act for enactment. *See generally 3 Nimmer on Copyright § 18.06[A][1][a].* Accordingly, the treaty vehicle to vindicate Section 1101 and Section 2319A is scarcely road-worthy.

At the end of the day, we are therefore left with the strong prospect that Section 1101 will fail to survive constitutional scrutiny. When the matter is ultimately presented for resolution, it will be interesting to see if courts will find new twists and turns to save it from the handwriting that *Martignon* has written on the wall.

The Long Kiss Goodnight, or Potential Cures

So what can be done? When the Tenth Circuit wrote its own handwriting on the wall portending the demise of a separate aspect of the URAA, this writer pointed out that one way to salvage Congress handiwork would be to focus on

its treaty roots. *See David Nimmer on Golan v. Gonzales, 501 F.3d 1179 (10th Cir. 2007)*, LexisNexis Expert Commentary (November 2007). In other words, in order to safeguard the treaty obligations of the United States, a limited grant for the benefit of non-Americans could be indicated. *Id.*

Unfortunately, there are two fatal flaws in attempting to apply the same medicine to the instant disease. The first, just noted, is that there is no treaty to implement here, given that the obligation to enact anti-bootlegging legislation emerges from TRIPs and the Rome Convention, neither of which treaties the United States has ratified. The first remedial step, therefore, is for the president to sign one or both of those treaties and to present them to the United States Senate to garner a two-thirds vote.

The second flaw is that Congress drafted both the civil and criminal anti-bootlegging provisions with a broad brush, applicable for the benefit of both U.S. and non-U.S. performers. To situate an enactment within the Necessary and Proper Clause authority to implement treaty obligations, a newly enacted Section 1101 and Section 2319A must be crafted the same way Congress resurrected public domain works under *17 U.S.C. § 104A* when passing the URAA: The legal rights newly created should attach solely for the benefit of foreigners, not for Americans.

In sum, then, there may be a potential way for Congress to pass constitutional anti-bootlegging legislation--requiring first treaty ratification and second legislative tailoring to meet the demands of the newly ratified treaty. Both those courses of action lie far afield from current realities. It will be fascinating to see whether, in the months and years ahead, the political will builds to make them into a new reality.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

David Nimmer authors *Nimmer on Copyright* (11 volumes), the treatise that is routinely cited by the Supreme Court and lower U.S. courts when construing copyright law, as well as by the courts of many other nations. His analysis of the Uruguay Round Agreements Act, at issue in these cases, is routinely relied on by courts adjudicating the constitutionality of that amendment, including the *Moghadam*, *KISS Catalog*, and *Martignon* cases discussed herein.

Besides teaching copyright law at UCLA School of Law, Prof. Nimmer litigates copyright cases and provides cutting-edge advice to a range of entertainment, technology, and individual clients at Los Angeles' *Irell & Manella LLP*.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



34 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

David Nimmer discusses extension of DMCA to embedded fonts

2008 Emerging Issues 1073

David Nimmer discusses extension of DMCA to embedded fonts

By David Nimmer

November 21, 2007

SUMMARY: Of all the provisions of the Copyright Act of 1976, the most fiendish to interpret have been those added in 1998 by the Digital Millennium Copyright Act. Within the DMCA, the greatest difficulties arise as to the anti-circumvention features added by *17 U.S.C. § 1201*. In this recent case, the court decided that the DMCA does not regulate "editable embedding" enabled by a familiar computer applications.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ARTICLE: Of all the provisions of the Copyright Act of 1976, the most fiendish to interpret have been those added in 1998 by the Digital Millennium Copyright Act, and within the DMCA, the greatest difficulties arise as to the anti-circumvention features added by *17 U.S.C. § 1201*. (To appreciate the basic terminology underlying this provision, divided into the basic provision, the trafficking offenses, and the additional violations, see *3 Nimmer on Copyright § 12A.03*.) Given how involuted the statutory scheme is, it is rare for any court to interpret all the details of the DMCA correctly. (See the expert commentary on *Sony Computer Entmt Am., Inc. v. Filippiak*, *406 F. Supp. 2d 1068 (N.D. Cal. 2005)*, and *Sony Computer Entmt Am., Inc. v. Divineo, Inc.*, *457 F. Supp. 2d 957 (N.D. Cal. 2006)*.)

In light of that long trend of erroneous application of the DMCA (at least in part), it is a pleasure to confront the opposite phenomenon in *Agfa Monotype Corp. v. Adobe Systems, Inc.*, *404 F. Supp. 2d 1030 (N.D. Ill. 2005)*. The case concerned the editable embedding enabled by a familiar computer application, Adobe Acrobat 5.0. That software allows users to send Portable Document Format files. The recipient of such a PDF can print it out in the same font in which it was prepared. To allow that functionality, defendant Adobe embedded the subject font data as part of the document being transmitted. Included were plaintiffs TrueType Fonts, which have been available for free download since 1995. Those fonts are neither encrypted nor scrambled; they can be accessed regardless of the fonts embedding permissions and without the use of any password. *Id. at 1031*.

Previous versions of Acrobat had not drawn fire. Version 2.0 allowed users to embed TrueType Fonts into a PDF. Version 3.0 included Form Fields, allowing both the creator and recipient of a PDF to add, delete, and edit text. The complaint arose out of the innovation of Version 5.0, which made it possible for the first time to embed in a form field or a free text annotation any TrueType Font whose embedding bit is not set to Restricted . . . *Id. at 1032*. Theoretically,

that advance allowed the recipient of a PDF to embed and use Plaintiffs TrueType Fonts to edit a form field or free text annotation even if the embedding bit was not set to Editable. *Id.* In other words, defendant added this functionality knowing that it would permit its users to embed TrueType Fonts in a Form field or Free Text annotation even if the embedding bit were set to Preview and Print only. *Id.*

The fact nonetheless remained that defendant Adobes primary purpose in producing Acrobat Version 5.0 was simply to create portable electronic documents that would print out on the recipients side just as they were created on the senders. *Id.* Stated otherwise, its purpose was not to circumvent TrueType embedding bits, but just to make sure the document would look exactly the same on both sides of the transmission. *Id. at 1032-1033.* Manifestly, therefore, the program has many commercially significant purposes other than to circumvent embedding bits. *Id. at 1032.* Further, that feature was not advertised. *Id. at 1033* (There is not a single mention of embedding bits, circumvention of embedding bits, or the Any Font Feature in any of Defendants extensive marketing materials for Acrobat 5.0.).

The harm from this product was short-lived, as Adobe eliminated the contested feature when it put out Version 5.05 eight months later. *Id. at 1033.* Moreover, undisputed evidence from a random sample of one million PDF users showed that only about a tenth of one percent (1,096 files) took advantage of that feature. Even of those 1,096 files, only 21 PDF files had Plaintiffs TrueType Fonts embedded in a form field or free text annotation. Each of the 21 PDF files containing Plaintiffs TrueType Fonts had an Editable embedding bit, meaning that Plaintiffs had specifically authorized embedding for editing purposes. *Id.*

Based on that factual predicate, plaintiffs lost. Unlike the secret handshake that existed in a prior case (*RealNetworks, Inc. v. Streambox, Inc.*, 2000 U.S. Dist. LEXIS 1889 (W.D. Wash. 2000)), discussed in *3 Nimmer on Copyright § 12A.03[D][3]*), plaintiffs fonts were publicly accessible, requiring no password or other authorization to access. *404 F. Supp. 2d at 1036.* As such, those bits failed to effectively control access to a copyrighted work. *17 U.S.C. § 1201(a)(2)(A).*

An embedding bit is a passive entity that does nothing by itself. The embedding bit must be downloaded and accessed in order for a software system to interpret its embedding permissions. Since the specifications for the TrueType Font have been available for free download from the Internet since 1995, it is clearly not secret or undisclosed. Embedding bits are not encrypted, scrambled or authenticated, and software applications, such as Acrobat 5.0, need not enter a password or authorization sequence to obtain access to the embedding bits or the specification for the TrueType font.

404 F. Supp. 2d at 1036. To further place the facts in the language of the statute, the embedding bits used in connection with Plaintiffs TrueType Fonts do not in the *ordinary course of [their] operation*, require[] the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to Plaintiffs TrueType Fonts. *Id. at 1036*, quoting *17 U.S.C. § 1201(a)(3)(B)* (emphasis added by the court). Likewise, plaintiffs failed to prove that Acrobat Version 5.0 was designed or produced primarily for circumvention. *Id. at 1037.* As such, the trafficking claim failed. See *3 Nimmer on Copyright § 12A.03[B]*.

(To elaborate a bit more, in concluding that plaintiffs had failed to prove that Acrobat Version 5.0 was designed or produced primarily for circumvention, the court cited *Chamberlain Group v. Skylink Technologies, Inc.*, 381 F.3d 1178 (Fed. Cir. 2004). See *3 Nimmer on Copyright § 12A.06[C][2][a]*. The subject requirement about being designed or produced primarily for circumvention is set forth in *17 U.S.C. § 1201(a)(2)(A)*. Not only was that circumstance lacking under the facts of this case, but the court further determined that the coordinate requirements of § 1201(a)(2)(B) and (C) were also lacking. *404 F. Supp. 2d at 1037.* On that basis, plaintiffs had failed to prove their case as to the trafficking claim of *17 U.S.C. § 1201(a)(2)*.)

But plaintiffs last-ditch argument was that its case was strongest under the additional violations of *17 U.S.C. § 1201(b)*. See *3 Nimmer on Copyright § 12A.03[C]*. They argued that individuals who have not obtained a license for editing with Plaintiffs TrueType Font could use Acrobat 5.0 to edit documents with such fonts in violation of Plaintiffs

copyright rights. *404 F. Supp. 2d at 1038*. To advance that claim, plaintiffs had to simultaneously admit to having licensed the reproduction and distribution rights with respect to TrueType Fonts, and maintain that the permission was limited to Print and Preview purposes in PDF documents. Thus, plaintiffs concluded, the further activity of editing PDF documents in which those fonts have already been embedded amounted to copyright infringement. Plaintiffs thereby attempted to distinguish themselves from claimant Chamberlain (in the case cited in the previous paragraph), which sold its product without restriction. *404 F. Supp. 2d at 1038*.

After summarizing Adobes many contrary arguments, the court concluded that, even accepting the contention that Acrobat Version 5.0 implicated plaintiffs reproduction right (a conclusion that is not entirely clear to the Court based upon the particular facts of this case, *id. at 1040*), plaintiffs case foundered on their inability to demonstrate that the targeted software was primarily designed or produced for the purpose of circumventing a protection afforded by a technological measure that effectively protects a right of copyright owner. *Id. at 1040*, quoting *17 U.S.C. § 1201(b)(1)(A)*. Thus, the same lack of evidence that doomed plaintiffs trafficking claim proved likewise fatal as to the additional violations. More specifically,

the Courts extensive review of the record does not reveal evidence to establish that Defendant designed or produced the FreeText Tool, Forms Tools, Any Font Feature, or Acrobat 5.0 *primarily* to circumvent Plaintiffs embedding bits. * * Acrobat 5.0 as a whole and the parts thereof were not primarily designed or promoted for font embedding purposes and has many other commercially significant purposes. Finally, Defendant did not market the Any Fonts Feature, embedding bits, or circumvention of embedding bits in connection with the extensive marketing materials for Acrobat 5.0. Additionally, Acrobat 5.0 as a whole, as well as the parts thereof, clearly have more than a limited commercially significant purpose or use other than circumventing the embedding bits associated with Plaintiffs TrueType Fonts.

404 F. Supp. 2d at 1040 (emphasis provided by the court).

In sum, a careful analysis of the DMCA showed plaintiffs' claim in this case to be without merit.

This opinion is to be commended for its step-by-step navigation through the DMCA minefield. It is one of the few to reach the other side of the field unscathed. The meticulous alignment of underlying facts with governing law should guarantee that this opinion will long continue to be cited as an accurate application of the Digital Millennium Copyright Acts anti-circumvention features.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

RELATED CONTENT: [Click here for more Emerging Issues Analysis related to this Area of Law](#)

ABOUT THE AUTHOR(S):

David Nimmer authors *Nimmer on Copyright* (11 volumes), the treatise that is routinely cited by the Supreme Court and lower U.S. courts when construing copyright law, as well as by the courts of many other nations. His analysis of the Digital Millennium Copyright Act (the amendment at issue in this case), both in his treatise and in a series of articles, has been extensively cited and relied upon by various courts, providing the template for judicial interpretation of this most complex legislation.

Besides teaching copyright law at UCLA School of Law, Prof. Nimmer litigates copyright cases and provides cutting-edge advice to a range of entertainment, technology, and individual clients at Los Angeles' Irell & Manella LLP.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



35 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

David Nimmer discusses extension of DMCA to mod chips used to control game play

2008 Emerging Issues 1072

David Nimmer discusses extension of DMCA to mod chips used to control game play

By David Nimmer

November 20, 2007

SUMMARY: Of all the provisions of the Copyright Act of 1976, the most fiendish to interpret have been those added in 1998 by the Digital Millennium Copyright Act. Within the DMCA, the greatest difficulties arise as to the anti-circumvention features added by *17 U.S.C. 1201*. This Emerging Issues Analysis analyzes the aspects of the rulings.

PDF LINK: [Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge](#)

ARTICLE: Of all the provisions of the Copyright Act of 1976, the most fiendish to interpret have been those added in 1998 by the Digital Millennium Copyright Act. Within the DMCA, the greatest difficulties arise as to the anti-circumvention features added by *17 U.S.C. § 1201*. Initially, plaintiffs succeeded in applying that provision to books, movies, and music. More recently, they have failed to extend that provision to such disparate domains as printer toner cartridges and garage door openers. (For a comprehensive run-down of those case law developments, see *3 Nimmer on Copyright § 12A.06*.) Given how involuted the statutory scheme is, it is rare for any court to interpret all the details of the DMCA correctly.

The most recent cases in point have tested whether the DMCA can apply to embedded fonts and mod chips. This comment confronts the latter conundrum. (For a discussion of the former, see the Expert Commentary on *Agfa Monotype Corp. v. Adobe Systems, Inc.*, *404 F. Supp. 2d 1030 (N.D. Ill. 2005)*.)

In particular, Sony Computer Entertainment filed suit against purveyors of mod chips that circumvent the technological copyright protection measures in PlayStation consoles and allow users to play unauthorized and illegal copies of PlayStation video games that users burnt for such purposes. *Sony Computer Entmt Am., Inc. v. Filipiak*, *406 F. Supp. 2d 1068, 1070 (N.D. Cal. 2005)*. In this first case, liability was straightforward--after consenting to an injunction that he did not intend to abide by, defendant continued in his ways intentionally and in bad faith. *Id.* at 1073. Besides admitting, Yeah, I shouldnt have done that, defendant also violated the courts discovery orders by deleting his hard drive days before producing it to Sony in discovery. *Id.* at 10721073.

In the second case, defendant did not similarly roll over. *Sony Computer Entmt Am., Inc. v. Divineo, Inc.*, *457 F. Supp. 2d 957 (N.D. Cal. 2006)*. Instead, he disputed Sonys evidence that the primary or exclusive function of the technologies in question was to circumvent Sonys technological measures. He offered testimony about ways in which

his product could be used with the PlayStation systems without infringing Sonys copyrights.

The judge summarized the operative state of the evidence as follows:

One way in which Plaintiff protects this copyrighted material is an authentication process that occurs whenever a software disc boots up on a PlayStation system. Only if the PlayStation system verifies that the inserted disc is authentic will the user be allowed access to the material on it. If a user burns a copy of a copyrighted PlayStation game, a unique code that is part of every authentic disc will not be copied, thus preventing the user from playing the copy on the PlayStation systems.

In this lawsuit, Plaintiff accuses Defendants of trafficking in devices, including HDLoader, modification chips (also known as mod chips) and others, which allow users to circumvent this authentication technology. The HDLoader is a software circumvention device that permits a user to make an unauthorized copy of PlayStation-compatible software (i.e., video games) onto a separate hard drive connected to the PlayStation system. [T]he primary function and purpose of an HDLoader is to bypass the technological protections in PlayStation systems that Sony has implemented to protect copyrighted works, including its own copyrighted works. Mod chips are computer chips that, when wired to a PlayStation console, circumvent the authentication system and allow the system to play unauthorized software. The primary function of mod chips . . . is to bypass the copyright protections afforded by PlayStations, technological measures. Finally, devices known as slide cards, Swap Magic, and boot discs allow a user to boot up a PlayStation console and perform a disc swap without triggering the software and hardware mechanisms within the PlayStation system that initiate the authentication sequence; these devices have the sole function of circumventing Sonys authentication process.

Id. at 959 (citations and quotations omitted)

Defendant effectively conceded that the mod chips could be used for illegitimate purposes, but disputed that such was their primary usage. *Id. at 962*. See 17 U.S.C. § 1201(a)(2)(A) (limiting liability to products primarily designed or produced for the purpose of circumventing a technological measure). The court held that defendants own conclusory allegations failed to raise a disputed issue of material fact. Some care is required to unpack the courts findings:

Mr. Legault has shown evidence that the products he sold may be used in a manner that does not involve accessing copies of Plaintiffs copyrighted works or that makes fair use of such works. For instance, users of mod chips could use them to ensure the interoperability of an independently created computer program, protected by DMCA's reverse engineering exception. § 1201(f). The Court also takes as true Mr. Legaults assertions in his signed opposition that use of a mod chip may be the only way to play legally purchased, imported games on a United States PlayStation console. However, downstream customers lawful or fair use of circumvention devices does not relieve Mr. Legault from liability for trafficking in such devices under the DMCA.

Id. at 965. It is important to take that ruling in stages. Basically, it consists of two determinations, each of which must be tested.

. First, the court concludes that unauthorized access to a copyrighted work (via circumventing an effective technological measure) is actionable, even if the underlying purpose of the access is to achieve fair use of the copyrighted material. That seemingly counterintuitive conclusion sets the fair use doctrine on its head--if Bill is privileged under the fair use doctrine to copy a Sony show, why should Yolanda be culpable for helping Bill? Yet a searching analysis of the implicated provision shows that this surprising result is actually a correct application of the statute. See 3 *Nimmer on Copyright* § 12A.06[B][2]. Thus far, the court successively navigates the DMCA mine-field.

. Second, the court concludes that consumers usage of legally purchased, imported games on a United States PlayStation console violates the anti-circumvention right under U.S. law. In contrast to the first ruling, that conclusion is easy to swallow; after all, legions of cases have ruled that it violates U.S. copyright law to buy a lawful product abroad and import it into the United States without authorization from the copyright owner. See 2 *Nimmer on Copyright*

§ 8.12[B][6]. So that ruling simply applies the same logic to the DMCA. Yet, upon investigation, it turns out that that conclusion cannot pertain, under the twists and turns of 17 U.S.C. § 1201 as enacted. See 3 *Nimmer on Copyright* § 12A.06[D][2], Scenario (5). In this instance an unnoticed mine blows up the court's analysis.

Moreover, there are further difficulties with the court's reasoning. The opinion never specifies any conclusion as to the legal effect of defendants evidence that the products he sold may be used in a manner that does not involve accessing copies of Plaintiffs copyrighted works. *Id. at 965*. That un rebutted evidence means that there were at least two usages of defendants products, one of which would violate the DMCA and the other of which would not. At that point, the further inquiry rises to the fore whether illegitimate utilizations were the primary purpose for which defendants product was designed, 17 U.S.C. § 1201(a)(2)(A), or were the basis for defendants marketing, 17 U.S.C. § 1201(a)(2)(C), or conversely, whether the legitimate utilizations had only limited commercially significant purpose, 17 U.S.C. § 1201(a)(2)(B). If plaintiff could not bear the burden of prevailing on one of those three prongs, its prima facie case fails under the DMCA. See 3 *Nimmer on Copyright* § 12A.03[B]. Thus, even conceding that downstream customers lawful or fair use of circumvention devices does not relieve Mr. Legault from liability for trafficking in such devices under the DMCA, *id. at 965*, the question still remains how plaintiff could obtain summary judgment without proving any one of those three necessary prongs. In this manner as well, the terribly difficult language incorporated into 17 U.S.C. § 1201 proved too difficult for the court to apply accurately to the facts underlying this case.

* * *

These opinions are also noteworthy in terms of their remedial holdings. First, in *Divineo*, the court retained jurisdiction for three years, for the purpose of interpreting and modifying its injunction. 457 F. Supp. 2d at 968969. It cited in that context the provision of the Digital Millennium Copyright Act that allows trebling of damages for repeat violations undertaken within three years. 17 U.S.C. § 1203(c)(4). See 3 *Nimmer on Copyright* § 12A.13[C].

Second, these two cases set new records for the award of statutory damages under the DMCA. In *Filipiak*, defendant acted intentionally and in bad faith to ignore his own agreement to desist from future sales. 406 F. Supp. 2d at 1073. To determine the volume of defendants sales, the court had to work backwards from gross receipts, given that defendants bad faith included violation of discovery orders by destroying materials that would have specified exactly how many units he had sold. *Id. at 1073*. The court awarded \$800 per anti-circumvention device sold during the initial period of illegality, during which interval defendant was aware that his sale of mod chips violated the DMCA. *Id. at 1075*. In addition, the court awarded \$2500 per device sold after defendant promised plaintiff that he would stop such sales. After calculating how many devices had been sold based on gross receipts, the court's grand total came to over \$6 million in statutory damages. *Id. at 1075*.

In *Divineo*, the court awarded minimum \$200 damages for each of defendants initial sales, and then followed the earlier ruling in *Filipiak* to award \$800 for each sale undertaken after defendant had agreed to stop such sales. That total reached \$3.75 million. See 457 F. Supp. 2d at 967. In addition, the court awarded \$6 million against various defaulting defendants, again computing that figure at \$800 for each device sold. *Id. at 968*.

In light of the multi-million dollar awards at issue in these cases, it would be ideal for the development of the law if each of the various analytical steps underlying the awards was well-grounded in the language of the statute. Unfortunately, the confusing, otiose, and contradictory manner in which Congress drafted 17 U.S.C. § 1201 precludes such neat results. See 3 *Nimmer on Copyright* §§ 12A.03--12A.06. Until further revisited, therefore, these rulings will both set the standard for future cases yet demand revisiting of their basic premises in the light of more searching analysis.

ABOUT THE AUTHOR(S):

David Nimmer authors *Nimmer on Copyright* (11 volumes), the treatise that is routinely cited by the Supreme

Court and lower U.S. courts when construing copyright law, as well as by the courts of many other nations. His analysis of the Digital Millennium Copyright Act (the amendment at issue in this case), both in his treatise and in a series of articles, has been extensively cited and relied upon by various courts, providing the template for judicial interpretation of this most complex legislation.

Besides teaching copyright law at UCLA School of Law, Prof. Nimmer litigates copyright cases and provides cutting-edge advice to a range of entertainment, technology, and individual clients at Los Angeles' Irell & Manella LLP.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



36 of 37 DOCUMENTS

Emerging Issues Copyright 2009, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

David Nimmer on Golan v. Gonzales

2008 Emerging Issues 908

David Nimmer on Golan v. Gonzales

By David Nimmer

November 9, 2007

SUMMARY: The Copyright Acts restrictions on untrammelled speech have co-existed for centuries with the First Amendments command that Congress may pass no laws restricting speech. Even after the potential conflict was first noted in the scholarly commentary in 1970, courts have uniformly stiff-armed challenges to the Copyright Act (or its amendments) rooted in First Amendment principles. The Tenth Circuits recent ruling ends that blanket deference.

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ARTICLE: So, it does have teeth, after all--the "it" in question, of course, being the Supreme Court's decision in *Eldred v. Ashcroft*, 537 U.S. 186, 123 S. Ct. 769, 154 L. Ed. 2d 683 (2003). But let's not get ahead of the story.

A Little Background Music: The Sonny Bono Copyright Term Extension Act

Readers of a certain age (they sported tie-dye above the waist, bell bottoms below) recall the soft rock duo, Sonny and Cher. After his divorce, Sonny Bono inaugurated his political career, ultimately securing a seat in Congress. But a tragic ski collision with a tree ended that trajectory, along with his life.

The voters sent Mary Bono, the late songster's fourth wife, to fill his vacated seat in the House of Representatives. In memory of her late husband, Mary introduced a bill to extend the term of protection for all copyrighted works. On October 27, 1998, Congress duly passed the Sonny Bono Copyright Term Extension Act, Pub. L. 105-298, 112 Stat. 2827, Sec. 101.

As originally envisioned by Mary, the extension of copyright would have endured for centuries, at the very least:

Actually, Sonny wanted the term of copyright protection to last forever. I am informed by staff that such a change would violate the Constitution. I invite all of you to work with me to strengthen our copyright laws in all of the ways available to us. As you know, there is also Jack Valenti's proposal for term to last forever less one day. Perhaps the Committee may look at that next Congress.

144 Cong. Rec. H9951 (daily ed. Oct. 7, 1998) (remarks of Rep. Bono). But, in deference to constitutional constraints (not to mention that no reliable apocalypst could accurately predict when forever would end), Congress settled for simply extending all terms for twenty years.

Yet even that was too much for law professor Larry Lessig. A constitutional activist, he filed suit on behalf of a client, contending that the Constitution's authorization for Congress to confer copyright protection "for limited Times," .S. Const., art. I, § 8, cl. 8, did not include later prolongation of those limits. Having lost before the district court and the D.C. Court of Appeals (with two dissenting votes by the time it got to the *en banc* stage), Prof. Lessig brought his crusade before the nation's highest tribunal.

And the Beat Goes On: *Eldred v. Ashcroft*--A First Amendment Challenge Rebuffed

He lost. Over two dissenting votes, a majority of the Supreme Court in *Eldred v. Ashcroft* ruled the Sonny Bono Copyright Term Extension Act constitutional. In so ruling, it rejected the conclusion below that copyright law is "categorically immune from challenges under the First Amendment." 239 F.3d at 375. Instead, it reached the more nuanced conclusion that no First Amendment scrutiny was required for the Sonny Bono Copyright Term Extension Act, given that Congress therein did not alter "the traditional contours of copyright protection." 537 U.S. at 221. See 4 *Nimmer on Copyright* § 19E.05[C].

What are those traditional contours? The Court did not say. But it identified two "built-in First Amendment accommodations" already latent in copyright doctrine: The idea-expression dichotomy (see 3 *Nimmer on Copyright* § 13.03) and the fair use defense, (see *id.* § 13.05). 537 U.S. at 219220.

With a sliver of hope left, Prof. Lessig continued his campaign, trying to argue under *Eldred* that other aspects of copyright law failed to respect those two built-in First Amendment accommodations.

Specifically, he challenged other aspects of the Sonny Bono Copyright Term Extension Act. He also challenged an earlier amendment that resurrected protection within the United States for public domain works. That amendment was called the Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809, 4976-4980 (1994). Its primary provision appears as 17 U.S.C. § 104A. See 3 *Nimmer on Copyright* § 9A.04. That provision plucks works of foreign origin from the public domain to confer decades of U.S. copyright protection on them.

He lost those challenges, too. See *Luck's Music Library, Inc. v. Ashcroft*, 321 F. Supp. 2d 107 (D.D.C., 2004), *aff'd sub nom. Luck's Music Library, Inc. v. Gonzales*, 407 F.3d 1262 (D.C. Cir. 2005); *Kahle v. Gonzales*, 487 F.3d 697 (9th Cir. 2007). The campaign seemed doomed.

Moonstruck: *Golan v. Gonzales*--The Challenge Gets New Life

But then, the Tenth Circuit issued its ruling in *Golan v. Gonzales*. Although not per se striking down the Uruguay Round Agreements Act, the court reversed the ruling below upholding it. This case therefore imports a whole new sensibility.

Judge Henry began with the fact that *Eldred* commanded respect for "the traditional contours of copyright protection" without defining what those are; neither could other readily available authority, or even the parties to the litigation, shed light on the meaning of those contours. 501 F.3d at 11881189. Under *Eldred* itself, such contours

include the idea-expression dichotomy and the fair use defense. But is there more? The decision approaches that crucial inquiry in a sophisticated manner.

An essential ingredient of copyright protection, going back to time immemorial, is its sequence--statutory protection begins, continues over a course of years, and then ends. See 3 Nimmer on Copyright Chap. 9. The number of years of protection has expanded from 14 years to 28 to 56 to 75 years under the 1976 Act, and ultimately to 95 years under the Sonny Bono Copyright Term Extension Act. But what has remained constant since the start is the ultimate fate of every copyrightable composition: After those years of protection ended, it would be consigned to the public domain. Once in the public domain, anyone could copy the entirety of the formerly copyrighted expression. Innumerable copyright cases have reaffirmed that proposition over the years. *501 F.3d at 11891190*.

But that tradition of one-way public domain expiration, dating back to 1710 in England and 1791 in the United States, came to an end in 1995, with enactment of the Uruguay Round Agreements Act. The very essence of *17 U.S.C. § 104A*, which that amendment added to the Copyright Act, is to take works that are in the U.S. public domain and resurrect their copyright status.

For example, consider the Egyptian Nobel prize-winner, Naguib Mahfouz. Because the U.S. formerly lacked copyright relations with Egypt, such works as *The Thief and the Dogs* (1961) and *Wedding Song* (1981) lacked protection under Title 17 of the United States Code when they were first published. The result is that anyone could produce his own film based on the former, or mount her own stage play based on the latter, or publish both without paying any royalties. See 3 Nimmer on Copyright § 9A.02[A][1]. As of 1992, U.S. citizens may have expended considerable effort in such projects.

But when Congress passed the Uruguay Round Agreements Act, it abrogated those expectations. Since restoration in 1996, the works of Mahfouz and countless others are now subject to copyright protection. That new status undermines the First Amendment's goals of unrestricted artistic access to those erstwhile public domain works. As the court observed,

For example, at the moment that Dmitri Shostakovich's *Symphony No. 5* entered the public domain, Plaintiff John Blackburn had a right to create a derivative work for a high school band to perform at an event commemorating 9/11. The principle of copyright law that shields works in the public domain from copyright ensured Mr. Blackburn's right to create the piece, and the First Amendment protected his right to perform it.

501 F.3d at 1193. The opinion concluded that, by removing works such as Mahfouz's and Shostakovich's from the public domain, the Uruguay Round Agreements Act "hampers free expression and undermines the values the public domain is designed to protect." *Id. at 1194*.

Having reached this conclusion, the Tenth Circuit reversed summary judgment in favor of the Attorney General. Rather than validating the Uruguay Round Agreements Act along the lines of every single previous copyright amendment, the court held it to be subject to First Amendment scrutiny. It remanded to the District of Colorado to undertake that investigation.

I Got You Babe: Will the Challenge Succeed?

So, after a long dry spell, Prof. Lessig seems vindicated, after all. He's sitting pretty on Cosmo's moon (to expand on the theme from *Moonstruck*, in which Cher won the Academy Award for Best Actress). Right?

Yes and no. The "no" arises insofar as the Uruguay Round Agreements Act has not been struck down, at least not

yet. The circuit court just asked the district judge to hold a hearing in which that amendment is subject to First Amendment scrutiny. When the exercise is conducted, one possible result is that the court may conclude that it is constitutional, after all.

Here is where we get to the "yes." Yes, Prof. Lessig seems to be sitting pretty. In other words, it seems highly likely that, when First Amendment scrutiny is brought to bear, the Uruguay Round Agreements Act will fall. Consider what the appellate court had to say on the subject of fair use:

In our view, the fair use doctrine is not a sufficient safeguard of plaintiffs' First Amendment interests. Although the doctrine allows limited use of copyrighted works, it does not address works that have entered the public domain and are therefore available for unrestricted use. By withdrawing works from the public domain, [17 U.S.C. § 104A] leaves scholars, artists, and the public with less access to works than they had before the Act. The fact that the fair use doctrine permits some access to those works may not be an adequate substitute for the unlimited access enjoyed before the URAA was enacted. Thus, instead of providing additional "breathing space" for free expression, the fair use defense suggests that [this enactment] infringes upon plaintiffs' First Amendment rights.

501 F.3d at 1195. To be sure, the AG can still defend the law in the face of that language. But the smart money is on Larry Lessig to prevail, this time.

In short, there is a First Amendment. Its sweep does not stop at the borderline with copyright law. Rather, the constitutional protection of free speech arches over Congress' ability to enact copyright legislation. The First Amendment does exert effect on concrete amendments to the statute. Apparently, the Uruguay Round Agreements Act falls smack dab on the wrong side of the First Amendment line. It therefore seems in the cards that *17 U.S.C. § 104A* stands to be invalidated as unconstitutional, in whole or in part.

It's the Little Things: Looking Forward

But here's one final wrinkle. Both parties to the *Golan* litigation declined to advance a different argument to validate enactment of the Uruguay Round Agreements Act--Congress' treaty powers. Nonetheless, the Tenth Circuit cited to the discussion of that potential basis for the enactment. *501 F.3d at 1197 n.5.* In particular, it noted the discussion in a certain treatise. *Id.*, citing *3 Nimmer on Copyright § 9A.07[B]*. That discussion occurs in the context of the court's instructions on remand. The Tenth Circuit directed the district court to determine "whether the government's interest in promulgating the legislation is truly compelling' and whether the government might achieve the same ends through alternative means that have less of an effect on protected expression." *501 F.3d at 1196.* Yet, it left the matter inconclusive.

So how might that consideration enter into the calculus? Here are some musings, untethered to anything in the court opinions on the subject. The treatise chapter cited by the Tenth Circuit inaugurates its discussion of the Uruguay Round Agreements with the observations that "although, recapture is still largely limited to works of foreign origin, the unsettling prospect of complete and total resurrection of the dead is now no longer merely the stuff of copyright science fiction." *3 Nimmer on Copyright § 9A.01.* That snippet points out that, as currently crafted, *17 U.S.C. § 104A* only resurrects works from foreign countries; but if its principle of public domain resurrection won blanket approval, the upshot would be that all works of U.S. origin would likewise be available for protection anew. That result would work vastly greater dislocations than the current scheme.

On remand, the court could pay attention to that disparity. Its job at present is to weigh the First Amendment effects of the loss from the public domain of works that have been resurrected under *17 U.S.C. § 104A*. It may be that, to meet the treaty obligations of the United States, that restoration serves a compelling governmental interest. That finding

would validate the law as crafted. But it would not serve to validate a hypothetical extension of *17 U.S.C. § 104A* to U.S. works.

In other words, the Tenth Circuit's invocation of the treaty power could serve as a useful limiting doctrine, insofar as the district court decides to use it to draw a line in the sand: Thus far, Congress could act, but no further. To spell the matter out, the ruling could be that Congress had authority to bring the standards of U.S. copyright law into conformance with its international treaty obligations pursuant to the Berne Convention by resurrecting *foreign* public domain works, meaning that *17 U.S.C. § 104A* stands as currently drafted. But that rationale cannot serve to validate any extension of *17 U.S.C. § 104A* to apply to works of *domestic* origin.

If that distinction comes to fruition, the result will be that Prof. Lessig will have lost once again--the law that he challenged in court will have been upheld. But, from a deeper perspective, such a result would actually result in a great victory for his larger project. For he and his colleagues at Stanford Law School's Center for Internet and Society were not so much trying to win one concrete battle as to set a new direction--against endless expansion of copyright protection, of which the Sonny Bono Copyright Term Extension and Uruguay Round Agreements Act are emblematic. If the final result of *Golan* is to categorically bar Congress from resurrecting anything else out of the public domain than the works of foreign origin already rescued via *17 U.S.C. § 104A*, I suspect that the champagne corks will be popping in Palo Alto. As Sonny and Cher would say, "Good Times!"

For additional information on the constitutionality of the Uruguay Round Agreements Act, see David Nimmer on the constitutionality of anti-bootlegging legislation, in *KISS Catalog v. Passport Int'l Prods., Inc.*, 405 F. Supp. 2d 1169 (C.D. Cal. 2005) and *United States v. Martignon*, 492 F.3d 140 (2d Cir. 2007), LexisNexis Expert Commentary (December 2007).

PDF LINK: Click here for enhanced PDF of this Emerging Issues Analysis at no additional charge

RELATED CONTENT: Click here for more Emerging Issues Analysis related to this Area of Law

ABOUT THE AUTHOR(S):

David Nimmer authors *Nimmer on Copyright* (11 volumes), the treatise that is routinely cited by the Supreme Court and lower U.S. courts when construing copyright law, as well as by the courts of many other nations. In this very case, the Tenth Circuit quoted both the treatise's recently added chapter analyzing the interplay between copyright doctrine and the First Amendment, as well as the chapter on the Uruguay Round Agreements Act.

Besides teaching copyright law at UCLA School of Law, Prof. Nimmer litigates copyright cases and provides cutting-edge advice to a range of entertainment, technology, and individual clients at Los Angeles Irell & Manella LLP.

Information referenced herein is provided for educational purposes only. For legal advice applicable to the facts of your particular situation, you should obtain the services of a qualified attorney licensed to practice law in your state.



37 of 37 DOCUMENTS

Emerging Issues Copyright 2008, Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

Bensen on Davis v. Blige

2008 Emerging Issues 813

Bensen on Davis v. Blige

By Eric E. Bensen

October 30, 2007

SUMMARY: In *Davis*, a case of first impression that, given the Second Circuits preeminence in the copyright field, may serve broadly as precedent, the Second Circuit refused to give effect to a retroactive copyright license granted by one of two co-authors that would have extinguished the other co-authors accrued claim for infringement against the licensee and held that retroactive copyright licenses, as distinguished from settlements of copyright infringement claims, are unenforceable. This commentary, written by Eric E. Bensen, a co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets*, and an attorney with Paul, Hastings, Janofsky & Walker LLP in New York, where he focuses his practice on intellectual property litigation and licensing, examines the implications of the decision.

PDF LINK: [Click Here for Enhanced PDF of Commentary](#)

ARTICLE: In *Davis*, a case of first impression that, given the Second Circuits preeminence in the copyright field, may serve broadly as precedent, the Second Circuit refused to give effect to a *retroactive* copyright license granted by one of two co-authors that would have extinguished the other co-authors accrued claim for infringement against the licensee and held that retroactive copyright licenses, as distinguished from settlements of copyright infringement claims, are unenforceable.

Summary of the Case

Davis arose from a dispute over the authorship of two songs (the **Disputed Works**) on a successful 2001 album by performer Mary J. Blige, a.k.a. the Queen of Hip-Hop Soul, entitled *No More Drama* (the **Album**). Blige, Bruce Miller and others were given the writing credits for the Disputed Works. Sharice Davis, the plaintiff, claimed to be a co-author of the two works and brought suit for copyright infringement.

Davis claimed to have co-authored the two disputed works in 1998 with Bruce Chambliss, who was Millers father and Bliges step father, and to have performed one of the songs for Blige. Subsequent to that performance, according to Davis, Miller approached her seeking to buy several of her songs, including the one performed for Blige. Davis declined the offer.

Defendants denied that plaintiff was the author of the two disputed works. However, the day before the deposition of Chambliss, who was not a party to the action, Chambliss and Miller entered into two written agreements, allegedly to memorialize earlier oral agreements, under which Chambliss transferred his rights in the disputed works to Miller *retroactively* to the dates of their creation (the **Agreements**) for \$1 each. At the close of discovery, defendants moved for summary judgment on the grounds that as a result of the Agreements, Miller became a co-owner of the disputed works, and thus, could not be sued by Davis for infringement of the copyrights on the works.

The district court ruled that Chambliss could cure past infringement through the grant of a retroactive license and granted defendants motion for summary judgment.

Pertinent Legal Principles

Co-Authorship Under the Copyright Act. The authors of a joint work are the co-owners of the copyright in the work. *17 U.S.C. § 201(a)*. Each co-author has an undivided ownership in the entire work.

For co-authorship to exist, the work of each co-author must have knowingly been performed towards a common design, or, as the Copyright Act puts it, they must have worked with the intention that their contributions be merged. *17 U.S.C. § 101*. However, the co-authors need not contribute equally to the final work nor enter into any express agreement to work together to create a jointly-authored work. It is not even necessary that one author know the other; it suffices that the work of one author was done with the intention that it be incorporated into a larger work.

Either co-author may exploit the work without the consent of the other. Each co-author, however, must account to the other for a share of the profits received from such exploitation.

For a discussion of the status of co-authors under the Copyright Act, see 1 Melvin B. Nimmer and David Nimmer, *NIMMER ON COPYRIGHT* §§ 6.01, 6.03, 6.12 (2007). For suggested forms of contractual representations addressing the licensors ownership of a licensed copyright, see 3 Roger M. Milgrim & Eric E. Bensen, *MILGRIM ON LICENSING* § 23.03 (2007).

Copyright Co-Owners Right to Unilaterally Grant Licenses. Either co-author may, without the consent of the other, grant a nonexclusive license for the copyright to a third party. Thus, authorization by any co-author to exercise the copyright will be a defense to a claim of infringement by the other. Note, however, that a co-author may not convey the interest of the other co-owner without the other co-owners consent, and thus, may not unilaterally grant an *exclusive* license in the copyright because such a license, if enforced, would preclude the other co-owner from using the copyrighted material.

For a discussion of the right of one co-author to license the jointly authored work and important limits on that right, see 1 *NIMMER ON COPYRIGHT* § 6.10. For a discussion of the respective characteristics of exclusive and nonexclusive licenses, see 2 *MILGRIM ON LICENSING* §§ 15.08, 15.34.

The Second Circuits Decision

Chambliss attempt to retroactively license the copyrights at issue did not fare well before the Second Circuit. Drawing on a thorough analysis of applicable copyright law, the court identified a number of substantial problems with permitting such a practice. It concluded that, outside of the settlement context, retroactive copyright licenses were unenforceable. Its holdings are summarized below.

The Retroactive License Destroyed Vested Rights. Among the bundle of discrete rights possessed by a copyright

owner is, of course, the right to sue an infringer. It follows therefore, that the right to prosecute an accrued cause of action for infringement is also a right of copyright ownership. Such a right, the court held, may be exercised by one co-author independently of other co-owners, that is, one co-owner need not join the other co-owners to sue for infringement.

A copyright owner, just as the owner of real property, can convey its rights to another. Naturally, however, the owner can only convey the rights that it actually possesses. Thus, while one co-owner could convey its accrued right to sue for infringement, it cannot convey the other co-owners accrued right to sue for infringement without the co-owners consent. The question for the court, then, was whether Chambliss, by granting a retroactive copyright license to Miller, attempted to convey to Miller, without Davis consent, Davis accrued right to sue the defendants for infringement.

The Second Circuit held that in effect, Chambliss license did just that. Construing the facts in a light most favorable to Davis, Miller had no right to use or license the Disputed Works at the time he used them on the Album. Accordingly, at that point, Davis possessed an accrued right to sue Miller. Were Chambliss retroactive license given effect, Davis accrued right against Miller would be extinguished.

Because Chambliss could not unilaterally extinguish Davis rights in the copyright, his license to Miller was not enforceable.

In the Litigation Context, a Copyright License Can Only Function Prospectively. Aside from seeing little need to recognize retroactive licenses, the court identified two policy grounds, discussed below, for not giving them effect.

Need for Predictability. Were retroactive licenses permitted, it would become difficult to reliably and definitively know whether an infringement has occurred, because infringements could be undone by the very steps taken by Chambliss. Moreover, the contours of the pool of licensed users could never be known with certainty because each retroactive licensee could grant further retroactive licenses.

Need to Discourage Infringement. An infringer, having two or more co-owners to bargain with, may very well be able to buy its way out of an infringement claim from one co-owner for less than what the other co-owner would insist on. By lowering the cost of infringement, retroactive licensing could make infringement more attractive.

Accordingly, rather than limiting its holding to a prohibition against one co-owner of a copyright extinguishing the rights of another co-owner through licensing arrangements, the Second Circuit took the opportunity in *Davis* enunciate the rule that copyright licenses can act only prospectively.

Settlement Agreements are Excepted. The district court, in reaching its decision to enforce the license, had relied on other district courts opinions in the context of settlement agreements holding that retroactive copyright licenses were enforceable. Reliance on those cases, however, was misplaced. Unlike a license or assignment, generally speaking a settlement (absent language to the contrary) is retrospective only, and thus generally will not provide a license for future use of the subject rights. Moreover, it is effective between the settling parties only and will not affect the rights of co-owners of the infringed copyright who are not parties to the settlement agreement. Thus, unlike a retroactive license, a settlement would not have the effect of extinguishing an accrued right of a non-settling party. Accordingly, the Second Circuits holding concerning retroactive licensing does not extend to settlements of copyright disputes to the degree that through the settlement, a party releases only its own rights.

Comments

As one of the two circuit courts, along with the Ninth Circuit, with the highest volume of copyright cases, the Second Circuits decision in *Davis* can be expected to be influential in courts nationwide. Thus, while the courts discussion of pertinent copyright principles is exhaustive, it merits reading.

ABOUT THE AUTHOR(S):

Eric E. Bensen is a co-author of *Milgrim on Licensing* and *Milgrim on Trade Secrets*, the author of a number of articles on intellectual property issues, and an attorney with Paul, Hastings, Janofsky & Walker LLP in New York, where he focuses his practice on intellectual property litigation and licensing.