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COPYRIGHT INFRINGEMENT

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I. INTRODUCTION

A. Scope.

This paper addresses practical aspects of a typical copyright infringement case, a deceptively simple subject. Plaintiff introduces its copyright registration, proves defendant copied too much of the registered work, and submits its damages evidence. Full stop. In practice, however, a copyright case is like a jigsaw puzzle, any missing piece being fatal.

B. "The Good Book"

"Go read Title 17"[1] is no more a sufficient basis for trying copyright cases than reading The Good Book (be it the Koran, Torah, Bible, Bhagavad-Gita) is sufficient for ranking the relative moral appropriateness of new medical procedures. The terrain has changed in ways undreamt of when Title 17 was enacted in 1976.[2] What 1976 statutory standards determine whether linking, thumbnail images, or digitally sampling infringe? Knowing the case law is needed to litigate copyright cases.[3]

Nevertheless, a successful copyright litigator must be able to cite the appropriate Title 17 section the way the preacher/rabbi/mullah/priest cites chapter and verse from The Good Book. Although Title 17 is incomprehensible if read straight through, ripping out its mind-numbing sections on compulsory licensing for jukeboxes, public broadcasting exceptions, etc.,[4] leaves only a couple dozen key sections. These are quoted at the beginning of each part of this paper. They need to be read, re-read, marked up and annotated because they determine whether you win or lose.

II. WHAT IS COPYRIGHT INFRINGEMENT?

A. Statute

§ 106 Exclusive Rights in Copyrighted Works. . . . the owner of copyright . . . has the exclusive rights . . .

(1) to reproduce the copyrighted work . . .;

(2) to prepare derivative works . . .;

(3) to distribute . . .;

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[1] Title 17 of the United States Code, The Copyright Act.

[2] In 1976, you practically needed a printing press to infringe a copyright. Today, everyone with a smartphone infringes constantly. Youngsters do not appreciate that in 1976, getting a document to another city ASAP meant driving to the airport for counter-to-counter service and arranging for a courier to pick it up at the other city. There was no internet, no fax, no personal computer, no cell phone, no . . . . A new species has evolved.

[3] *Twentieth Century Music v. Aiken*, 95 S.Ct. 2040 (1975) ("When technological change has rendered its literal terms ambiguous, the [1909] Copyright Act must be construed in light of [its] basic purpose." *Id*. at 2044).

[4] This is due to Tax-Code-ification of the Copyright Act, *i.e.* the accretion of special interest amendments which collectively make a statute incomprehensible.

(4) . . . to perform . . .; and

(5) . . . to display . . . .

§ 301 Preemption With Respect to Other Laws –

(a) . . . rights that are equivalent to . . . section 106 . . . are governed exclusively by this title . . . .

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to – (1) subject matter that does not come within . . . sections 102 and 103, . . . or . . . (3) activities . . . not equivalent to . . . section 106; . . .

§ 602 Infringing Importation.

(a) Infringing importation or exportation . . . of copies . . ., the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright of this title had it been applicable, is an infringement . . . .

B. What is Copyright Infringement?

Violation of a copyright owner's § 106, § 106A(a)[5] or § 602 rights is copyright infringement.[6] Most copyright infringement cases concern § 106(1) copying. However, in every case, each listed copyright right should be examined. For example, § 106(2) prevents making unauthorized changes[7], § 106(3) prevents unauthorized distribution,[8] sometimes extended to

[5] Although § 106A's Rights of Attribution and Integrity to "the author of a work of visual art" appears sweeping in scope, in practice, disputes concerning it are rare, such as modification of paintings, drawings, prints, sculptures or photographs produced for exhibition purposes, existing in single copy or limited edition of 200 copies or fewer or modification of a building with a mural. This paper does not address § 106A rights because they do not arise in garden variety copyright infringement cases. Its nooks and crannies, however, are numerous.

[6] § 501(a).

[7] *Mirage Additions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988), *cert. denied*, 489 U.S. 1018 (1989) (cannot cut images out of book and remount them on ceramic tiles for sale because the tiles are derivative works). *But see Peter Letterese and Associates, Inc. v. World Institute of Scientology Enterprises*, 533 F.3d 1287, 1299 (11th Cir. 2008) (noting "the much-criticized case of *Mirage Editions v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988). *See Lee v. A.R.T. Co.*, 125 F.3d 580, 582 n.1 (7th Cir. 1997) ('Scholarly disapproval of Mirage Editions has been widespread.').").

[8] *Compare, Island Software and Computer Service, Inc. v. Microsoft Corp.*, 413 F.3d 257 (2nd Cir. 2005) (distribution of counterfeit software was infringement even without copying it); *with, Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828, 78 U.S.P.Q.2d 1072 (CD Cal. 2006) (inline linking to content stored on another website not infringement of the copyright owner's display or distribution right. Google did not infringe the display right where its linking site did not store a copy of the image or display the work, rather the display was by the server on which a copy is stored. Google did not infringe the distribution right because it did not distribute copies of the work.).

"making available,"[9] and § 602(a) prevents gray market importation.[10]

The internet and computers provide common fact patterns.[11] Loading files, saving to RAM, and website posting are § 106(1) "copying,"[12] but if the copying or adaptation by an owner of a software copy (not a licensee) is an essential step in using the software – for example, loading it from a CD onto a hard drive or creating an archival copy – then it is excepted from § 106.[13] Connecting a third party to a copyright owner's website via hyperlinking is not copying.[14] But whether "deep-linking," *i.e.*, giving the user access to the copyright owner's web page without seeing the copyright owner's home page, is lawful is unclear.[15]

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[9] *Maverick Recording v. Harper*, 598 F.3d 193 (5th Cir. 2010), *cert. denied*, 562 U.S. ___ (2010) (defendant made copyrighted works available to others by placing them in a shared folder accessible to a peer-to-peer file sharing network).

[10] Reading §602 (import right) and §109 (First Sale Doctrine) together, a buyer can lawfully import into the U.S. genuine copyrighted goods made in the U.S. and purchased overseas. *BMG Music v. Perez*, 952 F.2d 318 (9th Cir. 1992), *cert. denied*, 505 U.S. 1206 (1992). *Sebastian International, Inc. v. Consumer Contacts, Ltd.*, 847 F.2d 1093 (3d Cir. 1988); or genuine copyrighted goods, made outside of the U.S. and purchased overseas. *Kirtsaeng v. John Wiley & Sons, Inc.*, ___ U.S. ___ (2013).

[11] The single-most comprehensive and up-to-date collection of cases concerning this topic is David Hayes' "Advanced Copyright Issues On the Internet" found at http://www.fenwick.com/docstore/Publications/IP/Advanced_Copyright_2010.pdf

[12] *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949 (C.D. Cal. 1997); *Sega Enterprises v. MAPHIA*, 857 F. Supp. 679, 682 (N.D. Cal. 1994); *see also Playboy Enterprises, Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503 (N.D. Ohio 1997).; *CRC Press, LLC v. Wolfram Research, Inc.*, 57 U.S.P.Q.2d 1220, 2000 WL 1923329 (C.D. Ill. 2000); *Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997), *aff'd*, 168 F.3d 486 (5th Cir. 1999) (defendant infringed by copying images from other internet locations, creating smaller "thumbnail" versions of the images).

[13] *§117*(a) Limited Exceptions for Software. [I]t is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

> (1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or
>
> (2) that such new copy or adaptation is for archival purposes only ····

Who is a § 117 "owner" is unclear. *Compare, MDY Industries LLC v. Blizzard Entertainment, Inc.*, 629 F.3d 928 (9th Cir. 2010) (software licensee not a § 117 owner), *with, Vault Corp. v. Quaid Software Ltd.*, 655 F. Supp. 750 (E.D. La. 1989), *aff'd*, 847 F.2d 255 (5th Cir. 1988) (defendant licensee's loading copyright owner's software to enable defendant to design software to unlock the plaintiff's security system is lawful). §117(c) authorizes copying to maintain or repair a computer. *Krause v. Titleserv, Inc.*, 402 F.3d 119 (2nd Cir. 2005) (modification of former consultant's computer programs created for the company was a utilization "essential step" within Copyright Act's safe harbor); *Storage Technology Corp. v. Custom Hardware Engineering & Consulting, Inc.*, 431 F.3d 1374 (Fed. Cir. 2005) (service company did not infringe the manufacturer's software copyright due to maintenance and repair safe harbor).

[14] A hyperlink is a highlighted portion of text or an image that, when selected or clicked on by the user, permits the user to go directly from the website he or she is currently viewing to a different website, without first having to enter the domain name of the new website. *See Bensusan Restaurant Corp. v. King*, 126 F.3d 25, 27 n.1, 44 U.S.P.Q.2d 1051 (2nd Cir. 1997); *Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227, 1232, 40 U.S.P.Q.2d 1412 (N.D. III. 1996).

[15] *Ticketmaster Corp. v. Tickets.com.inc*, 54 U.S.P.Q.2d 1344 (C.D. Cal. 2000) (Deep linking from Tickets.com page to information on Ticketmaster's web site without seeing the Ticketmaster home page does not comprise copyright infringement.) "[H]yperlinking does not itself involve a violation of the Copyright Act

Restated, a copyright infringement claim alleges infringement of any of the following exclusive rights:

1. Reproduction § 106(1)[16]
2. Adaptation § 106(2)
3. Distribution § 106(3)
4. Public performance § 106(4)
5. Public display § 106(5)
6. Attribution and integrity § 106A
7. Importation § 602

Concerning any of the following § 102(a) copyrightable works.

1. Literary works
2. Musical works
3. Dramatic works
4. Pantomimes and choreographic works
5. Pictorial, graphic and sculptural works
6. Motion pictures and audio/visual works
7. Sound recordings
8. Architectural works

C. What is Not Copyright Infringement?

An unlicensed use of a copyrighted work is not copyright infringement unless it conflicts with one of the copyright owner's statutory rights.[17] § 106, which grants the copyright owner exclusive rights, has 148 words. §§ 107-120, which list exceptions and defenses, runs on for 48 pages.[18]

(whatever it may do for other claims) since no copying is involved. The customer is automatically transferred to the particular genuine web page of the original author. There is no deception in what is happening. This is analogous to using a library's card index to get reference to particular items, albeit faster and more efficiently;" *contra*, *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, 75 F.Supp. 2d, 1290 (D. Utah, 1999)(Viewers of copyright infringing web sites infringed by viewing).

[16] *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. N.Y. 2008) (copying a program from disk drive into RAM for execution, i.e. creation of a 1.2 second buffer copy, is not "reproduction" because the buffer copy is not sufficiently fixed to be an infringing "copy"; distinguished from loading a program into RAM for several minutes, which is sufficiently fixed to be an infringing "copy").

[17] A cause of action arises under the Copyright Act "if and only if the complaint is for a remedy expressly granted by the [Copyright Act] *e.g.*, is sued for infringement or for the statutory royalties for record reproduction . . . or asserts a claim requiring construction of the [Copyright Act] . . . or at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the [Copyright Act] requires that federal principals control a disposition of the claim." *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 828 (2nd Cir. 1964), *cert. denied*, 381 U.S. 915 (1965) (ownership dispute did not arise under Copyright Act); *Khandji v. Keystone Resorts Management Inc.*, 140 F.R.D. 697 (D. Co. 1992) (failure to turn over copyright materials).

[18] § 107, Fair Use. Discussed below.

§ 108, Libraries and Archives. Copying by libraries is sometimes permitted.

The First Sale Doctrine extinguishes the copyright owner's distribution right to a particular copy of a work upon the owner's first sale of that copy, subject to software and music exceptions.[19]

> Even if the copyright holder places restrictions on the purchaser in a first sale (such as specifying the permissible uses of the article), the buyer's disregard of the restrictions on resale does not make the buyer or the person who buys in the secondary market liable for infringement. [citations] The first sale thus extinguishes the copyright holder's ability to control the course of copies placed in the stream of commerce. Conversely, even an unwitting purchaser who buys a copy in the secondary market can be held liable for infringement if the copy was not the subject of a first sale by the copyright holder.[20]

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§ 109, First Sale Doctrine. Discussed below.

§ 110, Churches and Charities and Small Business. Religious and charitable organizations can lawfully perform at their church, etc. After decades of perceived extortion by ASCAP and BMI, small business owners obtained the "Fairness in Music Licensing Act of 1998" which permits precisely defined small businesses to broadcast radio and television background music in their establishments.

§ 111, Secondary Transmission. A passive retransmitter is exempt. *Eastern Microwave v. DoubleDave Sports, Inc*., 691 F.2d 125 (2d Cir. 1982), cert. denied, 459 U.S. 1226 (1983). Broadcasters can copy for use in broadcasting in limited circumstances.

§ 113, Certain Pictorial, Graphic, and Sculptural works. Protection of copyrighted works incorporated into buildings before June 1, 1991.

§ 114, Sound Recordings. The right to mechanically reproduce a musical work does not give a performance right or right to create a derivative work.

§ 115, Compulsory License For Music. Copyright Royalty Tribunal for musical reproductions.

§ 116, Compulsory License For Jukeboxes. Compulsory licenses for jukeboxes.

§ 118, Limited Exception For Public Broadcasting.

§ 120, Limited Exceptions for Architectural Works. Anyone can take a picture of a building, the building's owner can destroy the building without consent of the author of the architectural work, and the design of the building can be copied §120(b) as long as it does not have a design patent. *Demetriades v. Kaufmann*, 690 F. Supp. 289 (S.D. N.Y. 1988). This statutory exception does not permit a second comer to construct a second building which copies the copyrightable aspects of a first building, or the first building's plans.

§ 512 Limitations on Liability Relating to Material Online. A service provider's safe harbor from infringement due to (a) routing; (b) caching; (c) storage; and (d) linking. The service provider needs to warn subscribers of its policy of terminating those who repeatedly display or transmit infringing material. *ALS Scan, Inc. v. Digital Service Consultants*, 239 F.3d 619 (4th Cir. 2001) (Internet service provider not liable as direct infringer for providing members access to news groups with infringing material, but plaintiff's infringement notice to defendant defeated DMCA's safe harbor making defendant potentially liable as an indirect infringer.).

[19] § 109. "[T]he owner of a particular copy . . . is entitled . . . to sell . . . that copy . . . .." The First Sale Doctrine applies to the §106(3) distribution right, but not the §106(1) reproduction right. This was easy to apply in 1976, *i.e.*, to books and phonorecords, but is more difficult to apply in our digital era when use of the work requires reproduction of the work. Additionally, transfer of music and software copyright rights by the First Sale buyer is not permitted unless authorized by the copyright owner. This is discussed below.

[20] *American Int. Pictures, Inc. v. Foreman*, 576 F.2d 661, 664 (5th Cir. 1998).

Any substantive passing of ownership, distinguished from a formal transfer of title, may comprise a First Sale Doctrine "sale" of the subject copy. Whether software distribution is a "first sale" is often litigated.[21]

Suits against licensees can be problematic. If a licensee's disputed act is within the license's scope, then the owner's claim is for breach of contract unless the breach terminated the license,[22] while if the disputed act is not within the license's scope, then the claim is for copyright infringement.[23] Thus, the license's specific grant and effect of breach terms and the Complaint's specific bad acts pled can characterize the licensee's acts as infringing or breaching.[24]

This is illustrated by a series of actions familiar to attorneys. Matthew Bender's copying of West Publishing's tens of thousands of cases was held to not infringe West's copyright

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[21] *Compare, Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010) (Purchaser of Autocad software on CDs is a licensee rather than a First Sale Doctrine owner because the software license included "significant use restrictions" and termination upon user's breach). *Jacobsen v. Katzer*, 525 F.3d 1373 (Fed. Cir. 2008) (where transferee of copyrighted material was permitted to retain a copy of the materials and not required to return them to the copyright holder, the transfer of the copyrighted material was a First Sale Doctrine sale – not a license – and the copyright law's "first sale doctrine" applied to void any restrictions on subsequent transfer of the materials to others); *UMG Recordings, Inc. v. Augusto*, No. CV 07-03106 SJO (AJWX) (C.D. Cal. June 10, 2008) (Record company mailed promotional CDs labeled "This CD is the property of the record company and is licensed to the intended recipient for personal use only. Acceptance of this CD shall constitute an agreement to comply with the terms of the license. Resale or transfer of possession is not allowed and may be punishable under federal and state laws." Nevertheless, the court noted that "The right to perpetual possession is a critical incident of ownership" and held the CDs to be a First Sale Doctrine gift); *Softman Products Company v. Adobe Systems Inc*., 171 F. Supp. 2d 1075, 1086 (C.D.Cal. 2001) ("If a transaction involves a single payment giving the buyer an unlimited period in which it has a right to possession, the transaction is a sale."); *with, Wall Data, Inc. v. Los Angeles County Sheriff's Dept*., 447 F.3d 769 (9th Cir. 2006) (If an agreement says it is a license, then it is a license and First Sale Doctrine does not apply); *Adobe Systems, Inc. v. Stargate Software Inc.*, 216 F.Supp. 2d 1051 (N.D. Cal. 2002); *ISC-Bunker Ramo Corp. v. Altech, Inc.*, 765 F.Supp. 1310 (N.D.Ill. 1999); *Microsoft corp. v. Harmony Computers & Electronics, Inc.*, 846 F.Supp. 208 (E.D.N.Y. 1994); *see also Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc.* 523 U.S. 135, 146-47 (1998) ("[T]he first sale doctrine would not provide a defense to [an] action against any nonowner such as a bailee, a licensee, [or] a consignee.").

[22] *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, 629 F.3d 928 (9th Cir. 2010); *U.S. Naval Institute v. Charter Communications Inc.*, 936 F.2d 692 (2d Cir. 1991) (licensee's breach of exclusive license for "The Hunt for Red October" did not present a claim for copyright infringement); *E.G. Zoellick v. Unger*, 1996 Copyright L. Dec. (CCH) 27, 526 (D. Wis. 1995) (suit to recover post license expiration royalties).

[23] *Jacobsen v. Katzer*, 525 F.3d 1373 (Fed. Cir. 2008) (where a transferee of copyrighted material was permitted to retain a copy of the materials and not required to return them to the copyright holder, the transfer of the copyrighted material was a sale – not a license – and the copyright law's "first sale doctrine" applied to void any restrictions on subsequent transfer of the materials to others.); *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115 (9th Cir. 1999); *Microsoft Corp. v. Harmony Computers & Electrics, Inc.*, 846 F. Supp. 208 (E.D.N.Y. 1994)(complaint that the licensee exceeded the scope of license is a copyright infringement claim). However, a claim requiring construction of the Copyright Act arises under the Act for federal jurisdiction purposes, even if the claim is not for copyright infringement.

[24] *Kennedy v. National Juvenile Detention Assn.*, 187 F.3d 690 (7th Cir. 1999)(Case turned on interpretation of the license's grant to the licensee of the right to "use" the copyrighted work. "Use" held to encompass the right to prepare derivative works.)

because the cases were non-original works.[25] Jurisline.com then copied Matthew Bender's copy of West's materials and placed same on the web for free. Matthew Bender sued Jurisline.com, not for copyright infringement, which was barred by collateral estoppel, but for breach of contract. When JurisLine.com copied Matthew Bender's CDs, it clicked through Matthew Bender's click-wrap license agreement restricting reuse. The contract claim prevailed.[26]

This lesson was not lost on content creators. While copyright law permits fair use, first amendment rights, *de minimus* copying and the like, most content is protected by click-wrap agreements which preclude copying and reverse engineering.[27] Related Rights and Preemption.

1. <u>The Usual Suspects</u>. Depending on the facts and counsel's imagination, copyright Complaints assert related claims rounded up from the usual suspects[28]: misappropriation;[29] unjust enrichment; defamation; federal dilution; state dilution; state trademark infringement; federal trademark infringement; misrepresenting source, origin, or lawfulness;[30] design patent infringement;[31] trade dress infringement; RICO; DMCA; conversion; trespass to chattel;[32] or breach of express or implied contract. Use of a person's image, name or

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[25] *Matthew Bender & Co., Inc. v. West Pub. Co.*, 158 F.3d 674 (2d Cir. 1998) and *Matthew Bender & Co., Inc. v. West Pub. Co.*, 158 F.3d 693 (2d Cir. 1998). (West's "Star Pagination" system was a mere index.)

[26] During Jurisline.com's brief life the author of this paper saved substantial expenses by using Jurisline.com rather than West Law or Matthew Bender.

[27] *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317 (Fed. Cir. 2003), *cert. denied*, 539 U.S. 928 (2004) (Shrink-wrap license's prohibition on reverse engineering upheld.). But, see discussion below re preemption and misuse.

[28] Facts will emerge to support related claims if sought. If the defendant copied your client's logo into his competitive ad by using a blue Magic Marker to defeat the anti-copy protection on your client's DVD that defendant walked off with, then DMCA, trademark and trade dress infringement, unfair competition, misappropriation, and conversion are factually appropriate. The limitation is how far down the rabbit hole it is practical to go.

[29] The elements of the tort of misappropriation are "(i) the creation of plaintiff's product through extensive time, labor, skill and money, (ii) the defendant's use of that product in competition with the plaintiff, thereby gaining a special advantage in that competition (i.e., a 'free ride') because defendant is burdened with little or none of the expense incurred by the plaintiff, and (iii) damage to the plaintiff." *Int'l News Serv. v. Associated Press*, 39 S.Ct. 68 (1918); *United States Sporting Products, Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214 (Tex. App.–Waco 1993, writ denied), (Plaintiff awarded damages due to defendant's copying from plaintiff's game call tape to create a competitive game call tape. Perhaps the action was not preempted by copyright law because the bird calls were not copyrightable subject matter.), *See, AMX Corp. v. Pilote Films*, WL 2254943, at *5 (N.D. Tex. Aug. 7, 2007) (mem. op.); *Thomas v. Collins & Aikman Floorcoverings, Inc.*, 2004 WL 624926, at *4 n. 5 (Tex. App.—San Antonio, March 31, 2004, pet. denied) (mem. op.); *Keane v. Fox Television Stations, Inc.*, 297 F. Supp. 2d 921, 938 (S.D. Tex. 2004); *National Basketball Association v. Motorola*, 105 F.3d 841 (2d Cir. 1997) (No "authorship" by anyone in the basketball game itself only its broadcast. Thus, defendant's real-time broadcast of NBA game scores was not actionable), *contra*, *United States Golf Assn. v. Arroyo Software Corp.*, 40 U.S.P.Q.2d 1840 (Calif. Sup. 1996), *aff'd*, 81 Cal.Rptr.2d, 708 49 U.S.P.Q.2d 1979 (Cal.Ct.App. 1999) (use of USGA handicapping system a misappropriation).

[30] 15 U.S.C. §1125(a). Slander of title if title to the copyright rights is disputed, *SCO Group Inc v. Novell Inc.*, Case No. 04-CV-00139 (Dist. Ct. Utah)

[31] 35 U.S.C. § 171.

[32] *eBay, Inc. v. Bidder's Edge, Inc.*, 100 F. Supp. 2d 1058 (N.D. Cal. 2000) (An internet auction aggregation site which used a web crawler to access E-Bay 100,000 times a day violated a "fundamental property right to exclude others from its computer system," i.e. a "trespass to chattels" claim not "equivalent to the rights protected by copyright.); *Register.com, Inc. v. Verio, Inc.*, 126 F. Supp. 2d 238 (S.D.N.Y. 1000); *Oyster Software, Inc. v. Forms*

likeness or publication of private facts may breach a right of privacy or, publicity.[33] Related claims may be pre-empted, not factually applicable, etc., but life is uncertain and should the case develop differently than expected, related claims may provide additional discovery, punitive damages, attorneys' fees, different measures of damages, unjust enrichment recovery, or a way to get evidence of defendant's willfulness and related bad acts to the jury.

2. <u>Preemption.</u> As night follows day, defendant will assert plaintiff's related claims should be dismissed due to § 301 preemption.[34] For most of us, "preemption" is a word deliberately discarded after our Constitutional Law exam. We know that when federal and state laws conflict, federal controls, but the details . . . . The result of defendant's preemption attack depends on the underlying facts, the words plaintiff chose for the Complaint, and the relief sought. Knowing this battle is coming informs drafting the Complaint. A well-funded plaintiff who can afford problematic motion practice may plead all applicable claims to be best situated for discovery and trial. A less well-funded plaintiff may pare less significant and more adventurous claims to lessen the cost and distraction of motion practice. A Complaint lacking some related claims may evidence judicious economy rather than failure of imagination.

Copyright preemption uses a two-step analysis:

(1) "Scope" - § 301(a).[35] Is the claimed right "within the subject matter as described in 17 U.S.C. §§ 102 and 103?"[36]

(2) "Equivalent to" - § 301(b).[37] Is the claim equivalent to a § 106 right, *i.e.* does defendant's wrongful act infringe plaintiff's § 106's exclusive rights?[38] This typically reduces to

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Processing, Inc., 2001 U.S. Dist. LEXIS 22520 (N.D. Cal. 2001) ("defendant's conduct was sufficient to establish a cause of action for trespass not because the interference [with plaintiff's computer system] was 'substantial' but simply because defendant's conduct amounted to 'use' of Plaintiff's computer."); *American Airlines, Inc. v. Farechase, Inc.*, Cause No. 067-194022-02 (Texas, 67th Dist., March 8, 2003).

[33] *Cain v. Hearst Corp.*, 878 S.W.2d 577 (Tex. 1994).

[34] Professor Nimmer takes an expansive view of copyright preemption and defendant will quote extensively from his authoritative *Nimmer on Copyright* treatise. Professor Nimmer is the foremost authority on U.S. copyright law and his opinions are entitled to great weight. Concerning preemption, however, his opinion concerning what the law should be must be considered in light of the great weight of the case law.

[35] 17 U.S.C. § 301(a) . . . all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 . . . and come within the subject matter of copyright as specified by sections 102 and 103, . . . are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

[36] *Downing v. Abercombie & Fitch*, 265 F.3d 994 (9th Cir. 2001); The scope of § 301(a) for triggering preemption is broader than the scope of § 106's exclusive rights. *Dunlap v. G&L Holding Group, Inc*., 381 F.3d 12854, 1296 (11th Cir. 2004) ("ideas are substantively and categorically excluded from the subject matter of copyrights."); *National Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 850 (2d Cir. 1997).

[37] 17 U.S.C. §301(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to – (1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, . . . or . . . (3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106; . . .

whether the state law claim requires an extra element which changes the character of plaintiff's claim from a § 106 claim to one in which "the stated cause of action is qualitatively different from, and not subsumed within, a copyright infringement claim."[39] However, "not every extra element is sufficient to establish a qualitative variance between rights protected by federal copyright law and that by state law."[40]

Applying this incomprehensibly abstract test to different Complaints yields fact specific and mixed case law. Trade secret counts are typically not preempted.[41] Unfair competition,[42] misappropriation,[43] right of publicity,[44] tortious interference,[45] conversion,[46] hot news

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[38] *Beneficial National Bank v. Anderson*, 530 U.S. 1 (2003) ("complete preemption" rule converts common law claims into a federal claim for purposes of the well-pleaded complaint); *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 455 (6th Cir. 2001).

[39] *Dunn & Bradstreet*, 307 F.3d 197, 217-218 (3d Cir. 2002) (citations omitted). "[A] State law claim is not preempted if the extra element changes the nature of the action so that it is qualitatively different from a copyright infringement claim," *Computer Assoc. International, Inc. v. Altai, Inc.*, 983 F.2d 693, 716 (2d Cir. 1992); *Briarpatch Limited, L.P. v. Phoenix Pictures*, 373 F3d 296, 304 (2d Cir. 2004) (unjust enrichment claims might be preempted, while a breach of fiduciary duty not preempted.).

[40] *Dunn & Bradstreet*, 307 F.3d at 218 (citations omitted).

[41] *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 722, 784 (5th Cir. 1999) (trade secret claim not preempted but misappropriation claim that did not require secrecy preempted); *C.A. Inc. v. Rocket Software, Inc.*, No. 07CV1476(ADS)(MLO) (E.D.N.Y. Sept. 17, 2008) (2008 U.S. Dist. LEXIS 82971, 2008 WL 4416666) (claims for conversion of proprietary information, trespass to chattels (source code) and unjust enrichment preempted, but unjust enrichment claim based on trade secret misappropriation not preempted). The House Report for the 1976 Copyright Act expressly addresses trade secret misappropriation: "The evolving common law rights of … trade secrets [among several others] … 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. No. 94-1476, at 132 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5748 (emphasis added). There are conflicting lines of cases concerning whether a copyright registration defeats a trade secret claim by placing the work in the public domain. *Tedder v. Boat Ramp Systems, Inc.* v. Hillsboro, *51 U.S.P.Q. 2d*, 1683 (D.C. M.Fla 1999) (public domain), *contra, Compliance Corp. v. Serena Software, Intn'l, Ind.*, 77 F.Supp 2d 816 (E.D. Mich. 1999) (not public domain).

[42] *Orange County Choppers v. Olaes Enters.*, 497 F.Supp. 2d 541, 556 (S.D.N.Y. 2007) ("a state of mind, intent, or awareness element that alters an action's scope, but not its nature, will not save an unfair competition claim from preemption").

[43] A misappropriation claim will not survive pre-emption unless it includes an "extra element" not found in a copyright claim against the complained of act. *Compare, Butler v. Continental Airlines*, 31 S.W.3d 642 (Tex. App.–Houston 2000)(misappropriation of programs preempted); *Alcatel USA, Inc. v. DGI Technologies*, 166 F.3d 772 (5th Cir. 1999) (preempted); *with, Grosso v. Miramax Film Corp.*, 383 F.3d 965 (9th Cir. 2004) (state claim for use of copyrighted script not preempted); *International Union of Operating Engineers, Local 150 v. Team 150 Party Inc.*, N.D. Ill., 9/5/08 (unjust enrichment claim based on copying plaintiff's prototype Web site not preempted, even though same conduct as a copyright claim, because defendants obtained benefit of plaintiff's Web site without paying for it, and so is qualitatively different from copyright claim); *Ritchie v. Williams*, 395 F.3d 283 (6th Cir. 2005) (claims for misappropriation and unjust enrichment preempted.).

[44] *Compare Laws v. Sony Music Entertainment, Inc.*, 448 F.3d 1134 (9th Cir. 2006); *Fleet v. CBS, Inc.*, 50 Cal. App. 4th 1911 (1996), *with*; *Downing v. Abercrombie & Fitch*, 265 F.3d 994 (9th 2001).

[45] *Compare, Daley*, 2006 U.S. Dist. LEXIS 4061, at *16-17; *MCS Services, Inc.*, 2002 U.S. Dist. LEXIX 16910, at *26-27 (tortious interference claim based on distribution of copyrighted software preempted); *Titan Sports, Inc. v. Turner Broadcasting Systems, Inc.*, 918 F. Supp. 65, 74 (D. Conn. 1997) (tortious interference claim based on unauthorized reproduction, distribution, performance, etc. of copyrighted material preempted); *Long*, 860 F. Supp. at

misappropriation,[47] and contract[48] claims met different fates in different cases. Some civil conspiracy counts are preempted as being subsumed within contributory copyright infringement.[49]

196-197 (tortious interference claim preempted), *with, Cassway v. Chelsey Historic Props. I, L.P.*, Civ. A. No. 92-4124, 1993 WL 64633 (E.D. Pa. Mar. 4, 1993) (tortious interference claim not preempted).

[46] Conversion of tangible property claims is not preempted; conversion of intangible property claims is preempted. *Apparel Bus. Sys., LLC v. Tom James Co.*, 2008 U.S. Dist. LEXIS 26313, at *54 (E.D. Pa. Mar. 28, 2008) (conversion claim based on copying and misuse preempted); *Compare, Gemel Precision Tool Co., Inc. v. Pharma Tool Corp.*, Civ. A. No. 94-5305, 1995 WL 71243 (E.D. Pa. Feb. 13, 1995), (conversion claim based on blueprints and computer databases preempted). Software has been generally found to be intangible property not physically embodied in a document and, therefore not subject to a conversion claim. *Apparel*, 2008 U.S. Dist. LEXIS 26313 at *54 (citing *Clarity Software, LLC v. Allianz Life Ins. Cov. of N. Am.*, Civ. A. No. 04-1441 2006 LW 2346292 at *12 (W.D. Pa. Aug. 11, 2006)); (Conversion of software and databases preempted); *U.S. ex rel Berge v. Bd. of Trustees of the Univ. of Ala*, 104 F.3d 1453, 1463 (4th Cir. 1997) (claim for conversion of scientific data preempted); *Daboub v. Gibbons*, 42 F.3d 285, 289 (5th Cir. 1995) (claim for conversion of song lyrics preempted); *Patrick v. Francis*, 877 F. Supp. 481, 482, 484 (W.D.N.Y. 1995) (conversion based on copying of the work, concepts, and ideas of research paper preempted). *with, Peirson v. Clemens, Inc.*, Civ. A. No. 03-1145 JJF, 2005 WL 681309 (D. Del. March 23, 2005) (conversion of the *physical embodiment* of a copyright work was not preempted by the Copyright Act (emphasis added)); *Stenograph, LLC v. Sims*, Civ. A. No. 99-5354, 2000 WL 964748 (E.D. Pa. July 12, 2000) (conversion claim involving unlawful possession of a software key that must be physically inserted into a stenography machine to use the software not preempted). *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 795 F.Supp. 501 (D. Mass. 1992) (conversion claim that defendant took physical possession of copies of software not preempted).

[47] *AP v. All Headline News Corp.*, 608 F. Supp 2d 454 (S.D. N.Y. 2009).

[48] The Fifth Circuit holds that an agreement is an "extra element" for preemption purposes. *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1501 (5th Cir. 1990). (Taquino copied advertising drawings that were not copyrighted but which he was contractually prohibited from copying. *Id*. at 1501. "The right to claim this breach of contract is not preempted by the copyright laws. …[An] action for breach of contract involves an element in addition to mere reproduction, distribution or display: the contract promise … therefore, it is not preempted. *Id*.) Most courts agree. *E.g., National Car Rental System, Inc. v. Computer Associates International Inc.*, 26 U.S.P.Q.2d 1370 (8th Cir. 1993) ("The contractual restriction on use of the [work] constitutes an extra element that makes this cause of action qualitatively different from one for copyright"); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, (7th Cir. 1996) ("Courts usually read preemption clauses to leave private contracts unaffected," so "a simple two-party contract is not equivalent to any of the exclusive rights within the general scope of copyright"); *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317, 1320-1321 (Fed. Cir. 2003), *cert. denied*, 539 U.S. 928 (2004); *Altera Corp. v. Clear Logic, Inc.*, 424 F.3d 1079, 1089 (9th Cir. 2005) ("Most courts have held that the Copyright Act does not preempt the enforcement of contractual rights"); *Blue Nile, Inc. v. Ice.com, Inc.*, 478 F. Supp.2d 1240, 1251 (W.D. Wa. 2007); *Meridian Project Systems, Inc. v. Hardin Construction Co.*, 80 U.S.P.Q.2d 1141, 1146 (E.D. Ca. 2006); *Universal Gym Equipment, Inc. v. Atlantic Health & Fitness Products*, 229 U.S.P.Q. 335, 346 (D.Md. 1985); *Smith v. Weinstein*, 578 F. Supp. 1297, 1307 (S.D.N.Y. 1984); *Firoozye v. Earthlink Network, Inc.*, 153 F. Supp. 2d 1115 (N.D. Cal. 2001) (breach of an implied-in-fact contract claim, which is not preempted, distinguished from an implied-in-law breach of contract claim, which is. Breach of an implied-in-fact contract would require a plaintiff to prove that a defendant had made an enforceable promise that breached promise, an additional element not required in a claim for copyright infringement.). Professor Nimmer and a minority of courts find many contract claims preempted. *Montz v. Pilgrim Films & Television, Inc.*, ____ F.3d _____ (9th Cir. 2010).

[49] The Copyright Act does not preempt claims for civil conspiracy to commit an underlying tort or wrong other than copyright infringement, such as fraud. *See Xpel Techs. Corp. v. Am Filter Film Distribs.*, 2008 U.S. Dist. LEXIS 60893 at *24 (W.D. Tex. Aug. 11, 2008) (conspiracy to commit fraud and misrepresentation along with copyright infringement not preempted); *Cooper v. Sony Music Entm't, Inc.*, Civ. A. No. 01-0941(DH), 2002 U.S. Dist. LEXIS 3832 at *11-12 (S.D. Tex. Feb. 22, 2002) (civil conspiracy claim not preempted to the extent it involves common law fraud, however, "[because] copyright law already recognizes the concepts of contributory infringement and

Drafting the Complaint with preemption in mind may determine the preemption result. While defendant's copying the copyrighted work may be preempted, perhaps defendant's access to the copyrighted work was obtained via a broken promise, defeating a DMCA technological measure, or wrongfully obtaining a physical copy. Perhaps defendant used the copyrighted work to imply plaintiff's endorsement,[50] misappropriate a persona,[51] or compete with plaintiff, or represent that it was merchantable, or maybe the work contained secret information.

III. WHO CAN SUE FOR INFRINGEMENT?

A. Statute.

§ 501 Infringement of Copyright. (b) The legal or beneficial owner of an exclusive right under a copyright is entitled . . . , to institute an action for any infringement of that particular right . . . .

B. Ownership.

A copyright infringement case requires proof of: (1) ownership of a valid exclusive copyright right,[52] and (2) defendant's infringement of that right.[53] Although much energy is spent on the second element, meticulously comparing the accused and plaintiff's works, consideration should also be given to ownership.

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vicarious copyright infringement…[a] civil conspiracy claims *does not add substantively to the underlying federal copyright claim and should be preempted*." *Id.* at *11 (emphasis added). *See, Dun & Bradstreet,* 307 F.3d 197 at 217-218 (3d Cir. 2002).

[50] *Dastar v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), limits Lanham Act "origin" misrepresentation claims, such as authorship and reverse passing off, but arguably leaves 15 U.S.C. § 1125(a) false advertising concerning claims for passing off, false description or representation, or false designation of affiliation viable to the extent they are based on characteristics of the goods or services themselves. *Experian Marketing Solutions, Inc. v. U.S. Data Corp.* ___ F. Supp 2d ___ (D. Neb. 2009) data files bearing plaintiff's trademark sold as authorized data files are protectable *Dastar* "goods" because they have "more than transitory duration," as opposed to being an unprotectable *Dastar* communicative idea embodied in the data.), *Baden Sports Inc. v. Molten USA Inc.*, 556 F.3d 1300, 1305 (Fed. Cir. 2009) (under Ninth Circuit law, use of the term "innovative" in advertising "do[es] not go to the 'nature, characteristics, [or] qualities' of the goods, and [is] therefore not actionable" under the Lanham Act); *EFS Marketing, Inc. v. Russ Berrie & Co.*, 836 F.Supp 128 (SDNY 1993) (use of copyright notice on copied doll enjoined).

[51] *Brown v. Ames*, 201 F.3d 654 (5th Cir. 2000) (use of musicians' photos and names infringed right of publicity and was not preempted ("A *personal* does not fall within the subject matter of copyright – it does not consist of 'a writing' of an 'author' within the meaning of the Copyright Clause of the Constitution." *Id.* At 658 (citations omitted)).

[52] 17 U.S.C. § 501(b) ("The legal or beneficial owner of an exclusive right under a copyright is entitled . . . , to institute an action for any infringement of that particular right.").

[53] *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991) ("To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original."); *Armour v. Knowles*, 512 F.3d 147, 152 (5th Cir. 2007) (proving copyright infringement requires proof of (a) ownership of a valid copyright, (b) factual copying, and (c) substantial similarity); *Positive Black Talk, Inc. v. Cash Money Records, Inc.*, 394 F.3d 357 (5th Cir. 2004).

This is a seemingly trivial issue because copyright suits jurisdictionally require a registration,[54] and the registration is *prima facia* evidence of authorship.[55] Nevertheless, proving that the plaintiff owns an exclusive asserted right[56] is similar to proving a real property trespass case. The parties each attempt to establish or break plaintiff's chain of title by tracing the asserted copyright right to the author/sovereign. Sometimes this requires proving plaintiff's ownership through authorship, transfer documents,[57] work for hire facts, or transfer by operation of law. Are there witnesses to the author's independent creation? Are the chain of title documents to the copyright owner in writing, signed by all of the authors, unambiguous and filed with the Copyright Office? Does plaintiff have all of the different rights desirable for the suit?[58]

C. Work for Hire.

Only if authors are (1) full time employees (2) working within their scope of employment, does the employer own their authorship as a work for hire.[59] Title to a work

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[54] The pending application/issued registration split in the Circuits and within a couple circuits is discussed below.

[55] A certificate of registration for a pre-1978 original copyright is prima facie evidence of authorship, originality and copyrightability. *Gaste v. Kaiserman*, 863 F.2d 1061 (2d Cir. 1988). A certificate of registration for a post-1977 original copyright is prima facie evidence if obtained within five years of first publication. 17 U.S.C. § 410(c). Otherwise its evidentiary weight is left to the discretion of the court.

[56] *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340 (1991). A non-exclusive licensee does not have standing to sue *Althim C. D. Medical Inc. v. West Suburban Kidney Center*, 874 F. Supp. 837 (N.D. Ill. 1994).

[57] 17 U.S.C. §204(a); *Dean v. Burrows*, 732 F.Supp. 816 (E.D. Tenn. 1987) (endorsed check can qualify as a transfer document). This statutory requirement can be an unyielding snare. "Section 204(a)'s requirement, while sometimes called the copyright statute of frauds, is in fact different from a statute of frauds." *Konigsberg Int'l, Inc. v. Rice*, 16 F.3d 355, 357 (9th Cir. 1994). Rather than serving an evidentiary function and making otherwise valid agreements enforceable, under § 204(a), a transfer of copyright is simply 'not valid' without a writing. *Id*." *Lyrick Studios, Inc. v. Big Idea Productions, Inc.*, 420 F.3d 388 (5th Cir. 2005). Statutory decrees trump the common law and common sense. Although performance of an oral agreement overcomes most "Statute of Frauds" rules, such as those requiring a writing to transfer title to real property, not even full performance of an oral transfer of copyright ownership defeats § 204(a) requirement for a "writing and signed by the owner." *Lyrick Studios, supra.* Unwritten understandings or writings not containing the signatures of both parties are insufficient to rebut the Copyright Acts' statutory presumption of ownership by the author. *Miller v. C.P. Chemicals, Inc.*, 800 F.Supp. 1238 (S.C. 1992).

[58] *Wilson v. Electro Marine Systems, Inc.*, 915 F.2d 1110 (7th Cir. 1990) (assignment of an exclusive copyright right does not carry with it then existing causes of action). The lesson for assignees is to state in the assignment that all existing causes of action are transferred. Otherwise, if an infringement began within the last three years, you have all the cost of an infringement suit to win, but for only a fraction of the recovery. On the other hand, the owner of "all right, title and interest in any to any claims and causes of action" has no right to sue upon those claims unless he also owns the copyright right. *Silvers v. Sony Pictures Entertainment, Inc.*, 402 F.3d 881 (9th Cir. 2005); *Morris v. Business Concepts*, 259 F.3d 65, 69 (2d Cir. 2001) *rehearing denied*, 2002 WL 416533 (2d Cir. March 18, 2002). An exclusive licensee is a copyright "owner" capable of bringing suit in its own name. *See* 17 U.S.C. § 501(b) (permitting the "legal or beneficial owner of an exclusive right" to bring suit).

[59] "In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for the purposes of this title . . . ." 17 U.S.C. § 201. "A 'work made for hire' is – (1) a work prepared by an employee within the scope of his or her employment." 17 U.S.C. § 101. The Copyright Act does not define either "employee" or "scope of employment." The Supreme Court essentially adopted the Restatement (Second) of Agency (1958) to determine if an author is an employee. *Community For Creative Non-Violence v. Reid*, 109 S.Ct. 2166 (1989)("In determining whether a hired party is an employee under the general common law of agency, we consider the hiring party's right to control the manner and means by which the product is accomplished. Among the other factors relevant to this inquiry are the skill required; the source of the instrumentalities and tools; the location

created by an employee outside of his scope of employment belongs to the employee, not the employer.[60] This is a status determination made according to agency rules. An independent contractor's express written agreement that his work is a work-for-hire work is ineffective to establish work-for-hire status.[61] The agreement may evidence the parties' intention to assign the work, but the assignment vs. work-for-hire distinction is important for transfer determination, copyright duration, and recapture[62] purposes.

Another snare is that an unsigned employee manual may evidence the parties' scope of employment intent for work-for-hire determination, but nevertheless be an ineffective written § 204 "transfer of ownership" of non-work-for-hire works.[63] This issue arises because many companies deliver updated policy manuals to employees with notice that employment is

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of the work; the duration of the relationship between the parties; whether the hiring party has the right to assign additional projects to the hired party; the extent of the hired party's discretion over when and how long to work; the method of payment; the hired party's role in hiring and paying assistants; whether the work is part of the regular business of the hiring party." *Id.)* See Restatement § 220(2) (setting forth a non-exhaustive list of relevant factors)).

[60] A work created by an employee outside of his "scope of employment" belongs to the employee, not the employer. 17 U.S.C. §§101, 201(b); **(a) Scope of Employment.** "(1) conduct of a servant is within the scope of employment if, but only if: (a) it is of the kind he is employed to perform; (b) it occurs substantially within the authorized time and space limits; [and] (c) it is actuated, at least in part, by a purpose to serve the master." Restatement (Second) of Agency §228 (1958). However, §228 was written to determine respondent superior liability of the employer for the tortuous acts of the servant, and not with copyright issues in mind. Section 228 does not provide a bright line rule. **(1) Within scope of employment:** *Genzmer v. Public Health Trust of Miami-Dade County*, 219 F. Supp. 2d 1275 (S.D. Fla. 2002) (Created software on home computer, no additional compensation, program within job description, tested on employer's computers, tailored to employer's needs.); *Miller v. CP Chemicals, Inc.*, 808 F. Supp. 1238 (D. S.C. 1993) (Supervisor not hired to write software, software authored on home computer, but incidental to his job.) **(2) Not within scope of employment:** *Avtec Systems, Inc. v. Peiffer*, 1994 U.S. Dist. LEXIS 16946 (E.D. Va. 1994), *aff'd*, 1995 U.S. App. LEXIS 25901 (4th Cir. 1995) (Program within job description, co-workers helped debug on company time, mainly created on home computer, no additional compensation except $5,000 bonus.) *Shaul v. Cherry Valley-Springfield Cent. Sch. Dist.*, 363 F.3d 177 (2d Cir. 2004) (High school math teacher's lessons, tests, and homework problems.) *Vanderhurst v. Colorado Mountain College Dist.*, 16 F. Supp. 2d 1297 (D. Colo. 1998), *aff'd*, 208 F.3d 908 (10th Cir. 2000) (Professor's class outline prepared at home, but college policies required such work and outline directly connected to job.) *Quinn v. City of Detroit*, 988 F. Supp. 1044 (E.D. Mich. 1997) (City Attorney created software to manage litigation on home computer, and spent many hours using it at work; however, writing software not within scope of employment and using and maintaining the software was done after program authored at home.) *City of Newark v. Beasley*, 883 F. Supp. 3 (D. N.J. 1995) (Police officer created materials at home used in public anti-theft education program.) *Roeslin v. District of Columbia*, 921 F. Supp. 793 (D.D.C. 1995) (Economist wrote software to automate data received by employer, not hired to write software.) **(b) "Incidental acts"** are within scope of employment. "An act incidental to an authorized act, although considered separately, it is an entirely different kind of act. To be incidental, however, it must be one which is subordinate to or pertinent to an act which the servant is employed to perform. It must be within the ultimate objective of the principal and an act which is not unlikely that such a servant might do." Restatement (Second) of Agency §229 Comment B (1958). **(c) Estoppel.** If the employee permits the employer to become dependent on the employee's work, the employee may be estopped from suing the employer for infringement. *Carson v. Dynegy, Inc.*, 344 F.3d 446 (5th Cir. 2003). **(d) Specially commissioned works.** Works for hire also include a restricted class of specially ordered or commissioned works if the parties expressly agree in a "written instrument signed by them" that the work shall be a work for hire. 17 U.S.C. §101.

[61] An exception is that for some categories of collective works such as movies and music albums, true work for hire status can be conferred upon independent contractor works by agreement.

[62] 17.U.S.C. §§ 203, 304.

[63] *Rouse v. Walter & Associates, L.L.C.*, 513 F. Supp. 2d 1041 (S.D. Iowa, 2007).

conditional on same. Unsigned manuals do not, however, comprise §204 signed assignments. Even signed employee manuals may be ineffective concerning non-work-for-hire materials absent a Mother Hubbard copyright assignment.

D. Joint and Collective Works.

A "joint work" is a work prepared by two or more authors "with the intention that their contributions be merged into inseparable or independent parts of the unitary whole"[64] to which more than one author adds independent copyrightable contributions.[65] Co-owners are akin to tenants in common.[66] A license from any of a joint work's owners is a complete defense. Compensation received by a co-owner for use of the work must be shared with the other co-owners.

Section 201(c) gives a collector of works ownership of the collective work ("copyright in the collective work as a whole") with the right to reprint the collective work as a whole, while leaving ownership of each "separate contribution to the work" with each separate author.[67]

A. Exclusive Right.

Once authorship is established, it is easy to be lured into applying common sense to the "exclusive" copyright right issue. Common sense and common law principles, however, can be an illusion and a snare.

A first wicked trap is that an assignment or exclusive license is a § 204 "transfer of copyright ownership" which must be in "writing and signed by the owner"[68] to be valid. Unwritten understandings or writings without the author's signature are insufficient to rebut the statutory presumption of ownership by the author.[69] Mere reliance and full performance do not

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[64] 17 U.S.C. §101. Coauthorship that "each of the putative co-authors (1) made independently copyrightable contributions to the work; and (2) fully intended to be co-authors." ____, *Fenner, Jolly & McClelland, Inc. v. U.L. Coleman Co.*, 2012 U.S. Dist. LEXIS 137829 (W.D. La. 2011). "The intent prong … 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." *Interplan Architects, Inc. v. C.C. Thomas, Inc.*, 2010 U.S. Dist. LEXIS 114303 (S.D. Tex. 2010).

[65] *Medforms, Inc. v. Healthcare Management Solutions*, 290 F.3d 98 (2d Cir. 2002) (programmer directed associate to modify program. Programmer author of the new program). *Banc Training Video Systems v. First American Corp.*, 956 F.2d 268 (6th Cir. 1992).

[66] "The authors of a joint work are co-owners of copyright in the work" § 201(a).

[67] Owner of a magazine collective work who does not own the copyright right in the individual articles cannot sue for infringement of article. But if a party owns the collective work and also the individual articles, a collective work registration is sufficient. *Alaska stock LLC v. Houghton Mifflin Harcourt Publ'g Co.*, 747 F.3d 673 (9th Cir. 2014). *The New York Times v. Tasini*, 121 S.Ct. 2381 (2001), dealt with the narrow issue of whether old New York Times newspapers, which include freelance articles published via collective work assignments, could be republished in an indexed DVD. The Supreme Court held that, unlike republishing the newspapers on paper or microfilm where the articles are presented only as an intact collection, an indexed DVD additionally presents the work articles individually, i.e., beyond the scope of the collective work assignments. Thus, the New York Times could not put its own papers on indexed DVDs. This emphasizes the technical nature of the chain of title questions.

[68] 17 U.S.C. § 204(a).

[69] *Miller v. C. P. Chemicals, Inc.*, 808 F. Supp. 1238 (D.S.C. 1992).

make an unwritten-such agreement valid.[70] Video-recording the author's unwritten agreement transferring an exclusive right to plaintiff, and plaintiff fully paying for it, and building a business on the work in reliance on the transfer, all with the Pope's expressed blessing, does not give plaintiff title. In contrast, one who verbally[71] orders a work may have an implied nonexclusive license to use the work for its intended purpose.[72] It is unclear whether the existence of a non-exclusive license is governed by familiar state contract law or federal common law.[73] Another wrinkle is unless an exclusive rights transfer is supported by registration of the work in the transferee's name, a later transferee can sometimes void the earlier transfer.[74]

A second trap is that federal common law makes copyright licenses generally not assignable without the original licensor's consent.[75] Copyright licensee A's transfer of the

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[70] 17 U.S.C. § 101; *Lyrick Studios, Inc. v. Bid Idea Productions, Inc.*, 420 F.3d 388 (5th Cir. 2005). Statutory decrees trump the common law and common sense. Although performance of an oral agreement overcomes most "Statute of Frauds" rules, such as those requiring a writing to transfer title to real property, not even full performance of an oral transfer of copyright ownership defeats § 204(a)'s requirement for a "writing and signed by the owner." *Lyrick Studios, supra.* Unwritten understandings or writings not containing the signatures of both parties are insufficient to rebut the Copyright Acts' statutory presumption of ownership by the author. *Miller v. C.P. Chemicals, Inc.*, 800 F.Supp. 1238 (S.C. 1992).

[71] A non-exclusive copyright license (a mere right to use) does not need to be in writing. *Kennedy v. National Juvenile Detention Ass'n*, 187 F.3d 690 (7th Cir. 1999). *I.A.E. Inc. v. Shaver*, 74 F.3d 768 (7th Cir. 1996) (license can be oral or implied); *Hogan Sys. v. Cybersource Int'l, Inc.*, 158 F.3d (5th Cir. 1998) (consultants of a licensee are its agents).

[72] *Baisden v. I'm Ready Productions, Inc.*, 693 F.3d 491 (5th Cir. 2012). ("Consent for an implied license may take the form of permission or lack of objection…To be sure, we applied those three elements in Lulirama ["(1) a person (the licensee) requests [ ] the creation of a work, (2) the creator (the licensor) make [ ] the particular work and deliver [ ] it to the licensee who requested it, and (3) the licensor intend [ ] that the licensee-requestor copy and distribute the work." *Lulirama Ltd., Inc. v. Axcess Broad Services, Inc.*, 128 F.3d 872, 879 (5th Cir. 1997).] But we have never held that an implied license could not arise at other circumstances where the totality of the parties' conduct supported such an outcome.") Whether the owner's intent of the third prong is subjective, *Sanchez v. Hacienda Records and Recording Studio, Inc.*, 2013 U.S. Dist. LEXIS 18169; 1106 USPDQ2d 1144 (S.D. 2013), or objective, *Karlson v Red Door Homes, LLC*, Cause No. CV-11-J-1511-NE (Dist. Ct. N.D. Ala. April 30, 2014) is problematic. The second prong's "copy and distribute" means use of the work on the project for which it was intended to be used. *Aillet, Fenner, Jolly & McClelland, Inc. v. UL Coleman Co. Ltd.*, 2011 U.S. Dist. LEXIS 19807 (W.D. La. 2011). If an implied license is proven, then whether it is irrevocable is an issue. *Nearstar, Inc. v. Waggoner*, 2011 U.S. Dist. LEXIS 20736 (E.D. Tex. 2011) (no consideration, so not irrevocable); *Juergens v. Watt*, 2009 U.S. Dist. LEXIS 41194 (N.D. Miss. 2009) (consideration made license irrevocable). That the owner is estopped to sue for infringement is a similar affirmative defense. *Carson v. Dynegz, Inc.*, 344 F.3d 446 (5th Cir. 2003); *Buckword Digital Services, Inc. v. Millar Instruments*, 2006 U.S. Dist. LEXIS 29954 (S.D. Tex. 2006).

[73] Christopher Newman, *"What Exactly Are You Implying?" The Elusive Nature of the Implied Copyright License*, 32 Cardoza Arts & Ent. L.J. 501 (2013-2014) (Listing cases for each conclusion.) *Lulisama Ltd., Inc. v. Axcess Broadcast Services, Inc.*, 128 F.3d 872 (5th Cir. 1997). (Fifth Circuit cases state contract law determines whether a nonexclusive license was granted, but have not seriously considered the issue.)

[74] 17 U.S.C. § 205 (d) and (e).

[75] *Cincom Systems, Inc. v. Novellis Corp.*, 581 F.3d 431 (6th Cir. 2009) (Nonexclusive software license to predecessor did not vest in merger's surviving entity because "federal common law" makes a copyright license personal and non-transferable and overrides state law). *Gardner v. Nike Inc.*, 279 F.3d 774 (9th Cir. 2002) (Exclusive license not assignable without licensor's consent). Licensees should consider adding "and including the right to make further serial transfers of the license to licensees' successors or assigns of substantially all of

license to purchaser B may be ineffective. Use after a consent is withdrawn is infringing.[76] Whether a writing signed after the infringement to confirm rights orally granted before the infringement is sufficient to confirm the earlier transfer is unclear.[77] Cases concerning whether the beneficial owner of an exclusive right[78] or an assignee of a divisible interest has a sufficient exclusive right for copyright infringement-standing are all over the map.[79]

Software ownership is often problematic. Children re-use wood ABC blocks to make words; lawyers reuse no-warranties-no-matter-what and indemnification paragraphs in dozens of agreements. Software programmers reuse the routines written and picked up along the way. If asked, a programmer will cheerfully answers that the company's crown-jewel software includes parts from each of the programmer's prior places of employment and parts subject to the General Public License (GPL).[80] These potentially fatal facts are often not surfaced until an infringement suit is brought against a third party, or transaction requires a warranty of good title and no infringement needed.

IV. WHO ARE INFRINGERS?

A. Statute.

§ 501 Infringement of Copyright. (a) Anyone who violates any of the exclusive rights of . . . §106-118, or who imports . . . in violation of §602, is an infringer . . . .[81]

B. Direct Infringers.

Anyone who uses a §§ 106, 106(A) or 602 exclusive right without authority in the United States is a direct infringer, subject to the limitations discussed herein.[82]

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licensee's business." An excellent article on this topic is *"IP Licenses: Restrictions on Assignment and Change of Control"* (Ziff and Deming, 2012 Practical Law Publishing).

[76] *Scanlon v. Kessler*, 11 F.Supp. 2d 444 (S.D. N.Y. 1998). This may cause the licensee's bankruptcy to automatically terminate the license. *N.C.P. Marketing Group, Inc. v. B.G. Star Productions, Inc.*, 129 S.Ct. 1577 (2009) (Kennedy, Statement respecting denial of certiorari).

[77] *Imperial Residential Design, Inc. v Palms Development Group, Inc.*, 70 F.3d 96 (11th Cir. 1995).

[78] *Moran v. London Records Ltd.*, 827 F.2d 180 (7th Cir. 1987) (assignor with a right to receive royalty payments can sue if the assignee refuses to).

[79] *Minden Pictures, Inc. v. Pearson Education, Inc.*, 2013 WL 812412 (N.D. Cal. March 5, 2013) (assignment invalidated as an impermissible mere right to sue); *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137 (9th Cir. 2008) ("We also consider whether the transfer of an interest in a divisible copyright interest from a copyright co-owner to Sybersound, unaccompanied by a like transfer from the other copyright co-owners, can be an assignment or exclusive license that gives the transferee a co-ownership interest in the copyright. We hold that it cannot." Holding that a transferee of a co-owner's interest lacks standing to sue for infringement).

[80] To management's horror, the GPL, which, depending on module structure, and which GP version is applicable, may contractually attach to the entire program, is enforceable. *Jacobsen v. Koetzer*, 535 F.3d 1373 (Fed. Cir. 2008).

[81] 17 U.S.C. § 501(a).

[82] States are not liable for copyright infringement. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Bd.*, 119 S.Ct. 790 (1999) (State immune from federal trademark and patent infringement);

> Plaintiffs have shown that *Napster* users infringe at least two of the copyright holders' exclusive rights: the rights of reproduction, § 106(1); and distribution, § 106(3). *Napster* users who upload file names to the search index for others to copy violate plaintiffs' distribution rights. *Napster* users who download files containing copyrighted music violate plaintiffs' reproduction rights."[83]

Copyright infringement is a strict liability tort.[84] The defendant does not have to know he is unlawfully copying or even intend the unlawful act.[85]

C. Indirect Infringers.

1. Contributory Infringers. The most typically successful indirect liability claim is for contributory infringement.[86] "One infringes contributorily by intentionally inducing or encouraging direct infringement."[87] In practice this is a "substantial participation test."

2. Vicarious Infringers. One infringes vicariously "by profiting from direct infringement while declining to exercise a right to stop or limit it."[88] Vicarious liability is imposed where defendant has (1) the right and ability to supervise the infringing activity, and (2) a direct financial interest in such activities.[89] Vicarious liability is imposed

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Seminole Tribe of Florida v. Florida, 801 F. Supp. 655 (S.D. Fla. 1992) ("It is inherent in the nature of sovereignty [of a state] not to be amenable to the suit of an individual without [the state's' consent"]).

[83] *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).

[84] *Procter & Gamble Co. v. Colgate – Palmolive Co.*, 199 F.3d 74 (2d Cir. 1999) "'innocent copying' is still copying under copyright law"), *contra, Parker v. Google, Inc.*, 422 F.Supp. 2d, 492 (E.D. Pa. 2006) (Google's automatic archiving of web sites lacked volitional element).

[85] *Microsoft Corporation v. Logical Choice Computers, Inc.*, No. 99 C 1300, 2001 WL 58950 (N.D. Ill. Jan. 22, 2001) (individuals who distributed counterfeit copies of Microsoft software liable for copyright infringement even if they did not know the software was counterfeit); *Marobie-FL, Inc. v. National Association of Fire Equipment Distributors*, 983 F. Supp. 1167 (N.D. Ill. 1997) (web page administrator's good faith belief that plaintiff's clip art was in the public domain not a defense).

[86] *MGM Studios INc. v. Grokster, Ltd.*, 545 U.S. 913, 914 (2005). *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159 (2nd Cir. 1971) (recording company liable for contributory infringement because it knew its artists infringed and helped create audience for them); *Electra Records Co. v. Gem Electronic Distributors, Inc.*, 360 F. Supp. 821 (E.D. N.Y. 1973) (selling blank tapes, renting pre-recorded tapes and providing a dual tape recorder so customers could infringe comprised contributory infringement); *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, 75 F. Supp. 2d 1290, 1999 WL 1220307 (D. Utah 1999) (Web-site operator who directed users to sites where they would infringe by viewing were contributory infringers.); *Catalogue Creatives, Inc. v. Pacific Spirit Corp.*, No. CV 03-966-MO, 2005 WL 1950231 (D. Or. Aug. 15, 2005) (CEO was personally liable for contributory infringement for overseeing company's infringing activities).

[87] *MGM Studios, Inc.* 125 S. Ct. at 2776 (2005) (internal citations omitted); *In re Napster, Inc.*, 377 F. Supp. 2d 796 (N.D. Cal. 2005) (*Napster*'s indexing MP3-formatted music files did not infringe "distribution" of copyrighted files, but encouraging *Napster*'s users' infringing uploading and downloading may comprise indirect infringement.).

[88] *Metro-Goldwyn Mayer*, 125 S. Ct. at 2776 . . . . "Evidence of active steps taken to encourage direct infringement such as . . . instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe . . . ." *Id.* at 2779.

[89] *Fonvisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996) (Operator of flea market who charged fixed daily rental fees paid by infringing vendor met financial benefit prong, rejecting defendant's argument that the

without regard to defendant's intent if he has the power to supervise the acts of the direct infringer and a financial stake in the infringing acts.[90] These inquiries are very fact dependent. The vicarious liability theory was extended to Napster[91] and Lime Wire[92] because of their ability to police their systems. Some trade show organizers or flea market operators have been held to be a vicarious infringer, while others not.[93]

The outer parameters for holding investors personally liable for contributory infringement are unclear.[94] The DMCA provides "safe harbor" immunity to service providers from copyright infringement liability for "passive," or "automatic" actions in which a service provider's system engages through a technological process initiated by another without the knowledge of the service provider.[95] Thus, while emailing an infringing work via AOL does not make AOL a contributory infringer, comparing that act with *Napster* and *Grokster* shows a nebulous line between "ability to locate" infringing works vs. an inability to do.

3. <u>Inducing Infringement</u>. Many of us grew up using our home VCR to lawfully make time-shifting recordings of TV shows . . . and to unlawfully make and trade VCR cassettes of movies. The sale of VCRs capable of making those unlawful copies was possible because, in 1984, the *Sony* Supreme Court[96] held that the manufacture and distribution

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financial benefit prong requires that the defendant earn a commission directly tied to the sale of particular infringing items.).

[90] *Microsoft Corp. v. Suncrest Enterprise*, 2006 WL 1329881 (N.D. Cal. 2006) (company owner not liable for contributory infringement because "reason to know of infringement" not proved, but still liable for vicarious infringement); *Shapiro, Bernstein & Co., Inc. v. H.L. Green Co., Inc.*, 316 F.2d 304 (2d Cir. 1963).

[91] 239 F.3d 1004 at 1027 (9th Cir. 2001). "Napster may be vicariously liable when it fails to affirmatively use its ability to patrol its system and preclude access to potentially infringing files listed in its search index."

[92] *Arista Records LLC v. Lime Group LLC*, 784 F. Supp. 2d 398 (S.D. N.Y. 2011).

[93] *Adobe Systems, Inc. v. Canus Prods., Inc.*, 173 F. Supp.2d 1044 (C.D. Cal. 2001) (promoter of trade show not liable even though it provided security and controlled access and could terminate vendors because it did not have sufficient control to prevent infringement); *Arista Music, Inc. v. Reed Publishing*, 1994 W.L. 191643 (S.D. N.Y. May 17, 1994) (relationship held to be a nightclub owner/entertainer relationship); *Polygram International Publishing, Inc. v. Nevada/TIG, Inc.*, 855 F. Supp. 1314 (D. Mass. 1994); *Banff, Ltd. v. Limited, Inc.*, 869 F. Supp. 1103 (S.D. N.Y. 1994) (actual control required); *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records*, 256 F. Supp. 399 (S.D. N.Y. 1996) (numerous companies and their employees all held individually liable); *Shapiro, Bernstein & Co.*, 316 F.2d 304 (2d Cir. 1963) (landlord liable for infringing sales made by renter paying percentage rent).

[94] § 501(a). *In re Napster, Inc.*, 377 F. Supp. 2d 796 (N.D. Cal. 2005) (*Napster's* investors were denied summary judgment on contributory and vicarious infringement claims. While *Napster*'s indexing MP3-formatted music files did not infringe the "distribution" right of the copyrighted files, the investors encouraging *Napster*'s users' infringing uploading and downloading may comprise indirect infringement.) *Microsoft Corp. v. Suncrest Enterprise*, 2006 WL 1329881 (N.D. Cal. 2006) (company owner not liable for contributory infringement because "reason to know of infringement" not proved, but still liable for vicarious infringement).

[95] 17 U.S.C. § 512; *see also, ALS Scan, Inc. v. RemarQ Communities, Inc.*, 239 F.3d 619 (4th Cir. 2001) (The bill essentially codifies the result in the leading and most thoughtful judicial decision to date: *Religious Technology Center v. Netcom On-Line Communications Services, Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995). In doing so, it overrules these aspects of *Playboy Enterprises, Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993), insofar as that case suggests that such acts by service providers could constitute direct infringement, and provides certainty that *Netcom* and its progeny, so far only a few district court cases, will be the law of the land.")

[96] *Sony Corp. of America v. Universal Studios, Inc.*, 464 U.S. 417 (1984).

of a commercial product capable of substantial non-infringing uses, (*i.e.*, fair-use time-shift recording) did not itself create contributory liability for the infringing use by some purchasers, (*i.e.* unlawfully making and trading movie cassettes) unless the distributor had actual knowledge of specific instances of infringement and failed to act on that knowledge.

In our digital age, however, billions of files are shared over the internet each month. Napster.com was held to have engaged in unlawful contributory infringement and vicarious infringement because it permitted users to exchange infringing works through Napster's central file server.[97] Groskter.com was created specifically to avoid Napster.com-like liability. Groskter.com used a peer-to-peer network which enabled users to directly transfer copied files between users without Groskter.com having a copy of or even knowledge of the transferred files.

Sony's VCRs and Groskter's peer-to-peer software were each capable of being used by end-users for both infringing and non-infringing purposes. In both cases, the defendants knew of and profited due to the end-user's infringing use of the defendant's products. Technically, the *Sony* plaintiff did not introduce evidence of or assert on appeal defendant's inducement activities, while the *Groskter* plaintiff loaded the record full of the defendant's active knowing inducement of infringement by end-users, a difference the Supreme Court emphasized in *Groskter's* different result. The real difference, however, is that *Sony* was decided at the dawn of commercially-irrelevant one-off guerilla analogue copying, while *Groskter*[98] was decided amidst massive digital internet copying which was upsetting the Constitutional protection versus freedom balance.[99]

The *Groskter* Supreme Court, confronted with a new reality, reached into the common law's endless bag of tricks to – surprise! – find and apply common law's inducement rule. This common law rule had not previously been applied to statutory copyright actions.[100] Inducement liability requires (a) distributing a device (which may be an intangible, such as software) (b) with the object of promoting its use to infringe, (c) as shown by (1) clear expression, or (2) other affirmative steps taken to foster infringement.[101]

Another *Groskter* effect has been to widen the scope of possible defendants. For example, although the original *Napster* decision killed Napster.com, the case continued as the recording industry sought to collect damages from Napster.com's investors. Because of the subsequently decided *Groskter*, the investors' motion for summary judgment of non-infringement was denied.

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[97] *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).

[98] *Metro-Goldwyn-Mayer Studios, Inc. v. Groskter, Ltd.*, 545 U.S. 913 (2005).

[99] A Wall Street Journal headline is instructive: SALES OF MUSIC, LONG IN DECLINE, PLUNGE SHARPLY, Wall Street Journal, Wednesday, March 21, 2007, Volume CCXLIX, No. 66, Page 1.

[100] Congress created copyright liability by statute. Only Congress can change the copyright statute. **There is no common law of copyright!** Never mind, the Supreme Court found one. Arguably, this is a separation of powers issue.

[101] "The question is under what circumstances the distributor of a product is liable for infringement by third parties using the product. We hold that one 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 the resulting acts of infringement by third parties." *Groskter*.

> Plaintiffs are entitled to pursue recovery from . . . [Napster's investors] under the *Groskter* theory of liability, which does not require actual or even reasonable knowledge of specific infringing files, as well as under the "reasonable knowledge" standard articulated in *Napster I.*[102]

Although of great importance to record companies and inducers of internet copying,[103] *Groskter's* effect is not limited to the internet. When copyright owners sought to hold a flea market's owners indirectly liable because some shops at the flea market sold infringing copies of movies, the owner's motion for summary judgment was denied.[104]

D. Criminal Infringers.

The typical U.S. assistant attorney general's office is triaging between which murdering drug rings and traffickers in under-age alien prostitutes to focus on and which to ignore due to insufficient resources. A criminal copyright prosecution case must be presented to the local U.S. attorney's office on a silver platter with substantial plus factors, such as high value or a vast number of defrauded consumers.[105]

Willful reproduction or distribution on a large scale is a felony, even if no money is being made.[106] Misdemeanor infringement requires a lesser scope and quantity of infringement,[107] or no quantity at all if the defendant had a financial motive.[108] Penalties are severe.[109]

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[102] *In re Napster, Inc.* Copyright Litigation, 80 U.S.P.Q.2d 1726 (N.D. Cal. 2006). (emphasis added), *contra*, *UMG Recordings, Inc. v. Veoh Networks, Inc.*, ___ F. Supp.2d ____, 89 U.S.P.Q.2d 1449 (C.D. Cal. 2008) (Complaint did not adequately allege that defendants had a direct financial interest in the infringement).

[103] The effect of the *Groskter* decision was to shut down other similar file-sharing networks. *Metro-Goldwyn-Mayer Studios, Inc. v. Groskter Ltd.*, 81 U.S.P.Q.2d 1461 (C.D. Cal. 2006) ("Plaintiffs need not prove that StreamCast undertook specific actions, beyond product distribution, that caused specific acts of infringement. Instead, Plaintiffs need prove only that StreamCast distributed the product with the intent to encourage infringement. Since there is no dispute that StreamCast did distribute an infringement-enabling technology, the inquiry focuses on the defendant's intent, which can be shown by evidence of the defendant's expression or conduct. "If liability for inducting infringement is ultimately found, it will not be on the basis presuming or imputing fault, but from inferring a patently illegal objective from statements and actions showing what that objective [is]." *Id.* at 2782. In the record before the Court, evidence of StreamCast's unlawful intent is overwhelming."). Google has a reserve of 200 million dollars to deal with UTube.com copyright concerns. Google hopes to rely on the DMCA's safe harbor. Since Google profits by UTube's infringement, that reliance may be misplaced.

[104] "Genuine issues of material fact exist regarding whether . . . [officers of defendant company] had the ability to control events at the Market. There are genuine issues of material fact whether these individuals (apart from the corporate Defendants, collectively) had the right to supervise and control what the vendors sold at the market, and whether these individuals (distinguished from the corporate Defendants) knowingly participated in the infringing activity." *Arista Records, Inc. v. Flea World, Inc.*, 78 U.S.P.Q.2d 1339 (D.N.J. 2006)

[105] A new Intellectual Property Enforcement Coordinator incentivizes criminal IP enforcement.

[106] 17 U.S.C. § 506(a) and 18 U.S.C. § 2319. The elements of felony copyright infringement are: (1) A copyright exists; (2) It was infringed by defendant by reproduction or distribution of the copyrighted work; (3) defendant acted willfully; and (4) defendant infringed at least 10 copies of one or more copyrighted works with a total retail value of more than $2,500 within a 180-day period. 17 U.S.C. § 506(a)(2); 18 U.S.C. § 2319 (a), (c)(1). Criminal copyright infringement actions do not require a copyright registration. 17 U.S.C. § 411. 17 U.S.C. § 506(a), states that "evidence of reproduction or distribution of a copyrighted work, by itself, shall not be sufficient to establish willful infringement." 17 U.S.C. § 506(a)(2). The anti-bootlegging statute 18 U.S.C. § 2319A may apply. *U.S. v.*

V. HOW IS INFRINGEMENT PROVED?

A. Statute.

§ 501 Infringement of Copyright. (a) Anyone who violates . . . § 106-118, or who imports . . . in violation of § 602, is an infringer . . . .

B. What Work Was Registered?

A copyright infringement claim fails unless the copyright plaintiff carries his burden to prove what work was registered.[110] When an infringement issue arises, a certified copy of the copyright registration certificate and the deposit material should be immediately obtained from the Copyright Office. This can sometimes be a non-trivial issue because, while the Copyright Office reliably maintains a copy of the registration certificate, the deposit copy is sometimes lost, making it impossible to tell from the Copyright Office's records what work was registered. When this occurs, the author, the copyright owner, the attorney who prosecuted the application, etc., may testify concerning what work was registered. While there may be no contradicting testimony, it is, nevertheless, plaintiff's burden to prove what was registered.

This burden can sometimes be impossible to meet with software. Clients sometimes only register Version 1.0 and not later versions. As upgrades are introduced, clients sometimes deliberately discard all older versions to avoid confusion. No Version 1.0 copy may exist when Version 6.2 is infringed years later. Further, source code is typically registered under unpublished source code trade secret rules, *i.e.*, only the first and last twenty-five pages of the program, every other line deleted, is filed as deposit material.[111] If the cards fall the wrong way,

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Moghadam, 175 F.3d 1269 (11th Cir. 1999); *see also Kiss Catalog, Ltd. v. Passport Int'l Prods, Inc.*, 405 F. Supp.2d 1169 (C.D. Cal. 2005).

[107] Only one copy with only a retail value of $1,000. 17 U.S.C. § 506(a)(2); 18 U.S.C. § 2319(a), (c)(3).

[108] 17 U.S.C. § 506(a)(1); 18 U.S.C. § 2319(a), (b)(3). "willful . . . is a word of many meanings, its construction often being influenced by its context." *Spies v. United States*, 317 U.S. 492, 497 (1943). Restated, in order to obtain a misdemeanor conviction under 17 U.S.C. § 506(a) and 18 U.S.C. § 2319, the government must show that: (1) A copyright exists, (2) It was infringed by the defendant, (3) The defendant acted willfully, and (4) The infringement was done either (a) for purposes of commercial advantage or private financial gain, or (b) by reproduction or distribution of one or more copyrighted works with a total retail value of more than $1,000 within a 180-day period.

[109] For a felony violation, if the defendant acted for commercial advantage or private financial gain, the maximum sentence for a first-time offender is imprisonment for up to five years and a fine of up to $250,000. 18 U.S.C. §§ 2319(b)(1), 3571(b)(3). Those with a prior copyright infringement conviction are subject to up to 10 years' imprisonment. 17 U.S.C. § 2319(b)(2). If a financial motivation is not proven in a felony case, and the conviction is obtained under 17 U.S.C. § 506(a)(2), the defendant can be imprisoned for up to 3 years – six years for the repeat offender – and fined up to $250,000. 17 U.S.C. §§ 2319(c), 3571(b)(3). For misdemeanor violations, a defendant may be sentenced up to one year imprisonment and fined up to $100,000. 18 U.S.C. §§ 2319(b)(3), 3571(b)(5). For a detailed discussion of the consequences of a conviction under 18 U.S.C. § 2319 see U.S. Sentencing Commission, Guidelines Manual § 2B5.3. (Nov. 1998 & Supp. 2000).

[110] *Kodadek v. MTV Networks, Inc.*, 152 F.3d 1209 (9th Cir. 1998). This section of the paper is inapplicable to works protected by Berne Convention. Works originally copyrighted between January 1, 1950, and December 31, 1977, have additional protections if their registrations are timely renewed rather than relying on the Copyright Acts' automatic renewal provisions.

[111] 37 CFR §220.20(C)(2)(vii)(2).

and there is insufficient evidence of what source code was originally registered, the registration is unenforceable.[112]

Second, if only Version 1.0 was registered and the evil doer 100% copied Version 6.1, he may not have infringed any code in the *registered work*. While Version 6.1 can now be registered, it will not have the benefit of § 412. Third, copyright registration may contained uncopyrightable material within its deposited material.[113]

C. Is the Copyright Right Valid?

The copyright registration is *prima facie* evidence of validity.[114] Attacks on validity include at least:

(1) The work is insufficiently original.[115]

(2) The work consists of the merger of idea and expression.[116]

(3) The work was created by the United States Government.[117]

(4) The work consists of unlawful content. For example, an unlawful derivative work is not copyrightable.[118]

(5) The work is merely a "useful article."[119]

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[112] To avoid this fatal evidentiary problem, some copyright lawyers maintain their own full copy of registered source code so it can be introduced at trial as a business record. Because work-for-hire copyright duration is 95 years, other lawyers include in their "congratulations, you have a copyright registration" letter a disclaimer that the attorney is not engaged for and not responsible for maintaining the deposit copy and advising the client to keep one.

[113] This is discussed above at III.D.

[114] 17 U.S.C. § 401(c); *Norma Ribbon & Trimming, Inc. v. Little*, 51 F.3d 45 (5th Cir. 1995). An exception is that the Copyright Office may issue a registration with "rule of doubt" letter, in which case the registration does not benefit from the rebuttable presumption of validity. *Superchips, Inc. v. Street Performance Electronics, Inc.*, 61 U.S.P.Q.2d 1589 (M.D. Fl. 2001).

[115] 17 USC § 102(a), "Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity." *Fiest Publications Inc. v. Rural Tel. Serv. Co.*, 111 S.Ct. 1282 (1991). An important perspective is that an original compilation of non-protectable elements may be a copyrightable compilation. *Fiest Publications, Inc. v. Rural Te. Serv. Co.*, 111 S.Ct. 1282 (1991.)

[116] See VI.C. The Circuits are split on whether merger is an element of copyrightability or an affirmative defense to infringement. *Oracle America Inc. v. Google Inc.*, ___ F.3d, ___, ___ (Fed. Cir. 2014).

[117] See VI.C.

[118] See XIII.C.

[119] *Compare, Galiano v. Harrah's Operating Co*, 416 F.3d 411 (5th Cir. 2005) (Invalidating copyright in Harrah's uniform "[T]he copyrightability of a useful article seems, at some elemental level, to turn on the capacity of an items to moonlight as a piece of marketable artwork."), *with*, *Chosun International Inc. v. Chrisha Creations, Ltd.*, 413 F.3d 324 (2nd Cir. 2005) (Reversing summary judgment which invalidated copyright in costume.) While design elements that "reflect a merger of aesthetic and functional considerations . . . cannot be said to be conceptually separable from the utilitarian elements," [citation omitted] "where design elements can be identified as reflecting the

(6) The copyright was abandoned, such as by publication prior to 1978 or March 1991 without property copyright notice.[120]

(7) The copyright expired.

(8) The work is merely an uncopyrightable factual compilation.[121]

(9) The work is merely an unprotectable functional work, such as standard business forms, blank forms, etc.

(10) The copyright registration was obtained by knowing fraud.[122]

The applicability of these and other attacks are considered by plaintiff's and defendant's counsel. Copyrightability is a question of law for the Court to decide.[123]

D. Was the Registered Work Copied?

Copyright law only prohibits *copying*. It does not prevent third parties from independently creating works which are 100% identical to the plaintiff's work, if done without copying the plaintiff's work.[124] In contrast, anyone who practices an invention defined by a 117(a) archival (See part IIB) or patent's claims infringes the patent, even if the other party independently invented his accused design, device, or method.[125]

An example illustrates this limitation. In the software industry, to make a new program duplicate or interoperable with Company A's successful Software A, Company B's first team carefully examines Software A, identifies its necessary input/output structures and its functionalities and provides only that purely functional information to Company B's second team. The second team is walled off within a "clean room" from access to Software A and uses the first team's functional information to write Software B. Although the resulting Software B may be identical or substantially similar to Software A's code, the second team did not copy

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designer's artistic judgment exercised *independently* of functional influences, conceptual separability exists." (Quotations from *Brondir International v. Cascade Pacific Lumber Co.*, 834 F.2d 1142 (2nd Cir. 1987)).

[120] See XIII.C.

[121] See XIII.C.

[122] See VI.C.

[123] *Stern v. Does*_____, F. Supp. 2d _____.

[124] *Hoffmann v. Pressman Toy Corp.*, 790 F. Supp. 498 (D. N.J. 1990), *aff'd*, 947 F.2d 935 (3d Cir. 1992) (plaintiff unable to show that accused infringer had access to the copyrighted unpublished materials); *Selle v. Gibb*, 741 F.2d 896 (7th Cir. 1984).

[125] Because design patents and copyright rights can sometimes protect the same nonfunctional features, a company may use one or the other or both ways of protecting them. AT&T's telephone bill to the author's house is subject to two design patents, D410,950 and D414,510. Obtaining and enforcing design patents was made more practical in *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F3d 665 (Fed. Cir. 2008) (en banc), which stated that new combinations of old design elements are patentable and the ordinary observer test is the sole infringement test, replacing the old requirement of both the ordinary observer and point of novelty tests. This reduces the distance the patentee needs to go to score from 100 yards to 50 yards, i.e., he no longer has to find and prove points of novelty against the prior art and then prove they are in the accused design.

Software A's copyrightable elements, only its uncopyrightable elements.[126] Software B thus does not infringe Company A's copyright rights.[127] In contrast, if Company A had a patent on how its Software A worked, or a design patent or trade dress registration on nonfunctional features, Software B may infringe those rights.

The copying requirement of a copyright infringement case is only touched on in this paper because in the author's experience the fact of copying as such is not typically a disputed fact, or if it is, discovery practice typically resolves it before trial.[128] These are, however, electronic "copying" issues.[129] When disputed, direct proof of copying is typically a purely factual endeavor and needs little explanation, *i.e.*, "I did it" or "I saw him do it" (Perry Mason TV show). Indirect proof of copying is also mainly factual, requiring proof of both (1) probative similarity between the two works and (2) defendant's access to the copyrighted work.[130] The greater the degree of similarity, the less proof of access is needed and vice versa. The similarity between the copyrighted work and the accused work can be so strong that it creates a rebuttable inference or *prima facie* case of access and copying.[131] The extent to which access needs to be shown depends on the circuit.[132] Similarity between unprotectable parts of the

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[126] Because the second team two did not have access to Software A, it could not have "copied" the copyrightable elements of Software A. That Software B deliberately duplicates Software A does not comprise copyright infringement in the absence of copying.

[127] *Nordstrom Consulting, Inc. v. M&S Technologies, Inc.*,, No. 06C3234 2008 U.S. Dist. Lexis 17259 (N.D. Ill. Mar. 4, 2008). This is a fine line, however, as the declaring, interoperability or "handshake" code itself may be copyrightable. *Oracle America, Inc. v. Google Inc.* ___ F.3d. ___ (Fed. Cir. 2014).

[128] Map makers include a few false streets to facilitate proof of copying. Copyright owners who desire to use more sophisticated methods, such as hiding white space, pixel modification, grouping bits, encoding data, etc., may consult Peter Wagner, Digital Copyright Protection, Academic Press (1997) and similar works.

[129] Assume a business rotates old computers from architects to secretarial staff as newer computers are acquired, copying the old computers' software to the new computers. In this context, "the loading of copyrighted computer software from a storage medium (hard disk, floppy disk, or read-only memory) into the memory of a central processing unit ('CPU') causes a copy to be made" comprises § 106(a) copying. *FM Industries, Inc. v. Citicorp Credit Service, Inc.*, ____ F. Supp.2d ____ (N.D. Ill. 2010). Business Software Alliance ("BSA") asserts that the resulting duplicate AutoCad software is infringing even if dormant on the downgraded computers. On the other hand, a static AutoCad version is, arguably, not § 106(a) copying.

[130] *Bridgmon v. Array Systems Corp*., 325 F.3d 572 (5th Circ. 2003)("Two separate inquires must be made to determine whether actionable copying has occurred. The first question is whether the alleged infringer copies, or 'actually used the copyrighted material in his own work.' Copying can be proven by direct or circumstantial evidence. Circumstantial evidence may support an inference of copyright if the defendant had access to the copyrighted work and there is 'probative similarity' between the copyrighted work and the allegedly infringing work." *Id*. at 576.).

[131] *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131 (2d Cir. 1992); *Bright Tunes Music Corp. v. Harrisongs Music Ltd.*, 420 F. Supp. 177 (S.D. N.Y. 1976) (George Harrison's "My Sweet Lord" song, "Infringement of copyright . . . is no less so even though subconsciously accomplished."), *aff'd*, *ABKCO Music Inc. v. Harrisongs Music Ltd.*, 722 F.2d 988 (2d Cir. 1983).

[132] The Seventh and Ninth Circuits require some showing of access. *Selle v. Gibb*, 741 F.2d 896 (7th Cir. 1984). The Fourth Circuit requires a showing of reasonable possibility to access *Tower v. Sayles*, 76 F.3d 579 (4th Cir. 1993). The Second Circuit permits "striking similarity" to establish access. *Repp v. Webber*, 132 F.3d 882 (2d Cir. 1997), *cert. denied*, 119 S.Ct. 52 (1998). Access can be shown by circumstantial evidence. *Moore v. Columbia Pictures Industries, Inc.*, 972 F.2d 939 (8th Cir. 1992) (defendant's employee's possession of plaintiff's song showed reasonable possibility of access); *Zervitz v. Hollywood Pictures, Inc.*, 989 F. Supp. 727 (D. Md. 1995)

registered work and the accused work can help establish that the defendant copied the registered work.[133]

VI. HOW MUCH COPYING IS TOO MUCH?

A. Statute.

§ 102 Subject Matter of Copyright: In General. (b) In no case does copyright protection . . . extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

B. Is the Accused Work Substantially Similar To the Copyrighted Work?

A little copying is lawful. Too much copying of the protectable elements of plaintiff's work is infringement. "Too much" is "substantial similarity" between the accused work and the protected portions of the plaintiff's copyrighted work, that is, "an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work."[134]

Literal infringement is verbatim copying of parts of the copyrighted work by the defendant.[135] Most suits concern an accused work that takes less than 100% of the copyrighted work and also contains some non-literal copying, *i.e.*, appropriates some "look and feel" of the copyrighted work.

C. Abstraction – Filtration - Comparison Test.

The Fifth Circuit uses an abstraction – filtration - comparison analysis to answer the substantial similarity question.[136] Using software as an example, the court first dissects the copyrighted work to isolate each level of abstraction, beginning with the object code and ending with its functions. The court next analyzes each component of the program at each level of abstraction and filters out unprotectable portions, such as its high level function. This leaves protectable elements of the program, possibly at different levels of abstraction. Third, the

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(submission of movie synopsis to wife of producer sufficient evidence of access); *Saban Entertainment, Inc. v. 222 World Corp.*, 865 F. Supp. 1047 (S.D. N.Y. 1994) (Mighty Morphin Power Rangers widely known).

[133] *The Gates Rubber Co. v. Bondo Chemical Industries, Ltd.*, *9* F.3d 823 (10th Cir. 2006) ("We acknowledge that unprotectable elements of a program, even if copied verbatim, cannot serve as the basis for ultimate liability for copyright infringement. However, the copying of even unprotected elements can have a probative value in determining whether the defendant copied the plaintiff's work.")

[134] *Warner Bros., Inc. v. American Broadcasting Co.*, 654 F.2d 204, 208 (2d Cir. 1981) (quoting *Ideal Toy v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966).

[135] *Kepner□Tregoe, Inc. v. Leadership Software, Inc.*, 12 F.3d 527 (5th Cir.), *cert. denied*, 513 U.S. 820 (1994).

[136] *Engineering Dynamics, Inc. v. Structural Software, Inc.*, 26 F.3d 1335 (1994), *modified and rehearing denied*, 46 F.3d 408 (5th Cir. 1995). *Oracle America Inc. v. Google Inc.* ___ F.3d. ___ (Fed. Cir. 2014) (applying 9th Circuit law).

accused program is compared to the protectable elements to determine whether too much of the protectable elements of the copyrighted program are in the accused work.

This process can be applied in almost any copyright infringement case to determine the infringing similarity question: (1) an abstraction step identifies the elements in Plaintiff's work according to progressively higher levels of abstraction, (2) a filtration step separates protectable expression from non-protectable material,[137] and (3) a comparison step compares the accused work side-by-side with the remaining protectable elements in the registered work.[138]

1. Abstraction - What is the Copyrighted Work? This is a not-often-articulated step of the "how much copying is too much copying?" question. At the bit level of a software program, the millimeter and degrees of angle level of a sculptural work, the word and syntax level of a textual work, etc., the copyright owner may have matter that is clearly protectable but which the defendant either copied only some of or did not copy at all. At a higher level of abstraction, the copied computer software is comprised of routines, the sculptural work is comprised of images, and the textual work is comprised of sentences which express thoughts. The accused work may or may not have these routines, images, and sentences expressing these thoughts and they may or may not be arranged in the same order as the copyrighted work. At a higher level of abstraction, the computer software may have functions, the sculptural work may have several images, and the textual work may have paragraphs, which functions, collected images, and paragraphs are arranged in copyrightable ways. The accused work may or may not have these functions, images, and paragraphs and they may or may not be arranged in the same order.

Whether any of these different levels of abstraction in the copyrighted work are protectable is not the subject of the abstraction step. The sole function of the abstraction step is to dissect the copyrighted work for the purpose of identifying what it is comprised of – at each possible level of abstraction.[139]

For non-software infringement comparisons, the abstraction function is typically subsumed in an "I know it when I see it" response by the fact finder. Nevertheless, explicit presentation of this aspect may sometimes benefit either the plaintiff or the defendant without necessarily articulating it as an abstraction step.

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[137] *Bateman v. Mnenomics*, 37 U.S.P.Q.2d 1225 (5th Cir. 1995)

[138] *Feist Publications, Inc. v. Rural Telephone Services Co.*, 499 U.S. 340 (199) (wrongful copying requires "copying of the constituent elements of the [registered] work that are original"). *Compare*, *Computer Assoc. Intern., Inc. v. Altai*, 982 F.2d 693 (2d Cir. 1992), *with*, *Lotus Dev. Corp. v. Borland Inter'l, Inc.*, 49 F.3d 807, *aff'd*, 516 U.S. 233 1996) (nonprecedential 4-4 tie) (469 word menu command system of Lotus 1-2-3 spreadsheet is an unprotectable "method of operation" under 17 U.S.C. §102(b)).

[139] *Batement v. Mnemunics*, 79 F.3d 1532, 38 U.S.P.Q.2d 1225 (11th Cir. 1995).

2. <u>Filtration - What is Protectable?</u> Even though Plaintiff's entire copyrighted work is registered, it is unlikely that the entire work is protectable. The "filtration" step separates out the unprotectable material in the copyrighted work.[140]

Uncopyrightable ideas, historical facts, systems or methods of operation "regardless of the form in which it is described, explained, illustrated, or embodied" are subtracted from plaintiff's work.[141]

> After separating the program into manageable components, the Court must next filter the unprotectable components of the program from the protectable expression. [Citation] The Court must filter out as unprotectable the ideas, expression necessarily incident to the idea, expression already in the public domain, expression dictated by external factors (like the computer's mechanical specifications, compatibility with other programs, and demands of the industry served by the program), and expression not original to the programmer or author.[142]

Assume the copyrighted work is a book consisting only of business forms and instructions concerning how to complete the forms and a defendant directly copied it. The court "filters" the uncopyrightable business forms[143] and plaintiff's "merely trivial" word choices[144] out of the copyrighted work before considering whether defendant's accused book is substantially similar to the rest of the copyrighted work. In this instance, after filtration, only the instructions are left for comparison. Likewise, elements of the defendant's work that defendant created prior to access to the plaintiff's work are filtered out.[145]

If defendant directly copies the Gettysburg Address from a book about the battle of Gettysburg, defendant has not infringed because he has not copied a protectable part of

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[140] *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 361 (1991) (alphabetically organized white pages telephone directory not copyrightable); "the mere fact that a work is copyrighted does not mean that every element of the work may be protected…. copyright protection may extend only to those components of a work that are original to the author." *Id*. at 348.); *Peel & Co., Inc. v. The Rug Market*, 238 F.3d 391, 398 (5th Cir. 2001) ("To support a claim of copyright infringement, the copy must bear a substantial similarity to the protected aspects of the original. The Supreme Court has defined this essential element of an infringement claim as 'copying of constituent elements of the work that are original'"); *Jane Galliano and Gianna, Inc. v. Harrah's Operating Co., Inc.*, 416 F.3d 411, 414 (5th Cir. 2005); *Positive Black Talk, Inc. v. Cash Money Records, Inc.*, 394 F.3d 357 (5th Cir. 2004) (Defendant must have "copied constituent elements of plaintiff's work that are original." *Id* at 368.); *Bateman v. Mnemonics*, 79 F.3d 1532 (11th Cir. 1996).

[141] 17 U.S.C. § 102. *Urantia Foundation v. Maaherra*, 114 F.3d 995 (9th Cir. 1997) (author who complied, selected, coordinated and arranged teachings of celestial beings was entitled to copyright as compiler); *but see, Arica Institute, Inc. v. Palmer*, 970 F.2d 1067 (2d Cir. 1992) (author who asserted enneagrams were statements of fact estopped to deny that they were facts; therefore no copyright).

[142] *Atari Games Corp. v. Nintendo of America, Inc.*, 975 F.2d 832, 841 (Fed. Cir. 1992).

[143] 17 CFR § 202.20(c)(2)(vii)(2).

[144] *Donald v. Zack Meyer's T.V. Sales and Services*, 426 F.2d 1027, 1030 (5th Cir. 1970).

[145] *Murray Hill Publications, Inc. v. Twentieth Century Fox Film Corp.*, 361 F.3d 312 (6th Cir. 2004).

plaintiff's book.[146] The Da Vinci Code copied Holy Blood, Holy Grail's premise that descendants of Jesus and Mary Magdalene in southern France are being hunted down by a secret Catholic cult. This was not infringement because all parties asserted with a straight face that this is a conjectural historical fact.[147] If the plaintiff had admitted his book was fictional, he would likely have won. In contrast, the Harry Potter dates, names, places, etc. are strongly protectable.

At higher levels of abstraction, thoughts and arrangements of thoughts may be so common as to be not original and unprotectable as *scene-a-faire*.[148]

When the number of ways of expressing an idea is very limited, under the "Merger Doctrine," the "expression of the idea mergers with the idea and cannot be protected by copyright."[149] Cases concerning maps often apply the merger doctrine.[150] Recipes are typically

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[146] *Churchill Livingstone, Inc. v. Williams & Wilkins*, 949 F. Supp. 1045 (S.D. N.Y. 1996) (facts in medical textbook not copyrightable).

[147] *Michael Baigent, et al. v. The Random House Group Limited*, Neutral Citation Number: [2006] EWHC 719 (Ch), Case No: HC04C03092, In the High Court of Justice Chancery Division, Royal Courts of Justice (2006) ("The two Claimants Michael Baigent and Richard Leigh claim that the novel The Da Vinci Code ("DVC") is an infringement of their copyright in their book The Holy Blood and The Holy Grail ("HBHG")." [1]; "The outline starts with a proposition that Jesus was not a poor carpenter from Nazareth but a Jewish aristocrat who was in addition a priest-king, married and he had children who after "the alleged crucifixion" were smuggled to a Jewish community in Southern France where the bloodline was perpetuated." [13]; "An author has no copyright in his facts nor in his ideas but only in his original expression of such facts or ideas." [171]; "Where a book is intended to be read as a factual historical event and that the Defendant accepts it as fact and did no more than repeat certain of those facts the Plaintiff cannot claim a monopoly in those historical facts. It is accordingly perfectly legitimate for another person to contrive a novel based on those facts as otherwise a Claimant would have a monopoly of the facts." [174]. *Crane v. Poltic Products Ltd.*, ___ F.Supp 2d ___ (SDNY 2009) (Same holding as *The Da Vinci Code* case, but different books and applying US law).

[148] "Scènes à faire are those "incidents, characters or settings which are as a practical matter indispensable, or at least standard, in the treatment of a given topic." *Murray Hill Publications, Inc. v. Twentieth Century Fox Film Corp.*, 361 F.3d 312, 319 (6th Cir. 2004) (quoting *Sturdza v. United Arab Emirates*, 281 F.3d 1287, 1295 (D.C. Cir. 2002)); *Whitehead v. Paramount Pictures Corp.*, 53 F.Supp. 2d 38 (W.D. D.C. 1999) (Motion picture "Mission Impossible" did not infringe book about handsome dark-haired former CIA, computer operator who had problems while working with the CIA and escaped from main computer room of the CIA because these are unprotectable ordinary story elements); *Herzog v. Castle Rock Entertainment*, 193 F.3d 1241 (11th Cir. 1999) (Motion picture "Lone Star" did not infringe screenplay notwithstanding that both works involved police officers in small towns dealing with corrupt officers, etc.); *F. Arpaia v. Anheuser-Busch Co., Inc.*, 55 F.Supp. 2d 151 (W.D.N.Y. 1999) (Fact that first advertising agency's script having frogs croaking beer's name and script submitted by second advertising agency also had frogs croaking beer's name insufficient, standing alone, to comprise infringement of protected matter). *Computer Associates v. Altai*, 932 F.2d 693 (2d Cir. 1992). The scènes à faire doctrine is arguably an affirmative defense rather than a component of copyrightability analysis. *Oracle America, Inc. v. Google Inc.*, ___ F.3d. ___ (Fed. Cir. 2014)

[149] "In no case does copyright protection . . . extend to any idea . . . regardless of the form in which it is described, illustrated or embodied." §102(b). *Compare, Galiano v. Harrah's Operating Co*, 416 F. 3d 411, 420 (5th Cir. 2005) (Invalidating copyright in Harrah's skimpy uniform "[T]he copyrightability of a useful article seems, at some elemental level, to turn on the capacity of an item to moonlight as a piece of marketable artwork."), *with, Chosun International Inc. v. Chrisha Creations, Ltd*., 413 F. 3d 324, 329 (2nd Cir. 2005) (Reversing summary judgment which invalidated copyright in costume "while design elements that "reflect a merger of aesthetic and functional considerations . . . cannot be said to be conceptually separable from the utilitarian elements," [not eligible for copyright protection, citation omitted] "where design elements can be identified as reflecting the designer's artistic judgment exercised independently of functional influences, conceptual separability exists. [and are eligible for

an uncopyrightable functional "procedure, process, [or] system".[151] Software determined by compliance with mechanical specifications, compatibility requirements, computer manufacturers' standards, accepted programming practices, etc., is uncopyrightable.[152] Apple Computer's "iconic representation of familiar objects from the office environment" and "manipulation of icons to convey instructions and to control operation of the computer" were unprotectable.[153] On the other hand, a creative expression of unprotectable elements is protectable.[154]

Although federal governmental materials are not typically copyrightable, an exception is that privately-created materials licensed to or adopted by government do not lose their copyrighted status. Works created by state governments may be copyrighted. Whether a design patent renders the design uncopyrightable is unclear.[155]

As discussed above, West's compilation of judicial decisions and use of "Star Pagination" to indicate where the words in those decisions are found in West's compilation was

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copyright protection]" *Wal-Mart v. Samara Bro.*, 120 S.Ct. 1339 (2000) (discussion of functionality in trademark context).

[150] *Sparaco v. Lawler, Matusky, Skelly, Engineers LLP*, 303 F.3d 460 (2d Cir. 2002) (site plan showing existing physical characteristics not copyrightable, but drawings of proposed improvements copyrightable). *Compare, Kern River Gas Transmission Co. v. Coastal Corp.*, 899 F.2d 1458 (5th Cir. 1990) *with, Moore v. Lighthouse Publishing Company, Inc.*, 429 F.Supp 1304 (S.D. Ga. 1977), *and, Mason v. Montgomery Data, Inc.*, 967 F.2d 135 (5th Cir. 1992).

[151] §102(b); *Southco, Inc. v. Kanebridge Corporation*, 390 F.3d 276 (3d Cir. 2004) (screw fasteners numbering system not eligible for copyright); *Lexmark International, Inc. v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2004) (computer program used to control toner for printers not copyrightable because it was only way to do it). *Veeck v. Southern Building Code Congress International, Inc.*, 293 F.3d 791 (5th Cir. 2001) (*en banc*) (building code an uncopyrightable "fact"). *Publication International, Ltd. v. Meredith Corp.*, 88 F.3d 473 (7th Cir. 1996).

[152] The breadth of merger doctrine applied to software is greatly limited by its forms on the "options available to the original author" when creating the software rather than consideration of the defendant's options when creating his accused software. Additionally, merger is arguably not addressed in the copyrightability filtration step, but rather as an affirmative defense to infringement. *Oracle America Inc. v. Google Inc.*, ___ F.3d. ___ (Fed. Cir. 2014)

[153] *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1443-44 (9th Cir. 1994), *cert. denied*, 513 U.S. 1184 (1995); *O.P. Solutions, Inc. v. Intellectual Property Network, LTD.*, 1999 WL 471 (S.D. N.Y. 1999) (After filtration, court held that all of the copied elements of the plaintiff's user interface were unprotectable financial aspects).

[154] *Feist Publications, Inc. v. Rural Tel.Serv.Co.*, 111 S.Ct. 1282 (1991) ("[A] directory that contains absolutely no protectable written expression, only facts, meets the constitutional minimum for copyright protection *if it features an original selection or arrangement.*"(emphasis added)); Screen displays are sometimes protected as compilations even though their elements are unprotectable. *Real View LCC v. 20-20 Technologies, Inc.*, ___ F.Supp 2d ___ (D. Mass 2010); *Apple Computer, Inc. v. Microsoft Corp*., 35 F.3d 1435 (9th Cir. 1994); *Matthew Bender & Co. v. West Publishing Co.*, 158 F3d 674, 682 (2d Cir. 1998) ("When it comes to the selection or arrangement of information, creativity inheres in making non-obvious choices from among more than a few options."); *American Dental Association v. Delta Dental Plans Association*, 126 F.3d 977 (7th Cir. 1997) (taxonomy numbering system plus descriptions copyrightable). *Boisson v. Banian, Ltd.*, 273 F.3d 262, 269 (2d Cir. 2001) (quilt design containing alphabet blocks copyrightable, "the alphabetical arrangement of the letters in the five-by-six block format required some minimum degree of creativity, which is all that is required for copyrightability.").

[155] *Clarke v. E.A. Kayser & Sons*, 205 U.S.P.Q. 610 (W.D. Pa. 1976) *aff'd* 631 F.2d 725 (3d Cir. 1980) (unpublished).

insufficiently original to give West copyright rights in its arrangement of the opinions.[156] Although purely factual compilations are not copyrightable, some compilations are protected where the compilation process or nomenclature is itself creative.[157] Prices listed in a wholesale price guide that comprised the manufacturer's estimate of what the coins were worth rather than a mere factual reporting of the market price for the coins were protectable expression.[158] Compilers of accurate information often deliberately insert bogus material, such as false streets in maps, bogus names in telephone books, etc., and obtain a copyright registration on the bogus added material.

3. Comparison - Is the Accused Work Substantially Similar to the Protectable Part of the Copyrighted Work? Substantial similarity exists when the average lay observer compares the works and finds that the alleged copy has "been appropriated from the copyrighted work."[159]

> "To answer this [substantial similarity] question, 'a side-by-side comparison must be made between the original and the copy, to determine whether a layman would view the two works as substantially similar.'"(citations omitted).[160]

The "comparison" step compares the protectable portions of the copyrighted work with the accused work.[161] Copying unprotectable parts of the copyrighted work identified in the filtration step is not infringement.[162]

Expert testimony is sometimes admissible to delineate between public domain and protectable elements in the copyrighted work.[163] Once that delineation is established, however, the substantial similarity question is up to the jury using the "ordinary observer" test.

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[156] *Mathew Bender & Co., Inc. v. West Pub. Co.*, 158 F.3d 674 (2d Cir. 1998) and *Mathew Bender & Co., Inc. v. West Pub. Co.*, 158 F.3d 693 (2d Cir. 1998).

[157] *CCC Information Services Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61 (2d Cir. 1994), *cert. denied*, 516 U.S. 817 (1995).

[158] *CDN, Inc. v. K*apes, 197 F.3d 1256 (9th Cir. 1999).

[159] *Campbell v. Osmond*, 917 F. Supp. 1574, 1580 (M.D. Fla. 1996) (quoting *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 911 (2d Cir. 1980).

[160] *Bridgmon v. Array Sys. Corp.*, 325 F.3d 572, 576-77 (5th Cir. 2003); *Baxter v. MCA, Inc.*, 812 F.2d 421, 424 (9th Cir. 1987) (stating "'[a]nalytic dissection' and expert testimony are not called for; the gauge of substantial similarity is the response of the ordinary lay hearer") (quoting *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1164 (9th Cir. 1977)); *see Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1093 (2d Cir. 1977).

[161] *Universal System v. Hal*, 279 F. 3d 131 (5th Cir. 2004); *Tukenkian Import/Export Ventures v. Einstein Moomjy, Inc.*, 338 F.3d 127 (2nd Cir. 2003) (substantial similarity in two works existed even after public domain material eliminated; defendant's rugs copied material portions of plaintiff's rugs).

[162] *Peel & Company, Inc. v. The Rug Market*, 238 F.3d 391 (5th Cir. 2001) ([N]ot all copying is legally actionable. To support a claim of copyright infringement, the copy must bear a substantial similarity to the protected aspects of the original. The Supreme Court has defined this essential element of an infringement claim as "copying of constituent elements of the work that are original." (Emphasis of the Court).)

The different federal circuits have slightly different tests for substantial similarity including "two part," "total concept and feel," "ordinary observer," and "more discerning ordinary observer."[164] Whether the several circuits' slightly different standards are sufficiently different to justify forum shopping depends on the case.

"Literal similarity," "fragmented literal similarity" and "non-literal similarity" are all roads to selling the "do you find . . . substantial similar" question to the court and jury by focusing on different aspects of the registered works which are found in the accused work.[165] The amount and degree of similarity required for infringement varies with the subject matter.[166] Original works require less copying to be infringed.[167] The less original the copyright owner's work or the particular part or aspect of the original work in question, the "thinner" its scope of protection.[168] Where the copyright is "thin," such as with a compilation or work consisting

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[163] *Computer Associates Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992); *Hennon v. Kirklands, Inc.*, 870 F. Supp. 118 (W.D. Va. 1994). *Contra, Dawson v. Hinshaw Music, Inc.*, 905 F.2d 731 (4th Cir. 1990), *cert. denied*, 111 S.Ct. 511 (1991) (expert testimony helpful when intended audience for the work is a specialized audience).

[164] *Knitware v. Lollytoys Ltd.*, 71 F.3d 996, 1002 (2nd Cir. 1995).

[165] *Peter Letterese and Associates, Inc. v. World Institute of Scientology Enterprises*, 533 F.3d 1287, 1303 n.19 (11th Cir. 2008) ("Literal similarity refers to verbatim copying or paraphrasing of a copyrighted work. 'Fragmented literal similarity' exists where 'the work [copies] only a small part of the copyrighted work but [does] so word-for-word.' [citation]. This may rise to the level of substantial similarity '[i]f this fragmented copy is important to the copyrighted work, and of sufficient quantity.' *Id*. Comprehensive nonliteral similarity concerns the nonliteral elements of a work, and is 'evident where the fundamental essence or structure of one work is duplicated in another.'"); *Warner Bros. Entertainment, Inc. v. RDR Books*, ____ F. Supp. 2d ____ (S.D.N.Y. 2009) ("In evaluating the quantitative extent of copying in the substantial similarity analysis, the Court 'considers the amount of copying not only of direct quotations and close paraphrasing, but also of all other protectable expression in the original work.' As the Second Circuit has instructed, '[i]t is not possible to determine infringement through a simple word count,' which in this case would be an insuperable task; 'the quantitative analysis of two works must always occur in the shadow of their qualitative nature.'").

[166] "It is the relative portion of the copyrighted work – not the relative portion of the infringing work – that is the relevant comparison. Taken to its extreme, such a view would potentially permit the wholesale copying of a brief work merely by inserting it into a much longer work." *Positive Black Toak, Inc. v. Cash Money Records, Inc.*, 394 F.3d 357 (5th Cir. 2004) (evidence that alleged infringer sampled "hook" from the Jackson Five song "I Want You Back" admissible to show substantial copying). *Compare, Bridgeport Music, Inc. v. Dimension Films*, 383 F.3d 290 (5th Cir. 2004) (sampling of recording was infringement even absent substantial similarity), *with, Newton v. Diamond*, 388 F.3d 1189 (9th Cir. 2004) (three-note sequence from musical composition was *de minimis*, and not infringing). *Harbor Software, Inc. v. Applied Systems, Inc.*, 936 F. Supp. 167 (S.D. N.Y. 1996) (a first "more discerning ordinary observer" test where the copyrighted item contains protectable and unprotectable elements and a second "differs in more than a trivial degree" test for minimally creative work such as compilations.).

[167] *Warner Bros. Entertainment, Inc. v. RDR Books*, ___ F. Supp. 2d ___ (S.D.N.Y. 2009). "Where, as here, the copyrighted work is 'wholly original,' rather than mixed with unprotected elements, a lower quantity of copying will support a finding of substantial similarity." *Id*. at ___ (citing *Nihon Keizai Shimbun, Inc. v. Comline Bus. Data, Inc.*, 166 F.3d 65, 71 (2d Cir. 1999)).

[168] *Matthews v. Freedman*, 157 F.3d 25 (1st Cir. 1998) ("Someone went to Boston and got me this shirt because they love me very much" not infringed by "Someone who loves me went to Boston and got me this shirt"). *Ets-Hokin v. Skyy Spirits, Inc.*, 225 F3d 1068 (9th Cir. 2003) (Defendant's photo of same bottle did not infringe Plaintiff's photo. "Though the [Plaintiff's and Defendant's] photographs are indeed similar, their similarity is inevitable, given the shared concept, or idea, of photographing the Skyy bottle. When we apply the limiting doctrines, subtracting the unoriginal elements, [Plaintiff] is left with only a 'thin' copyright, which protects against only virtually identical copying.") *Lotus Development Corp. v. Borland International, Inc.*, 49 F.3d 807, *aff'd*, 516 U.S. 233 (1996) (non-precedential 4-4 tie)(469 word menu command system of Lotus 1-2-3 spreadsheet is an

primarily of uncopyrightable elements, substantial similarity can only be shown by "virtual identity" or "supersubstantial" similarity.[169] This does not change the "substantial similarity" standard, but rather forces the comparison on only what is protectable in plaintiff's work.[170] This is all problematic and factually specific as one defendant may copy certain aspects or parts of an original work while another defendant copy other aspects or parts. Although customer confusion evidence is not technically relevant, it is often admissible concerning substantial similarity.[171] In the Fifth Circuit "the more exact a duplication of constituent pieces of the work, the less overall similarity that may be required."[172] Care must be taken to separate the "not infringed because unprotectable" from "infringed, but fair use" analysis.[173]

Sometimes lost in the jumble of various comparisons is that "substantial similarity" concerns how substantial was the taking of plaintiff's work, not how substantial a portion of defendant's work is the copied material. If defendant copies plaintiff's ten line poem into defendant's 1000 page novel, defendant's work is substantially similar to and infringes plaintiff's poem.

D. Venn Diagram Example.

Factual Scenario. Assume the copyrighted registered work is a fiction book authored by plaintiff. Boy meets girl, boy falls in love with girl, girl meets another boy, girl jilts first boy, first boy wins girl back, they ride off into the sunset. Defendant, who has access to plaintiff's book, writes a similar second book. A copyright infringement suit ensues.

Identify the Registered Work

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unprotectable "method of operation" under §102(b)). *Neal Publications v. F&W Publications, Inc.*, 307 F. Supp. 2d 928 (N.D. Ohio 2004) (Defendant copied 140 entries from Plaintiff's Manual. "Fragmented literal similarity" test applied. Held; the copying was lawful because it was almost *de minimus*, was of generic phrases and did not lessen the value of Plaintiff's Manual.)

[169] *Trek Leasing, Inc. v. United States*, 66 Fed. Cl. 8 (2005). (Copied work contained substantial unprotectable components.)

[170] *Peter Letterese and Associates, Inc. v. World Institute of Scientology Enterprises*, 533 F.3d 1287, 1301 n.17 (11th Cir. 2008) ("The copyright in a factual compilation is "thin" in the sense that the scope of the copyright extends only to the certain elements – namely, a creative and original "selection, arrangement, and coordination" of the compilation – and not to the underlying facts or ideas. [Citations] But this description of *which* elements are copyrightable does not further entail applying a more stringent *standard* to such elements, *i.e.*, by requiring a showing of "virtual identity" between the allegedly infringing elements and the original elements. Rather, the law in this circuit is that outside of the narrow context of "claims of compilation copyright infringement of nonliteral elements of a computer program," the appropriate standard to resolve claims for the infringement of the selection, order, and arrangement of a factual compilation is "substantial similarity.")

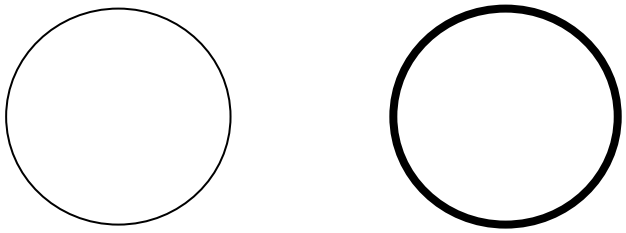
[171] *Whelan Associates, Inc. v. Jaslow Dental Lab, Inc.*, 609 F. Supp. 1307 (E.D. Pa. 1985), *aff'd*, 797 F.2d 1222 (3d Cir. 1986); *Atari, Inc. v. North American Philips Customer Electronic Corp.*, 672 F.2d 607 (7th Cir. 1982).

[172] *Engineering Dynamics v. Structural Software*, 46 F.3d 408 (5th Cir. 1995).

[173] *Warner Bros. Entertainment Inc. v. RDR Books*, _____ F. Supp. 2d ____ (S.D.N.Y. 2009). "Defendant argues that the qualitative similarity between the Lexicon and the *Harry Potter* works is significantly diminished because 'the Lexicon uses fictional facts primarily in their factual capacity" to "report information and where to find it,' . . . Defendant's argument goes to the fair use question of whether the Lexicon's use has a transformative purpose, not to the infringement question of whether the Lexicon, on its face, bears a substantial similarity to the *Harry Potter* works." *Id*. at ___.

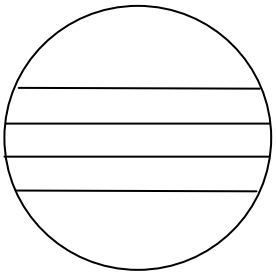
The accused work is not compared with plaintiff's published or abridged works, but with plaintiff's registered work.

Registered Work **Accused Work**



Abstraction Step. The abstraction step identifies the elements of the copyrighted work. Plaintiff's book is separated into (1) words, (2) sentences, (3) paragraphs, (4) chapters, and (5) a theme.

Abstraction: Identify each level of abstraction

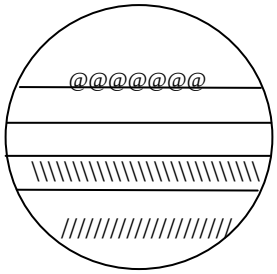


- Word choices and order
- Sentence choices and order
- Paragraph choices and order
- Chapter choices and order
- Theme

Filtration Step. The filtration step determines which of Plaintiff's work's elements are protectable. Plaintiff argues each element is protectable. Defendant argues each element is insufficiently creative to be protectable, comprises the only way to express an idea and unprotectable under the merger doctrine, the theme is an unprotectable *scenes-a-faire,* etc. If the arrangement of the chapters is merely as discussed above, boy meets girl, boy falls in love with girl, etc., that arrangement is likely insufficiently original to be protectable. Plaintiff's arrangement of paragraphs may be protectable or, alternatively, may be the unprotectable well-known logical progression of such thoughts.[174] Plaintiff's arrangement of sentences and specific word choices is usually very protectable. While quotations from another work are not original to plaintiff, Plaintiff's arrangement of the quotations may be original and protectable.

[174] *Peter Letterese and Associates, Inc. v. World Institute of Scientology Enterprises*, 533 F.3d 1287, 1303 (11th Cir. 2008) ("Certain nonliteral aspects of Big League Sales are protectable as the author's original expression, reflecting his opinion as to which sales techniques, and in which order, are likely to yield the most effective sales results. Nonliteral similarity between the book and the course material may be present in the manner in which the course material tracts the selection and organization of the sales techniques in the book.")

Filtration: Filter unprotectable elements out of each level of abstraction.



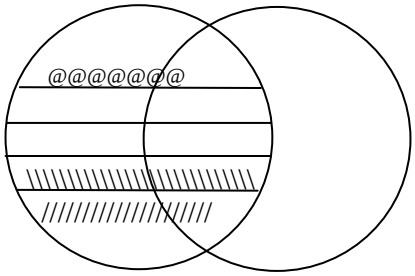
@@@@@@@ Quotes from others

\\\\\\\\\\\\\\\\\\\\\\ Not original

////////////////////// Scene-a-faire

Comparison Step. The comparison step compares the accused work with the protectable elements of plaintiff's work. They may have areas of direct correspondence and areas of non-correspondence at each level of abstraction. The registered and accused works may have the identical theme and chapter progression without infringement unless there are protectable elements. The accused work may duplicate the registered work's historical quotations without infringing because the quotations are not protectable by plaintiff. If the word order in the accused work is too jumbled relative to the word order of the registered work, then perhaps that element is not substantially similar. However, if the protectable arrangement of paragraphs in the registered work is copied in the accused work, the accused book may infringe on that basis.

Comparison: Compare the filtered elements with accused work.



Accused Work

Vs.

Registered Work

This slice and dice analysis will be presented by counsel most advantageously for each party and for all manner of works, *i.e.*, books, rugs, software, fabric design, paintings, etc. Plaintiff's counsel will use overlays and charts to show the accused work is substantially similar to the registered work because copying some constituent elements at one or more levels of abstraction stole the commercially critical heart of the registered work. Defendant's counsel will use charts and overlays to trivialize the similarities and show the importance of the dissimilarities. How to best persuade the fact finder is limited only by the facts and counsel's budget and imagination.

E. Substantial Similarity Determination.

Motion practice resolves clear-cut comparisons in accordance with the above principles. Otherwise, at the close of evidence, after the attorneys finish their arguments and the court delivers its charge, the six-person jury goes into the jury room and answers the following question.

Do you find from a preponderance of the evidence that the [accused work] is substantially similar to the [plaintiff's work]?

Answer: "Yes" or "No" : _____

Until the jury returns its answer, authoritative statements that the accused work is or is not substantially similar to the registered work are predictions.[175]

VII. WHAT IS FAIR USE?

A. Statute.

§ 107 Limitations on Exclusive Rights: Fair Use. Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, . . . , for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –

(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.

. . . .

B. Fair Use.

§ 107's Fair Use Doctrine is the joker in the deck we use to prevent straight line application of copyright law from stifling the Copyright Act's intended public purposes.[176] It is legal alchemy or the second half of a copyright case in the sense that it is only applicable to accused works which otherwise infringe, the inquiry being whether the "infringement" is lawful. The defendant infringes your client's registered, protectable work, and then . . . you lose! This is analogous to a trespasser destroying your real property without you having a remedy. Why?

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[175] "Never make predictions. Especially about the future." Yogi Berra.

[176] *Warner Bros. Entertainment, Inc. v. RDR Books*, _____ F. Supp. 2d ____ (S.D.N.Y. 2009). ("An integral part of copyright law, the fair use doctrine is designed to 'fulfill copyright's very purpose, "To promote the Progress of Science and useful Arts,"' by balancing the simultaneous needs 'to protect copyrighted material and to allow others to build upon it.'" *Id*. at ___.)

The answer is the "inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it."[177] Most foreign countries do not have a First Amendment right to "take" an author's property by using enough of it to criticize it, parody it, or create a new work from it. These rights that seem natural to us are unique to the United States and effected via the Fair Use Doctrine. This is a big deal.

C. § 107's Four Factors.

Fair use is an affirmative defense to copyright infringement codified in §107. A helpful crutch is to silently chant "purpose, nature, amount, effect, ... "

1. Purpose and Character of the Use. If the defendant transforms the copied part of the registered work into defendant's own new work which serves a new purpose or new creative function, while minimizing the taking of the original work, rather than mainly seeking to profit by selling the original work, the copying is likely "transformative"[178] and a fair use.[179] The perfect defendant is Sister Teresa using a single dog-eared accused work containing a small copied portion of the registered work and extensive critical analysis to teach non-profit comparative scriptural interpretation lessons.[180] Key phases, each with reams of case law, are: transformative use, transformative work, commercial, non-profit, public interest, good faith, and purloined.

2. Nature of the Copyrighted Work. This factor focuses on whether the copyrighted work is factual vs. creative, published vs. unpublished. Works of fiction get more copyright protection than factual compilations because they are more original and the public has less of a need for their information.[181]

3. How Much was Taken? This factor looks at how great a portion of a copyrighted work was copied. The cases unhelpfully talk about "a quantitative

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[177] *Campbell v. Acuff-Rose Music, Inc.*, 114 S.Ct. 1164 (1994); *Stewart v. Abend*, 495 U.S. 207 (1990). Fair use is generally applicable when the transaction costs of the user negotiating a license or the social value of the use greatly exceeds the value of the copyright owner's exclusionary right.

[178] *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579, 29 U.S.P.Q.2d 1961 (1994) ("Whether the new work merely supersedes 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 . . . ."). *Oracle America Inc. v. Google Inc.*, ___ F.3d. ___ (Fed. Cir. 2014)

[179] Thumbnail images on visual search engine websites are generally held to be a fair use. *Kelly v. Arriba Soft Corp.*, 77 F.Supp. 2d 1116 (C.D. Cal. 1999). ("Defendant's purposes were and are inherently transformative, even if its realization of those purposes was at times imperfect. Where, as here, a new use and new technology are evolving, the broad transformative purpose of the use weighs more heavily than the inevitable flaws in its early stages of development."); *Bill Graham Archives v. Darling Kindersley Ltd.*, 448 F.3d 604 (2nd Cir. 2008) (Grateful Dead posters reproduced in their entirety, but reduced in size, combined with text and only a seven page part of a 480-page biography of the band were lawfully used for a new purpose, *i.e.* to provide "visual context" for the book's text.).

[180] *Princeton University Press v. Michigan Document Services, Inc.*, 99 F.2d 1381 (6th Cir. 1996) (Copying anthology by copy shop was fair use when destined for classroom).

[181] *New York Times Co. v. Roxbury Data Interface, Inc.*, 434 F. Supp. 217 (D.C.J., 1977).

continuum . . . no precise threshold,"[182] and a "quantitative copying threshold."[183] The taken material is also judged qualitatively, a small part taken of the copyrighted work being too much if it is "the heart" of the work.[184] A 2008 Harry Potter reference book would have been a fair use, but for the fact that it quoted too extensively from the Harry Potter books.[185]

4. Economic Effect. The accused work's effect on the economic market for the copyright owner's materials is the "single most important element of fair use."[186] The more defendant's copying decreases the commercial value of the copyright owner's work, the worse for defendant.[187] In a study of 306 reported cases on fair use from 1978-2005, of the 141 that found factor four disfavored fair use, 140 held no fair use. Of the 116 opinions that found factor four favored fair use, 110 found fair use.[188]

D. Parody.

Parody is looked on so favorably by the courts as being consistent with the Copyright Act's underlying purposes that it is practically a class of its own. In an example of how the fair use factors counteract each other, the Supreme Court acknowledged that Two Live Crew's "Oh,

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[182] *Ringgold v. Black Entertainment Television, Inc.*, 126 F.3d 70 (2d Cir. 1997).

[183] *Castle Rock Entertainment, Inc. v. Carol Publishing Group, Inc.*, 150 F.3d 132, 183 (2d Cir. 1998).

[184] *Harper & Row Publisher's, Inc. v. Nation Enterprises*, 471 U.S. 539 (U.S. N.Y., 1985).

[185] *Warner Bros. Entertainment, Inc. v. RDR Books*, _____ F. Supp. 2d ____ (S.D.N.Y. 2009): ("The fair-use factors, weighed together in light of the purposes of copyright law, fail to support the defense of fair use in this case. The first factor does not completely weigh in favor of Defendant because although the Lexicon has a transformative purpose, its actual use of the copyrighted works is not consistently transformative. Without drawing a line at the amount of copyrighted material that is reasonably necessary to create an A-to-Z reference guide, many portions of the Lexicon take more of the copyrighted works than is reasonably necessary in relation to the Lexicon's purpose. Thus, in balancing the first and third factors, the balance is tipped against a finding of fair use. The creative nature of the copyrighted works and the harm to the market for Rowling's companion books weigh in favor of Plaintiffs. In striking the balance between the property rights of original authors and the freedom of expression of secondary authors, reference guides to works of literature should generally be encouraged by copyright law as they provide a benefit to readers and students; but to borrow from Rowling's overstated views, they should not be permitted to "plunder" the works of original authors 'without paying the customary price' lest original authors lose incentive to create new works that will also benefit the public interest."). *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Coop. Prods., Inc.*, 479 F. Supp. 351, 357, 361 (N.D. Ga. 1979)").

[186] *Harper & Row Publishers, Inc. v. National Enterprises*, 471 U.S. 539 (1985); *Princeton University Press v. Michigan Document Services, Inc.*, 855 F.Supp. 905 (6th Cir. 1996) (defendant's production of "core specs" comprised of excerpts of original materials for student use held to be a fair use. Excellent discussion of the four fair use factors together with an excellent dissenting opinion). *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (U.S. Cal., 1984).

[187] *Compare, BMG Music v. Gonzales*, 2005 WL 3336532 (7th Cir. 2005) (Downloading music to decide to buy it not fair use); *Wall Data, Inc. v. Los Angeles County Sheriff's Department*, 447 F.3d 769 (9th Cir. 2006) (licensee making copies of software on computers beyond licensed number of sites not fair use even though no more than the licensed number of copies could be used at once). *American Geophysical Union v. Texaco*, 37 F.2d 882 (2d Cir. 1994) (Texaco's copying of research journals was not fair use); *with, Evolution, Inc. v. SunTrust Bank*, 342 F. Supp. 2d 943 (D Kan. 2004) (licensee's copying of small parts of source code needed to write programs to retrieve the licensee's data a fair use).

[188] An Empirical Study of U.S. Fair Use Opinions, 1978-2008, 156 Pa. L. Rev. 549 (2008).

Pretty Woman" parody might harm the market for the original song but emphasized the "transformative" nature of the parody, *i.e.*, it adds "something new or changes the original with a further purpose or different character altering the [original work] with new expression, meaning or message."[189]

> [T]he parody must be able to 'conger up' at least enough of the original to make the object of its critical wit recognizable. . . . Once enough has been taken to assure identification, how much more is reasonable will depend, say, on the extent to which the [parody's and work's] overriding purpose and character is to parody the original or, in contrast, the likelihood that the parody may serve as a market substitute for the original parody.[190]

In an instructive case, the book The Wind Done Gone, ("TWDG") suffered a preliminary injunction because it clearly infringed Gone With The Wind ("GWTW"). On appeal, the 11th Circuit found that TWDG "appropriated the characters, plot and major scenes from GWTW."[191]

> "For example, Scarlett O'Hara, Rhett Butler, Bonnie Butler, Melanie Wilkes, Ashley Wilkes, . . . Prissy, . . . and Aunt Pittypat, all characters in GWTW, appear in TWDG . . . Scarlett becomes "Other," Rhett Butler becomes "R.B.," Pork becomes "Garlic," Prissy becomes "Miss Priss," Philippe becomes "Feleepe," Aunt Pittypat becomes "Aunt Pattypit," etc. Ashley becomes "Dreamy Gentleman," Melanie becomes "Mealy Mouth," Gerald becomes "Planter." . . . Tara becomes "Tata," Twelve Oaks Plantations becomes "Twelve Slaves as strong as Trees." TWDG copies often in wholesale fashion, the descriptions and histories of these fictional characters and places from GWTW . . . ."[192]

Nevertheless, the 11th Circuit considered TWDG's function of ridiculing and parodying GWTW's portrayal of a slave-based society and concluded there was no other way to ridicule and parody the GWTW work than to use enough of it so the reader would recognize GWTW was the object.[193] The Court held TWDG was transformative and parodic, and therefore was a lawful fair use.[194] Once the accused work is accepted as parody, fair use is often found.[195]

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189 510 U.S. 569 (1994).

190 *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 588 (1994).

191 *Untrust Bank v. Houghton Miffin Company, 268 F.3d 1257 (11th Cir. 2001).*

192 268 F.3d at 1267.

193 "For purposes of our fair-use analysis, we will treat a work as a parody if its aim is to comment upon or criticize a prior work by appropriating elements of the original in creating a new artistic, as opposed to scholarly or journalistic, work." 268 F.3d at 1268-69. A hilarious fair use send up, if DMCA take down notices have not killed it, is at https://www.youtube.com/watch?v=kBO5dh9qrIQ.

194 *Peter Letterese and Associates, Inc. v. World Institute of Scientology Enterprises*, 533 F.3d 1287, 1311 (11th Cir. 2008):

195 *Libibowitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998).

If the object of the mockery is not the copyrighted work, the accused work is satire and not parody and is not looked on as a fair use.[196]

E. Fair Use Determination.

No bright line fair use definition determines litigation results. All of the factors in the "four factor test" set out in § 107 are considered and balanced.[197] The fact-finder reviews all of the four factors, but particularly the effect of the defendant's work on the market for the plaintiff's work and whether the defendant's work was "transformative." The fact-finder looks at the evidence and sits through counsel's arguments and then retires to chambers or the jury room and answers "yes" or "no" according to the pornographic standard, *i.e.*, I know it when I see it.[198]

Stating that a particular copying is a fair use is a best guess until the jury answers, the court rules on, and the appellate court confirms the answer to the following jury question.

> Do you find from a preponderance of the evidence that Defendant's copying of Plaintiff's work was a fair use?
>
> Answer: "Yes" or "No": _____

The author uses a "Steven King Novel Rule" to raise his own awareness concerning infringement claims and fair use defenses. If the defendant did _____ (whatever defendant did) to a Steven King novel, would it be a fair use? Quoting a few lines or paragraphs is likely a fair use. Scanning the entire book is not a fair use. Taking a photograph of an original painting is judged similarly to scanning in the entire Stephen King novel and according to the same Title 17 sections.

Other applications of the 1976 Act could not have been foreseen in 1976 and are more problematic. For example, if intermediate copying of software is the only way to extract ideas from the software needed to create a new work and the new work does not infringe, the copying is likely fair use.[199] Copying Sony's Game Boy software to reverse-engineer a competitive program was fair use because the Game Boy software was essentially a functional work and, applying a merger-like analysis as discussed above, its copyright protection thinner than that of a

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[196] *Dr. Seuss Enterprises, L.P. v. Penguin Books U.S.A., Inc.*, 109 F.3d 1394 (9th Cir. 1997); *Leibovitz v. Paramount Pictures*, 137 F.3d 109 (2d Cir. 1998).

[197] *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) ("Two Live Crew"). The statutory factors are not to "be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright." *Campbell*, 114 S. Ct. 1150, 1170-71 (1996).

[198] *Compare*, *Bridgeport Music v. Dimension Films*, 410 F. 3d 792 (6th Cir. 2005) (Two seconds copied from plaintiff's song was looped to 45 seconds in defendant's four-minute song. Held to be not fair use, "Get a license or do not sample."); *Sandoval v. New Line Cinema Corp.*, 973 F. Supp. 409 (S.D. N.Y. 1997), *aff'd*, 147 F.3d 215 (2d Cir. 1998) (30 second use of plaintiff's photograph in movie was a fair use), *with, Ringgold v. Black Entertainment Television, Inc.*, 126 F.3d 70 (2d Cir. 1997) (depiction of plaintiff's poster for 26-27 seconds in the background set decoration of a TV show was not fair use).

[199] *Sega Enterprise Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992)("disassembly for purposes of such study or examination [of the software] constitutes fair use.").

literary work.[200] This copying had a substantial adverse economic impact (factor 4) on Sony but brought a new competitor to the market with a different non-infringing game. Since the "ultimate aim" [of the Copyright Act] is to stimulate artistic creativity for the general public good" the copying was a fair use.

Likewise, when a competitor copied screen shots from Sony's game for use in comparative advertising, same was a fair use.

> "Although Bleem is most certainly copying Sony's copyrighted material for the commercial purposes of increasing its own sales, such competitive advertising rebounds greatly to the purchasing public's benefit with very little corresponding loss to the integrity of Sony's copyrighted material." "If the plaintiff loses a significant share of its present market, that would result not from the display of plaintiff's cover in defendant's advertising but from commercial competition with **[?]** a work does not in any way make use of plaintiff's copyrighted material. . . . Sony understandably seeks control over the market for devices that play games Sony produces or licenses. The copyright law, however, does not confer such a monopoly."[201]

A defendant's bad faith can negate the fair use defense.[202]

VIII. MONETARY RELIEF

A. Statute.

§ 412 Registration as a Prerequisite to Certain Remedies for Infringement. [N]o award of statutory damages or of attorney's fees, as provided by sections 504 and 505, shall be made for -

> **(1) any infringement of copyright in an unpublished work commenced before the effective date of its registration; or**
>
> **(2) 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.**

§ 504 Remedies for Infringement: Damages and Profits.

> **(a) In General. . . . an infringer of copyright is liable for either -**

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[200] *Sony Computer Entertainment, Inc. v. Connectix, Corp*., 203 F.3d 596 (9th Cir. 2000). Such programs "contain many logical, structural, and visual display elements that are dictated by the function to be performed, by considerations of efficiency, or by external factors such as compatibility requirements and industry demands."

[201] *Sony Entertainment America, Inc. v. Bleem, L.L.C.*, 54 U.S.P.Q.2d 1753 (9th Cir. 2000).

[202] *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 923 F. Supp. 1231 (N.D. Cal. 1995).

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or

(2) statutory damages, as provided by subsection (c).[203]

(b) Actual Damages and Profits. The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to provide his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.[204]

(c) Statutory Damages.

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages . . . in a sum of not less than $750 or more than $30,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.

(2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200. The court shall remit statutory damages in any case where an infringer believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under section 107, if the infringer is . . . . [worthy]

§ 505 Remedies for Infringement: Costs and Attorney's Fees. [T]he court in its discretion may allow the recovery of full costs by or against any party . . . . [and] award a reasonable attorney's fees to the prevailing party . . . .

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[203] 17 U.S.C. § 504.

[204] 17 U.S.C. § 504(b).

B. Damages and Profits.

If reread a sufficient number of times, § 504(b) (quoted above) states the rules for plaintiff's recovery of both plaintiff's damages and defendant's profits. Other than the burden-shifting of § 504(b), general tort damages and proximate cause principles are applicable.

1. Plaintiff's Damages. Actual damages generally comprise the diminished value of the work to the copyright owner, *i.e.*, plaintiff's market value or profits but for the infringement.[205] The burden of proof is on plaintiff to show a causal connection between the infringement and lost profits.[206] Practically any foreseeable tort injuries are possibly recoverable.[207] Defendant will attack the "attributable to the infringement" element of plaintiff's damages case.[208] The infringer's use of unprotectable, as opposed to the protectable elements of the registered work, the effect of infringer's own additions and efforts, and plaintiff's failure to mitigate, are battlegrounds.

2. Infringer's Profits. Once plaintiff carries its burden to prove the infringer's gross revenue reasonably related to the infringement, the burden shifts to defendant to prove expenses and "factors other than infringement."[209] If the infringing work is a separable part of defendant's business, or defendant's revenue is indirectly related to the infringement, plaintiff may have the burden of showing a rational apportionment or a causal link.[210] Otherwise, the defendant bears the burden to show that his revenue was due to "factors other than infringement" and his expenses.[211] Section 504(b)s burden-shifting revenue makes

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[205] *Oracle Corp. v. SAP AG*, _____ F.3d _____ (9th Cir. 2014) ($1-3 billion verdict tossed because hypothetical license amount was based on speculation.).

[206] *Sunset Lamp Corp. v. Alsy Corp.*, 749 F. Supp. 520 (S.D. N.Y. 1990) (The lost sales of non-infringed parts caused by the infringement are recoverable).

[207] *Smith v. NBC Universal*, 2008 WL 483604, 86 U.S.P.Q.2d 1579 (S.D. N.Y. 2008) (Discussion of tort damages, here emotional harm recovery denied because it was not foreseeable). *Goldman v. Healthcare management Systems, Inc.*, 2008 WL 2345934 (W.D. Mich., June 5, 2008) (Pre-judgment interest awardable).

[208] *Iconbazaar, L.L.C. v. America Online, Inc.*, 378 F. Supp. 2d 592 (M.D. N.C. 2005) (owner of an unregistered copyright failed to establish its actual damages, lost licensing profits were speculative, and no evidence of infringer's profits or revenues attributable to infringement); *Data General Corp. v. Grumman Systems Support Corp.*, 36 F.3d 1147 (1st Cir. 1994).

[209] 17 U.S.C. § 504(b). A sorting is between *revenue* arising from sale of the infringing work and *revenue* arising from sale of noninfringing works which are asserted to due in some part to the infringement. If the latter, there will be a fight concerning the causal nexus between the infringement and the indirect revenue. *On Davis v. The Gap, Inc.*, 246 F.3d 152, 162 (2d Cir. 2001); *Polar Bear Productions, Inc. v. Temex Corp.*, 384 F.3d 700 (9th Cir. 2004) (infringer's profits not connected to the infringement).

[210] *Frank Music Corp. v. Metro-Golden Meyer Inc.*, 886 F.2d 1545 (9th Cir. 1989), *cert. denied*, 110 S.Ct. 1321 (1990) (although the plaintiff's burden is slight).

[211] *Hewlett Custom Home Design v. Frontier Builders*, _____ F.3d ____ (5th Cir. ____); *Ty, Inc. v. Publications Int'l, Ltd.*, 292 F.3d 512 (7th Cir. 2002); *Eagle Services Corp. v. H2O Industrial Services, Inc.*, 532 F.3d 620 (7th Cir. 2008) (Defendant prevailed due to no proof of plaintiff's damages or defendant's wrongful profit); *Davis v. The Gap, Inc.* 246 F.3d 152 (2d Cir. 2001) (The Gap advertisement showed model wearing plaintiff's copyrighted jewelry. It was not enough to show that The Gap earned $146 million after ads were published. The increase was not attributable to the jewelry in the photograph. Reasonable cost of a license for use of the copyrighted work awarded.) *Polar Bear Productions, Inc. v. Timex Corp.*, 384 F3d 700 (9th Cir. 2004) (profits not attributable to use of copyrighted material.) *Andrewas v. Volkswagen of America, Inc.*, 336 F.3d 789 (8th Cir. 2003) (plaintiff entitled

defendant's damages case treacherous. The boundary between plaintiff's "attributable" burden vs. defendant's "factors other than" burden can be unpredictably fact specific. Defendant needs to immediately plan its numerical case with fact witnesses and experts for revenue allocation and deduction of overhead expenses, fixed costs, non-attributable revenues, etc.[212] Where the infringement is willful, in the fringer's deduction evidence may be given extra scrutiny.[213] Both parties will use imagination and experts to define the infringement's effects.[214]

William A. Graham Co. v. Haughey is an illustrative plaintiffs' case.[215] Defendant used plaintiff's form letters to solicit insurance sales. Defendant's "factors other than" evidence was insufficient. Plaintiff was awarded 70% of defendant's total profits. *Walker v. Forbes*[216] is an illustrative defendants' case. Forbes copied Walker's photo in a FORBES magazine issue which generated $6.7 million in revenue.[217] Forbes' evidence was that none of its revenue was attributable to the infringement and the going rate for use of a photo was $6,000.[218] Walker was awarded $6,000.[219]

To not give the plaintiff a double recovery, the infringer's profits are only recoverable to the extent "not taken into account in computing the actual profits."[220]

C. Statutory Damages.

1. Registration Prerequisite. Determination of whether defendant commenced infringement before or after registration is a key issue because plaintiff's recovery of attorneys' fees §505 and statutory damages §504 is at stake.

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to 10% of net profits from cars when infringing commercial was running.); *Walker v. Forbes, Inc.*, 28 F.3d 409 (4th Cir. 1994); *Data General Corp. v. Grumman Systems Support Corp.*, *supra*.

[212] *Frank Music Corp. v. Metro-Golden-Meyer, Inc.*, 772 F.2d 505 (9th Cir. 1985); *MCA, Inc. v. Wilson*, 677 F.2d 180 (2d Cir. 1981). *Kumko Tire Co. v. Carmichael*, 119 S.Ct. 1167 (1999).

[213] *Universal Furniture International, Inc. v. Colleqione Europa, Inc.*, 599 F. Supp. 2d 648 (M.D. N.C. 2009) (Plaintiff recovered Defendant's gross revenues less only a minor deduction for defendant's expenses after refusing defendant's evidence of other deductible expenses as not meeting a willful defendant's higher burden of proof).

[214] *Lottie Joplin Thomas Trust v. Crown Publishers, Inc.*, 592 F.2d 651 (2d Cir. 1978) (Plaintiff obtained 50% of defendant's profits from a five-album set where plaintiff's work was found on only one side of one of the records because the jury found 10% of the songs created 50% of the profit of the entire album set.).

[215] *William A. Graham v. Haughey*, 568 F.3d. 425 (3d. Cir. 2009) and 646 F.3d. 138 (2011).

[216] 28 F.3d 409 (4th Cir. 1994).

[217] *Id.* at 411.

[218] Under the §504(b) presumption, Forbes had the burden to prove "his or her deductible expenses and elements of profit attributable to factors other than the copyrighted work."§504(b). The parties stipulated that the issue's revenues were about $6.7M, of which $5.7M was from advertising, $887,000 from subscriptions, and $195,000 from newsstand sales.

[219] The jury instruction included "you must determine on the question of damages what profit on this issue is attributable to the Hollingsworth Picture. The purpose of the law regarding compensation for damages, which I have explained, is to provide just compensation for the wrong, not to impose a penalty by giving to the copyright owner the profits which are not attributable to the infringement." *Id.* at 416-7.

[220] § 504(b). *Robert R. Jones Assoc. v. Nino Homes*, 858 F.2d 274, 281 (6th Cir. 1988) (Since infringer's profit margin was less than plaintiff's profit margin and all of infringer's sales had been counted as plaintiff's lost sales, there was no award of the infringer's profits to plaintiff). *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983).

VALUE OF TIMELY COPYRIGHT REGISTRATION		
REMEDY	**No Prior Registration**	**Prior Registration**
Owner's actual damages, plus infringer's profits	**X**	**X**
Injunction	**X**	**X**
Defendant might recover attorney's fees if he wins	**X**	**X**
Statutory damages of up to $150,000 per each "infringement"		**X**
Plaintiff might recover attorney's fees if he wins		**X**

"Prior Registration" means the infringement "commenced"[221] either (a) after the work was registered or (b) if the infringement commenced after the first publication of the work and before the date of its registration, the registration was within three months after the first publication of the work. The effective date of a copyright registration is the date the application from which the registration issued was received by the Copyright Office.[222] Although suit can be filed for infringement of foreign works without a registration, they are not excused from § 412's requirement of timely registration to obtain statutory damage.[223] When a defendant's acts of infringement straddle the registration date, whether the prior acts defeat statutory damages for subsequent acts or not can be fact-specific and problematic.[224] Whether a set of infringements is one series of ongoing infringements or separate infringements for the § 507 Statute of Limitations, the § 412 restriction on statutory damages and attorney's fees and the number of § 504(c) statutory damage awards must be looked at separately under each standard.

2. <u>Per Work, Not Per Infringement.</u> Statutory damages are "with respect to any one work," so if multiple works are infringed there can be multiple awards of statutory damages.[225]

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[221] *Mason v. Montgomery Data, Inc.*, 967 F.2d 135 (5th Cir. 1992) ("Commencement" means the first act of infringement by the infringer.)

[222] § 412 (2).

[223] *Elsevier v. United Health Group Inc.*, ____ F. Supp. 2d ____ (S.D.N.Y. 2010); *Football Ass'n Premier League Ltd. v. YouTube, Inc.*, ____ F. Supp. 2d _____, 91 U.S.P.Q.2d 1919 (S.D.N.Y. 2009) ("Section 412 . . . requires [timely] registration to obtain statutory damages for both domestic and foreign works.")

[224] *Derek Andrew, Inc. v. Poof Apparel Corp.*, 528 F.3d 696, 701, 87 U.S.P.Q.2d 1044 (9th Cir. 2008) ("The first act of infringement in a series of ongoing infringements of the same kind marks the commencement of one continuing infringement under § 412 . . . Poof began its infringing activity before the effective registration date, and it repeated the same act after that date each time it used the same copyrighted material.").

[225] § 504(c). *MCA Television Ltd. v. Feltner*, 89 F.3d 766 (11th Cir. 1996) ($9,000,000 judgment comprised of $100,000 for each of the 90 programs aired); *Twin Peaks Productions, Inc. v. Publications International Inc.*, 996

The cases are mixed concerning whether "work" is defined by the copyright registration,[226] or by each item with "independent economic value," regardless of whether several registrations cover a single work or several works are contained in a single registration.[227] Compilations and derivative works raise additional issues.[228] How the copyright owner registers the infringed works may affect the number of works infringed.[229]

An infringer is liable for only one statutory award whether he makes one copy or one thousand copies and whether the thousand copies were made in one run or made one per day for three years.[230] If a second infringer recopies an infringing copy, the second infringer is liable for an additional statutory award. A primary infringer and a gaggle of secondarily liable infringers are liable for a single statutory damage award per work infringed.[231]

F.2d 1366 (2d Cir. 1993) ("The current statute shifts the unit of damages inquiry from number of infringements to number of [infringed] works"). *Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106 (1st Cir. 1983).

[226] *Idearc-Media Corp. v. Northwest Directories, Inc.*, 2008 WL 2185334 (D. Ore. Mar. 23, 2008); *UMG Recordings, Inc. v. MP3.Com Inc.*, 109 F. Supp. 2d 223 (S.D.N.Y. 2000); *Stokes Seeds Ltd. v. Geo. W. Park Seed Co.*, 783 F. Supp. 104 (W.D.N.Y. 1991).

[227] *Cullum v. Deamond a Hunting, Inc.*, ____ F. Supp. 3d _____ SA-07-0076 FB (NM), but see, *Nature Enterprises, Inc. v. Pearson*, _____ (S.D. N.Y. 2010) (Only one statutory damage award "when a plaintiff compiles assorted copyrighted products into a new product, the compilation constitutes one work for purposes of copyright infringement.").

[228] *Xoom, Inc. v. Imageline, Inc.*, 323 F.3d 279, 285 (4th Cir) *cert. denied*, 124 S.Ct. 303 (2003) (Claimant "entitled to one award of statutory damages per work infringed because [works A and B] are *compilations or derivative works* in which [the claimant] holds copyrights, not because they are single registrations.").

[229] An inexpensive way to obtain copyright registrations is to register all related materials in one collective work application for one filing fee on a calendar basis. *Szabo v. Errison*, 68 F.3d 940 (5th Cir. 1995). While a collective work registration protects its individual components, the materials must truly be appropriate for collective work registration. On the other hand, individual registrations improve the odds of obtaining a more substantial monetary statutory remedy because (1) a separate statutory award may be awarded for each work infringed and separate registrations may be persuasive concerning the number of works copied *Costar Group Inc. v. Loopnet Inc.*, 164 F. Supp. 2d 688 (D. Md. 2001) (Number of statutory damage awards depended on "whether Costar [copyright owner] registered its photographs as a compilation or as separate works on the same registration."), and (2) individual registrations may help with plaintiff's "copied a substantial part" burden of proof. If defendant copied nine pages from plaintiff's 100-pages of additions to plaintiff's set of manuals covered by one registration, then defendant will argue that defendant merely copied an insubstantial 9% of the registered work. However, if defendant copied nine pages from the ten pages of Manual 1, which ten pages are the totality of an individual registration, then plaintiff will argue that defendant copied a substantial 90% of the registered work. *Costar Group, Inc. v. Loopnet, Inc.*, 164 F. Supp. 2d 688 (D. Md. 2001) (Number of statutory damage awards depended on "whether Costar [copyright owner] registered its photographs as a compilation or as separate works on the same registration.").

[230] § 504(c)(1). The copyright owner may recover "an award of statutory damages for all infringements involved in the action, with respect to any one work" (emphasis added). This limitation may not preclude the copyright owner from filing multiple suits for different infringements of the same work by the same infringer. *Arista Records, LLC v. Lime Group, LLC*, Cause 06CV5936 (KMU) Docket No. ____ April 6, 2011 (S.D. N.Y. 2011). An infringer's multiple infringements vex both limitations determination (where the complained-of acts straddle the limitation date) and statutory damages determination (where the infringer's acts may be one or several infringements). Whether the unlawful copies are "different infringements" or a "continuous series of infringements" depends on the facts.

[231] *Arista Records, LLV v. Lime Group, LLC*, Cause 06CV5936 (KMU) March 10, 2011 (S.D. N.Y. 2011). Similarly, a party liable for inducing numerous primary infringers of a single work is liable for a single statutory damage award (Docket Entry No. 622).

3. Amount. The jury or judge is completely untethered in awarding statutory damages within the floors and ceilings discussed below. Constitutional limitations on punitive damages are not applicable.[232] Congress set the range; any amount within it is protected from judicial review by separation of powers' principles. Statutory damages need not be reasonably related to actual damages and may be awarded for uninjurious and unprofitable infringement – for the public policy purpose of deterrence.[233] There are practically no limits on admissible statutory damages argument and evidence.[234]

4. Infringer's State of Mind.

a. Normal. If defendant is neither "innocent" nor "willful," then statutory damages are "not less than $750 nor more than $30,000 as the court considers just for infringement of "one work."[235]

b. Innocent. While "I didn't know" is not a defense to liability for infringement, "where the infringer sustains the burden of proving . . . that . . . [he] was not aware and had no reason to believe that his . . . acts constituted infringement . . .," the court can reduce statutory damages "to a sum not less than $200."[236]

To prevent this, the copyright owner should scatter copyright notices throughout its works, limited by practicality. First, when a proper copyright notice "appears on the published works . . . to which a defendant . . . had access, then no weight shall be given to such defendant's" innocent infringement defense.[237] Just as important is the moral justice battle – did defendant ignore a © notice, or did the copyright owner fail to warn by not posting a "no

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[232] *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 302 F. Supp. 2d 455 (D. Md. 2004). There is periodic futile lower court resistance to imposing irrationally horrendous statutory damages jury awards on the grounds that it violates the Due Process Clause.

[233] *F.W. Woolworth Co.*, 73 S.Ct. 222, 225 (1952). ("[A] rule of liability which merely takes away the profits from an infringement would offer little discouragement to infringers. It would fall short of an effective sanction for enforcement of the copyright policy. The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct. The discretion of the court is wide enough to permit a resort to statutory damages for such purposes. Even for uninjurious and unprofitable invasions of copyright the court may, if it deems it just, impose a liability within statutory limits to sanction and vindicate the statutory policy.")

[234] *Cullum v. Diamond A Hunting, Inc.*, ____ F. Supp. 3d ___, SA-07-0076 FB (NN) Report and Recommendation 9/13/10 (Good list of factors considered in setting statutory award). On remand from the Supreme Court in *Feltner v. Columbia Pictures*, 523 U.S. 340 (1998), the jury awarded $72,000 per willful infringement for 440 separate episodes of four television series, for a total of $31.68 million. The defendant's wealth is admissible.

[235] § 504(c).

[236] § 504(c). *Innovated Networks, Inc. v. Satellite Airlines Ticketing Centers, Inc.*, 871 F. Supp. 709 (S.D. N.Y. 1995).

[237] *Maverick Recording v. Harper*, ____ F.3d ____ (5th Cir. 2010) ("The plain language of the statute [§ 402] shows that the infringer's knowledge or intent does not overcome its application."). If the work was publicly distributed before March 1, 1988, without a copyright notice or with a copyright notice that misled the infringer, then the infringer's proof of his good faith due to the omitted or garbled notice is a complete defense. § 406(a). Otherwise, omission or garbling the copyright notice merely lets the infringer argue that his infringement was innocent or at least not willful. § 504. A proper notice has three elements, (1) notice of copyright, i.e., "©" or "Copyright," (2) year of first publication, and (3) name of the owner. For example, "© 2000-2010 Miller."

trespassing" sign. A work does not have to be registered for the owner to put a copyright notice on it. Putting a copyright notice in a work gives a benefit for no cost.

c. Willful. If plaintiff proves the infringement "was committed willfully, the court in its discretion may increase the award of statutory damages "to a sum of not more than $150,000."[238] Infringement is willful if defendant knew or should have been aware that its act comprised copyright infringement.[239] Willful infringement damages are not generally dischargeable in bankruptcy.[240]

D. Election of Statutory or Actual Damages.

Plaintiff elects to send the statutory damages issue to the jury or the Court after the close of evidence. The successful plaintiff then elects between actual and statutory damage awards after the jury's verdict or Court's finding and prior to judgment.[241] Because a statutory damages award is fairly bullet-proof on appeal, plaintiff may elect a smaller statutory award rather than a larger but more problematic actual damages award.

Plaintiff may only plead for statutory damages in its Complaint to pre-empt defendant's expensive or embarrassing discovery of and introduction into evidence of plaintiff's obscene profits, negligible lost profits, zero per unit marginal cost, etc., and generally simplify the case. Punitive damages are not available other than via statutory damages, so if statutory damages are not applicable, the defendant will argue that willfulness evidence is inadmissalbe.[242]

E. Attorneys' Fees and Costs.

Attorneys' fees and costs cannot be awarded to the copyright owner unless the copyright was registered before the infringement commenced or within three months of the copyrighted

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[238] § 504(c)(2). *Yurman Design, Inc. v. PAJ, Inc*., 262 F.3d 101, 112 (2nd Cir. 2001) (Willfulness because defendant was reckless in not making inquiry.)

[239] *Maverick Recording v. Harper*, ____ F.3d ____ (5th Cir. 2010) (Reversing failure to award minimum $750 per 37 willfully downloaded songs); *Idearc-Media Corp. Northwest Directors, Inc.*, 2008 WL 2184334 (D. Ore. Mar. 23, 2008) (Although defendant "certainly showed poor judgment" in copying, not willful infringement in absence of copyright notice. Inference that notice would have made it willful.); *Fallacia v. New Gazette Literary Corp.*, 568 F. Supp. 1172 (S.D. N.Y. 1983); *Universal City Studios v. Ahmed*, 1994 Copyright L. Dec. (CCH) Part 27, 260 (E.D. Pa. 1994).

[240] In re *Albarran*, 347 B.R. 369 (B.A.P. 9th Cir. 2006). *But see* In Re *Barboza*, 545 F.3d 702 (9th Cir. 2008) (Copyright Act "willfulness" not equal to Bankruptcy Act's "willfulness," remand to determine if the infringement was "intentional" or merely "reckless").

[241] *Feltner v. Columbia Pictures Television, Inc.*, 118 S.Ct. 1279 (1998) (Feltner, having been hit by a court-ordered statutory damage award of $3.2 million, successfully appealed to the Supreme Court on the grounds that he was entitled to a jury determination of statutory damages. On re-trial, the jury gave the plaintiff an approximate $32 million verdict.).

[242] *Faulkner v. National Geographic Society*, 576 F. Supp. 2d 609 (S.D.N.Y. 2008) (Defendant's motions *in limine* concerning punitive damages and willfulness granted). In some circuits, hoever, willfulness affects defendant's ability to prove his expenses, and may come in that door.

work being published.[243] In contrast, the successful copyright defendant may possibly obtain attorneys' fees and costs regardless of when the work was registered. Prejudgment interest is proper.[244]

The *Fogerty* Supreme Court held that "Prevailing plaintiffs and prevailing defendants are to be treated alike, but attorneys' fees are to be awarded to prevailing parties only as a matter of the court's discretion."[245] *Fogerty* approvingly cited a non-exclusive list of factors to be weighed, including the losing party's "frivolousness, motivation, objective reasonableness (both the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrents," but only "so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an even-handed manner."[246] In some circuits, there is a presumption that attorneys' fees will be awarded to the prevailing party in copyright cases,[247] while in other circuits, the prevailing defendant only recovers its fees if plaintiff's case was objectively unreasonable.[248] Although awarding attorneys' fees to the prevailing party in the Fifth Circuit is "the rule rather than the exception and should be awarded routinely," this is not always the result.[249]Counsel's plucking the district court's heartstrings concerning why their client's conduct in the case was "faithful to the purposes of the Copyright Act" will be limited only by counsel's imagination.

Both parties may also seek declaratory judgments on their related causes of action and defenses to give the court an opportunity to award them attorney's fees under the declaratory judgment statute.[250] Attorneys' fees are governed by Rule 54(d) Fed. R. Civ. P., *i.e.*, awarded pursuant to a motion filed within fourteen days after entry of judgment.[251]

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[243] § 412. An exception applies if the infringement commenced after publication and the work was registered within three months of publication. Importantly, foreign works, which do not require registration as a prerequisite to suit, require timely registration for recovery of attorney's fees.

[244] *William A. Graham v. Haughey*, 646 F.3d. 138 (3rd Cir. 2011)

[245] *Id*. at 1033.

[246] 114 S.Ct. at 1033, n.19.

[247] *Eagle Services Corp. v. H2O Industrial Services, Inc.*, 532 F.3d 620, 625 (7th Cir. 2008) (reversing district court's failure to award defendant fees because "[t]he presumption has not been rebutted."); *Riviera Distributors, Inc. v.* Jones, 517 F.3d 926, 928 (7th Cir. 2007) (Plaintiff moved to dismiss without prejudice. Court denied Defendant's request for attorney's fees. Held reversed. "The prevailing party in copyright litigation is presumptively entitled to reimbursement of its attorney's fees." "Riviera sued; Midwest won; no more is required."). *Hogan Systems, Inc. v. Cybersource Int'l Inc.*, 158 F.3d 310, 325 (5th Cir. 1998); *Historical Research v. Cabral*, 80 F.3d 377 (9th Cir. 1996) (award of attorneys fees does not require "exceptional circumstances").

[248] *Positive Black Talk, Inc. v. Cash Money Records*, 374, F.3d 357 (5th Cir. 2004) (suit was not objectively unreasonable.) *See Invessys, Inc. v. The McGraw-Hill Companies Ltd.*, 2003 WL 1090197 (D. Mass March 12, 2003); *Berkla v. Corel*, 302 F.3d 909 (9th Cir. 2002). *Screen Life Establishment v. Tower Video, Inc.*, 868 F.Supp 47 (S.D. N.Y., 1994) ("Once the court finds that the plaintiff's claim was objectively unreasonable, bad faith or frivolousness is not a prerequisite to an award of fees.").

[249] *Virgin Records America v. Thompson*, __ F.3d __ (5th Cir. 2008) (Attorneys' fees denied because plaintiff's suit not frivolous or objectively unreasonable).

[250] *Fred Ahlert Music Corp. v. Warner/Chappell Music, Inc.*, 155 F.3d 17 (2d Cir. 1998).

[251] Attorneys' fees in a hard-fought copyright case can be substantial. *Compaq Computer Corp. v. Ergonome, Inc.*, 387 F.3d 403 (5th Cir. 2004) ($2,765,026.90 attorneys' fees awarded to prevailing defendant.)

F. Who is Liable for What?

Generally, liability for plaintiff's damages is joint and several, while liability for any particular infringer's profits is several only,[252] unless the defendants act as partners or "practical partners."[253] While the common-law one-satisfaction rule caps damages,[254] defendant should consider joining all potentially jointly liable entities because there is no right of contribution.[255] Exceptions and variations, however, slice and dice the general rules like a Benihana's chef and make for a good research project on your specific facts. Prejudgment interest is authorized, but, arguably, left to the court's discretion.[256] Indirect infringement's new popularity raises unique issues concerning necessary parties, contribution, indemnity, etc. While common law rules govern liability of a principal for an agent's acts[257] and civil conspiracy, other issues will be fleshed out in time.[258]

IX. INJUNCTIVE RELIEF

A. Statute.

§ 502 Remedies for Infringement: Injunctions. (a) A court . . . may . . . grant temporary and final injunctions on such terms as may be reasonable to prevent or restrain infringement of a copyright.

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[252] Restated, while indirectly liable defendants may be jointly liable for the plaintiff's damages, they are typically only liable for their own individual wrongful profits and not any other defendant's wrongful profits. *MCA, Inc. v. Wilson*, 677 F.2d 1980 (2d Cir. 1981) ("Because infringement of copyright is considered a tort, the general statement often is made that all defendants concerned in the infringement are jointly and severally liable. [Citations] However, this rule applies only to the defendant's liability for damages. Insofar as there is liability for illegal profit, the liability is several; one defendant is not liable for the profit made by another."), *but see, Softel, Inc. v. Dragon Medical & Scientific Communications, Inc.*, 1891 F.S. 935 (S.D. N.Y. 1995), *aff'd in part and reversed in part*, 118 F.3d 955 (2d Cir. 1987).

[253] *Nelson-Salabes, Inc. v. Morningside Dec, LLC*, 284 F.3d 505 (4th Cir. 2002).

[254] *BUC International Corp. v. International Yacht Concil Ltd.*, 517 F.3d 1271, 1278 (11th Cir. 2008).

[255] *KBL v. Arnouts*, ____ F. Supp. 2d ____ (S.D.N.Y. 2009).

[256] *Powell v. Penhollow*, ___ Cause No. _____ (5th Cir. 2007) (5th Circuit published).

[257] *National Business Lists, Inc. v. Dunn & Bradstreet, Inc.*, 552 F.Supp 89 (N.D. Ill. 1982).

[258] *Interscope Records v. Duty*, 79 U.S.P.Q.2d 1043 (D. Arizona 2006)(unpublished). (Defendant Duty sought dismissal, arguing that joint infringer Sharman was a necessary party. "The Recording Companies may have a viable claim against Sharman for direct, contributory or vicarious infringement. See *Metro-Goldwyn-Mayer Studios, Inc.*, 125 S. Ct. at 2776. Furthermore, following this action, Duty may have a viable claim against Sharman for contribution. However, the possibility of related third-party liability does not preclude us from according complete relief among those already named as parties, nor does it represent sufficient harm to either Sharman or Duty to require joinder. Fed. R. Civ. P. 19(a); *See Temple v. Synthes Corp., Ltd.*, 498 U.S. 5, 7-8, 111 S.Ct. 315, 216 (1990) (holding that joint tort feasors are not necessary parties.)")

B. Injunctive Relief.

Although Title 17 specifically permits immediate impound and injunctive relief,[259] proving up the Fifth Circuit's standard four factors is required for copyright interlocutory relief.[260] If distribution of the accused work involves First Amendment issues, the heavy presumption against prior restraint on publication will defeat most motions for a preliminary injunction against publication.[261]

Once the copyright owner has prevailed on the merits, the irreparable injury presumption in copyright cases historically automatically produced a permanent injunction against further infringement. However, the Supreme Court recently held that equity's traditional four-factor injunction test applies to patent cases[262] and that rationale has been generalized to copyright cases.[263]

C. U.S. Customs.

A copyright owner can record his copyright registration with the U.S. Customs Office to exclude unlawful copies or move a court for an order that Customs keep them out.[264] Going to Customs used to be an unwieldy process that only large companies could afford. Today, however, anyone can electronically submit one set of documents to Customs. This sometimes results in Customs seizing containers of infringing goods at a port of entry. More typically, however, if you expect inbound infringement, you should retain a customs broker at the target port of entry to educate local customs officers concerning what to look for. This is very effective

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[259] 17 U.S.C. § 502(a), § 503 Remedies for Infringement: Impounding and Disposition of Infringing Articles. (a) . . . , the court may order the impounding . . . , of all copies . . . made or used in violation of the copyright owner's exclusive rights, and of all . . . , articles by means of which such copies . . . may be reproduced. § 603.

[260] Rule 65 Fed. R. Civ. P., *i.e.*, irreparable injury, substantial likelihood of success, balance of the hardships and not contrary to the public interest. *Plains Cotton Co-op Association of Lubbock, Texas v. Goodpasture Computer Service, Inc.*, 807 F.2d 1256 (5th Cir. 1987), *cert. denied*, 484 U.S. 821 (1987). The court can issue a recall order, *Yurman Design, Inc. v. Chaundom Enterprises*, 1999 W.L. 1075942, 53 U.S.P.Q.2d 1590 (S.D.N.Y. 1999); *Perfect Fit Industries, Inc. v. Acme Quilting Co., Inc.*, 646 F.2d 800 (2d Cir. 1981); *Benham Jewelry Corp. v. Aron Basha Corp.*, 45 U.S.P.Q.2d 1078 (S.D.N.Y. 1997), an asset freeze to satisfy an award of profits, *Levy Strauss & Co. v. Sunrise International Training, Inc.*, 51 F.3d 982 (11th Cir. 1995), or an impound, *Epic Games, Inc. v. Altmeyer*, ____ F. Supp. 2d _____ (S.D. Ill. 2008). However, seizure and impounding is pursuant to the Supreme Court's original rules governing 1909 copyright law seizures found in 17 U.S.C.A. following § 501. *Warner Bros., Inc. v. DAE Rim Trading, Inc.*, 877 F.2d 1120 (2d Cir. 1989); *Pepe (U.K.) v. Oceanview Factory Outlet*, 770 F. Supp. 754 (D. P.R. 1991). The civil forfeiture provisions allow forfeiture, of "[a]ny property used, or intended to be used," in acts of infringement. These forfeiture provisions may be overly broad and may unduly punish parties that are only tangentially related to the infringing acts. While some cases presume irreparable harm from a *prima facie* showing of infringement, others do not. *Robert Stigwood Group Ltd. v. Sperber*, 457 F.2d 50 (2d Cir. 1972).

[261] *Suntrust Bank v. Houghton Miffin Co.*, 252 F.3d 1165 (11th Cir. 2001) (The Wind Done Gone "sequel" to Gone With the Wind).

[262] *eBAY, Inc. v. MerkExchange*, 126 S.Ct. 1837 (2006).

[263] *Christopher Phelps & Associates LLC v. Galloway*, 492 F.3d 532, 544 (4th Cir. 2007) (Replacing the property rule (trespass is automatically enjoined) with the liability rule (traditional four factors) lessens the value of intellectual property.).

[264] *Miss American Organization v. Matel, Inc.*, 945 F.2d 536 (2d Cir. 1991); *Parfums Givenchey, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477 (9th Cir. 1994). § 603.

when it works. The goods are seized and breath-taking penalties imposed on the infringer, without expense to your client.[265]

X. JURISDICTION AND LIMITATIONS

A. Statute.

28 U.S.C. § 1338. . . . [c]opyrights . . . . (a) "The district courts shall have original jurisdiction . . . relating to . . . copyrights. Such jurisdiction shall be exclusive . . . in . . . copyright cases."

§ 507 Limitation on Actions. (a) No civil action shall be maintained . . . unless it is commenced within three years after the claims accrued.

B. Jurisdiction and Venue

"Copyright infringement" disputes, distinguished from disputes concerning copyright ownership, contract rights, inheritance, etc., are subject to exclusive federal jurisdiction[266] and require a copyright application or registration depending on the circuit.[267] In the First, Third, Fifth, Seventh, Eighth and Ninth Circuits, a plaintiff only needs to have submitted its application to register its copyright.[268] In the Sixth, Tenth, and Eleventh Circuits, an issued registration is required.[269] The rule in the Second, Fourth, and DC Circuits is unclear as they have not ruled and their district courts are split.[270] The Federal Circuit has not ruled. Works from other Bern Convention countries do not need to be registered prior to filing suit.[271]

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[265] The procedural rules for customs seizures are set out in 19 CFR §133.31 *et seq*.

[266] 28 U.S.C. § 1338(a).

[267] *Reed Elsevier v. Muchnick*, ____ S.Ct. ____ (2010) (Discussing the nebulous line between § 411(a) imposing a precondition to infringement suits but not being a jurisdictional requirement). *Reed* arguably changes the result of *Stuart Weitzman LLC v. Microcomputer Resources, Inc.*, 542 F.3d 859 (11th Cir. 2008) in which a suit seeking a declaratory judgment suit of non-infringement of unregistered software was dismissed for lack of jurisdiction. *Reed* should further be reviewed in light of *Med Immune, Inc. v. Genenteh, Inc.*, 539 US 118 (2007) reducing the declaratory judgment threshold from "reasonable-apprehension-of-suit" to "substantial controversy…to warrant the issuance of a declaratory judgment."

[268] *Foraste v. Brown Univ.*, 248 F. Supp. 2d 71, 77 n.10 (D.R.I 2003); *Wilson v. Mr. Tee's*, 855 F. Supp. 679, 682 683 (D.N.J. 1994) and *SportsMEDIA Tech. Corp. v. Upchurch*, 839 F. Supp. 8, 9 (D. Del. 1993); *Positive Black Talk, Inc. v. Cash Money Rewards*, 394 F.3d 357, 365 (5th Cir. 2004); *Lakedreams v. Taylor*, 932 F.2d 1103, 1108 (5th Cir. 1991); *Chicago Bd. of Education v. Substance, Inc.*, 354 F.3d 624, 631 (7th Cir. 2003) and see *Goss Int'l Arms, Inc. v. A-Am. Mach. & Assembly Co.*, 2007 U.S. Dist. LEXIS 88382, 2007 WL 4294744 (N.D. Ill. Nov. 30, 2007); *Action Tapes, Inc. v. Mattson*, 462 F.3d 1010, 1013 (8th Cir. 2006). *Cosmetic Ideas, Inc. v. IAC/Interactive Corp*, ___ F.3d ___ (9th Cir. 2010).

[269] *Hawaiian Village Computer, Inc. v. Print Management Partners, Inc.*, 501 F. Supp. 2d 951, 2007 U.S. Dist. LEXIS 7910, 2007 WL 431017 (E.D. Mich. 2007); *Las Resolana Architects, PA v. Clay Realtors Angel Fire*, 416 F.3d 1195 (10th Cir. 2005); *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486, 1488 n.4 (11th Cir. 1990).

[270] *Compare Capitol Records, Inc. v. wings Digital Corp.*, 218 F. Supp. 2d 280 (E.D. N.Y. 2002) (registration) *with Well-Made Toy Mfg. Corp. v. Goffa Int'l Corp.*, 210 F. Supp. 2d 147 (E.D.N.Y. 2002) (application); and *Compare Mays & Assoc., Inc. v. Euler*, 370 F. Supp.2d 362 (D. Md. 2005) (registration) *with Iconbazaar, L.L.C. v. Am. Online, Inc.*, 208 F. Supp. 2d 630, 633 (M.D. N.C. 2004) (application); *Compare Strategy Source, Inc. v. Lee*, 233 F.

Suits that require application of federal copyright law may be brought in federal court anywhere the defendant is found or an infringing act occurs,[272] or removed from state court.[273] If the infringement is national, plaintiff can forum-shop, subject to general jurisdictional requirements.[274]

Defendants sued solely due to use of accused works on their website will move to dismiss on jurisdictional grounds and to transfer on the 28 U.S.C. § 1404 grounds.[275] The widely adopted *Zippo* scale measures defendant's website against a continuum from passive to interactive in determining if the forum state has jurisdiction over the defendant.[276] The amount and percentage of a defendant's sales in the forum state are considered in an *International Shoe* analysis of whether defendant's activities directed to the forum state are substantial enough to warrant hauling defendant before the forum state's courts. Other courts find the injury suffered by the copyright owner in its home jurisdiction determinative.[277]

Copyright owners who send cease and desist letters to alleged infringers may incite a declaratory judgment in the infringer's state, some courts keeping the case and some transferring it to the "true plaintiff's" state.

C. Limitations.

Section 507(b) bars copyright actions unless "commenced within three years after the claim occurred."[278] The majority rule is that a claim "accrues" when the copyright owner has actual knowledge of the infringement ("Discovery Rule"[279]) or a reasonably prudent person would have discovered it ("Inquiry Rule"[280]), subject to fraudulent concealment.[281] If

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Supp. 2d 1 (D.D.C. 2002) (registration) *with International Kitchen Exhaust Cleaning Ass'n v. Power Washers of N. Am.*, 81 F. Supp. 2d 70 (D.D.C. 2000) (application).

[271] But failure to do so deprives the copyright claimant of statutory damages and attorneys' fees. §412.

[272] 28 U.S.C. § 1400(a).

[273] *Helicopteros Nacionales de Colombia S.A.F. v. Hall*, 466 U.S. 408, 414 n.9 (U.S. 1984); *International Shoe Co. v. Washington*, 326 U.S. 310 (1945).

[274] *See, e.g., Pebble CreekHomes, LLC v. Upstream Images, LLC*, 547 F. Supp. 2d 1214 (D. Utah, October 5, 2007).

[275] §1404 grounds are relative inconvenience, location of records and witnesses, etc. Defense counsel will analyze plaintiff's claims to seek additional proper defendants or necessary parties in defendant's state to encourage transfer there.

[276] *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F.Supp. 119 (W.D. Pa 1996). *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th 1997) (level of interactivity and the commercial nature of the exchange of information that occurs on the website).

[277] *Penguin Group, Inc. v. American Budda*, ___ N.Y. Reports ___ (N.Y. S.Ct. 2011) (On certification from the United States Court of Appeals from the Second Circuit.)

[278] *Goodman v. Lee*, 78 F.3d 1007 (5th Cir. 1996) (claim of co-authorship barred under federal three-year statute § 507(b), but claim for accounting of profits permitted under Louisiana's ten-year statute).

[279] *Psihoyos v. John Wiley & Sons, Inc.*, 748 F.3d 120 (_____ Cir. _____) (Collecting cases applying the Discovery Rule at 123 n.3).

[280] While the Inquiry Rule includes a duty of diligence, some triggering event must come to the copyright owner's attention to charge him with inquiry notice. *Warren Freedenfeld Associates, Inc. v. McTigue*, 2008 WL 2469190, *4 (1st Cir. 2008) ("The familiar aphorism teaches that where there is smoke there is fire; but smoke, or something tantamount to it, is necessary to put a person on inquiry notice that a fire has started." *Id.*) *Polar Bear Prods. v.*

defendant's infringing acts were discovered more than three years before suit and straddle the three-year statute, either (a) the infringements comprise a single continuing series of infringements, and are all time-barred, or (b) the less than three years out infringements are so different in character that they are new infringements ("Separate Accural Rule") and not time-barred. If defendant's infringement is not discovered until within the three-year statute and comprise a continuous infringement begun more than three years prior to the Complaint, most, but not all, courts limit recovery of damages to three years prior to the Complaint.[282] An anamaly is prejudgment interest runs from date of injury rather than date of accrual.[283]

Copyright ownership claims are also subject to three-year limitations.[284] If alleged infringement occurred within three years, but defendant asserted ownership or co-ownership

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Timex Corp., 384 F.3d 700, 706 (9th Cir. 2004) *Contra*, A minority of courts apply the Injury Rule, *i.e.*, a claim accrues at the time of infringement. *Roberts v. Keith*, 79 U.S.P.Q.2d (S.D.N.Y. 2006); *Auscape Int'l v. Nat'l Geographic Soc'y*, 409 F.Supp. 2d 235, 248 (S.D.N.Y. 2004).

[281] *Piotrowski v. City of Houston*, 237 F.3d 567, 577 n.13 (5th Cir. 2001) ("In cases where fraudulent concealment is involved, the statute of limitations does not begin to run until the relevant facts, which are in the control of the defendant, become known to the plaintiff."); *Prather v. Neva paperbacks, Inc.*, 446 .2d 338 (5th Cir. 1971); *Kregos v. Associated Press*, 3 r.3d 656 (2d Cir. 1993); *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983) (tolling allowed due to fraudulent concealment). Unreasonable reliance on the infringer's false statements does not toll the statute. *Mount v. Book of the Month Club, Inc.*, 555 F.2d 1108 (2d Cir. 1977) (tolling not allowed.) *Price v. Fox Entertainment*, 473 F. Supp. 2d, 446, 455 (S.D. N.Y. 2007).

[282] The author has not found a clean way to reconcile the actionable if within three years of discovery cases, with the not recoverable unless the injury is within three years of the complaint cases. Both appear to be majority rules. *Petorella v. Metro-Goldwyn-Mayer Inc.*, 124 S. Ct. 1962, 1969-70 (2014) suggested in dicta that only infringements within three years are recoverable. *Diversey v. Schmidly*, 738 F.3d 1196, 1201 (10th Cir. 2013); *MAI Basis Four, Inc. v. Basis, Inc.*, 962 F.2d 972, 987, n. 9, (10th Cir. 1992) (discussing split among circuits). Majority Rule: *Daboub v. Gibbons*, 42 F.3d 285 (5th Cir. 1995); *Makewide Publishing Co. v. Johnson*, 37 F.3d 180 (5th Cir. 1994) ("Jones is only liable for his acts of infringement committed three years prior to Plaintiff's lawsuit."); *Goldman v. Healthcare Management Systems, Inc.*, 2008 WL 2345934 (W.D. Mich. June 5, 2008) (Although defendant began infringing more than three years prior to the complaint, the complaint was filed within three years of discovery of the infringement. Held, plaintiff can recover damages only for infringement within three years of the complaint.). *Bridgeport Music, Inc. v. Diamond Time Ltd.*, 371 F.3d 883 (6th Cir. 2004). *Contra*, a minority of courts allow recovery of damages for infringement occurring prior to three years before the complaint as long as the action was timely commenced under the continuing-wrong doctrine. *William A. Graham v. Haughey*, 568 F.3d 425 (3rd Cir. 2009) (Reinstating verdict for $19,000,000 for 12 years of continuous infringement which was not discovered until within three years of suit.); This is further explained at 646 F.3d 138 (3rd Cir. 2011); *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983)(recovery extends beyond statute of limitations if a continuing tort); *Groden v. Allen*, 279 Fed. approx. 290 (5th Cir. 2008, unpublished) ("The relevant inquiry is when the claim accrued, not when the infringement occurred").

[283] *William A. Graham Co. v. Haughey*, ___ F.3d ___ (3rd Cir. 2011).

[284] *Roger Miller Music, Inc. v. Sony/ATV Publ'g, LLC*, 477 F.3d 383, 389-390 (6th Cir. 2007) ("'A copyright ownership claim 'accrues only once, and if an action is not brought within three years of accrual, it is forever barred.' In contrast, a claim for copyright infringement can accrue more than once because each infringement is a distinct harm. '[E]ach new infringing act causes a new three year statutory period to begin.'" (citations omitted)). There are numerous nooks and crannies here, however. See *Nimmer* 512.65[c] Non-Infringement Claims. *Pritchett v. Pound*, 473 F.3d 217 (5th Cir. 2006) (defensive assertion of authorship not time-barred) State limitations are applicable to accounting claims between co-authors. *Goodman v. Lee*, 78 F.3d 1009 (5th Cir. 1996). An additional reason to put a copyright notice on materials is to sometimes time-bar adverse authorship claims. Although a mere "2011 © Miller" would arguably not be adverse to a putative co-author, perhaps "2011 © All Rights Miller," would be if the putative co-author provably saw it.

more than three years earlier, the infringement claim fails.[285] Laches cannot be invoked within the three year limitations period.[286] Laches may or may not bar prospective injunctive relief.[287]

D. Which Country?

To say out loud that (1) more and more works protected by copyright are being created, sold, and infringed in multiple countries, and (2) that different countries have different copyright laws, is sufficient to state the growing importance and complexity of international copyright concerns. It is increasingly the case that your client can often best attack or be attacked in a foreign country.[288] The absence of a First Amendment, Fair Use Doctrine, DMCA safe harbor, registration prerequisites, and wide-open USA-style discovery, and the presence of data-compilation protection and civil code/administrative procedures in various countries is favorable or unfavorable to your client depending on each dispute's facts.[289] Since your client and the adverse party are doing business in numerous countries, the possibilities are apparent. Sometimes for reasons of jurisdiction, impracticability of service, or impracticability of enforcement of a U.S. judgment, etc., copyright suits are initiated overseas.[290]

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[285] *Zuill v. Shanahan*, 80 F.3d 1366 (9th Cir. 1996), *cert denied*, 519 U.S. 1090 (1966); *Merchant v. Levy*, 92 F.3d 51 (2d Cir. 1996), *cert denied*, 519 U.S. 1108 (1996). ("We hold that plaintiffs claiming to be co-authors are time-barred three years after the accrual of their claim from seeking a declaration of copyright ownership rights and any remedies that would flow from such a declaration."); *Jordan v. Sony BMG Music Entertainment Inc.*, ___ F.3d. ___ (5th Cir. 2009) (Copyright registration constructive notice of adverse copyright ownership claim); *Seven Arts Filmed Entertainment, Ltd. v. Content Media Corp. PLC*, 733 F.3d 1251, 1256 (9th Cir. 2013).

[286] *Petrella v. Metro-Goldwyn-Mayer Inc.*, 134 S.Ct. 1962 (2014). In extraordinary circumstances, an unreasonable delay may curtail equitable relief.

[287] _____.

[288] The Hamburg Regional Court in Germany, Case Numbers 308 O 42/06 and 308 O 248/07 (2008), held that Google infringed the copyrights of a photographer and an artist by publishing their drawings without permission as low-resolution thumbnails in connection with Google's search service. This directly contradicts *Perfect 10, Inc. v. Google, Inc.*, 508 F.3d 1146 (9th Cir. 2007), where the Court held Google's use of thumbnail images in its image search tool was a fair use.

[289] *Saif v. Google France*, Paris Court of First Instance, May 20, 2008 (Allegation that Google Images' search engine infringes French copyrights held governed by U.S. rather than French law. Thus, Google protected by the U.S. Copyright Act's fair use exception).

[290] In 1983 Phil Collins gave a concert in California which was unlawfully recorded. Unlawful reproductions were sold in Germany. Phil Collins sued the infringers in Germany. Under the non-discrimination clause of the Treaty of Rome, Phil Collins, a United Kingdom citizen, was granted the same treatment under German copyright laws as a German national and thus halted the infringement begun in the U.S. via a suit in German court. *Los Angeles News Services v. Reuters Television International, Ltd*., 149 F.3d 987 (9th Cir. 1998); *Boosey & Hawkes Music Publishers Ltd. v. The Walt Disney Co., supra. Quantitative Financial Software, Ltd. v. Infinity Financial Technology, Inc.*, 47 U.S.P.Q.2d 1764 (S.D. N.Y. 1998); *Subafilms, Ltd. v. MGM-Pathé Communications Co.*, 24 F.3d 1088 (9th Cir., *cert. denied*, 513 U.S. 1001 (1994)) (Owner of the "Yellow Submarine" movie's copyright right not infringed by defendants who, while in the United States, authorized acts of infringement overseas.) ("the mere authorization of acts of infringement that are not cognizable under the United States copyright laws because they occur entirely outside of the United States does not state a claim for infringement under the Copyright Act." *Id*. at 1098-99); *Fundamental Too, Ltd. v. Gemmy Industries Corp.*, 41 U.S.P.Q.2d 1427 (S.D. N.Y. 1996), *aff'd on other grounds*, 111 F.3d 993 (2d Cir. 1997) (Defendant sent a sample copyrighted work to China with instructions to knock it off in China and distribute it there. This was not copyright infringement because "extra-territorial infringements are not violations of the Copyright Act, authorization of such acts is not a copyright violation in and of itself and cannot

The rules are complex. While suit cannot be brought in the United States for an extra-territorial infringement, activities begun in a foreign country may provide jurisdiction over a foreign defendant if the articles end up in the U.S. and infringe in the U.S.[291] If the infringement occurs in the U.S., continued infringing conduct outside the U.S. can be remedied as part of the U.S. action.[292] For example, when an infringing copy of the video of the Rodney King beating was transmitted to Europe, the defendant was liable for damages flowing from the natural consequences of the U.S. copyright infringement, i.e. the broadcast in Europe.[293] While a U.S. court typically does not have jurisdiction to determine a foreign copyright infringement standing alone,[294] some U.S. courts have not let the shoreline stop them from taking jurisdiction over extra-territorial acts of copyright infringement.[295] Infringement of a foreign copyright can be determined in the same action with a U.S. copyright infringement case.

XI. THE DEFENDANT'S CASE

A. Attack.

1. Attack First. An accused infringer may sometimes wish to seize the initiative by filing a declaratory judgment suit.[296] Sometimes venue is destiny. Any

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confer jurisdiction on federal court." *Id*. at 1432.); *Quality King Distributors, Inc. v. L'Anza Research International, Inc.*, 118 S.Ct. 1125 (1998) (first sale doctrine permits importation of a copyrighted U.S. product label sent abroad and then returned to the U.S.).

[291] *G.B. Marketing U.S. v. Genolsteiner Brunnen*, 782 F. Supp. 763 (W.D. N.Y. 1991) (Creating labels in Germany for goods shipped to U.S. and distributed here infringed U.S. copyright law.); *Contra*, *Metzke v. May Department Stores Co.*, 878 F. Supp. 756 (W.D. Pa. 1995) (sending copyrighted jar to foreign manufacturer knowing it would be copied and sold into the U.S. comprises contributory infringement). *Quantitative Financial Software, Ltd. v. Infinity Financial Technology, Inc.*, 47 U.S.P.Q.2d 1764 (S.D. N.Y. 1998); *Subafilms, Ltd. v. MGM-Pathé Communications Co.*, 24 F.3d 1088 (9th Cir., *cert. denied*, 513 U.S. 1001 (1994)) (Owner of the "Yellow Submarine" movie's copyright right not infringed by defendants who, while in the United States, authorized acts of infringement overseas. "The mere authorization of acts of infringement that are not cognizable under the United States copyright laws because they occur entirely outside of the United States does not state a claim for infringement under the Copyright Act." *Id*. at 1098-99); *Fun-damental Too, Ltd. v. Gemmy Industries Corp.*, 41 U.S.P.Q.2d 1427 (S.D. N.Y. 1996), *aff'd on other grounds*, 111 F.3d 993 (2d Cir. 1997) (Defendant sent a sample copyrighted work to China with instructions to knock it off in China and distribute it there. This was not copyright infringement because "extra-territorial infringements are not violations of the Copyright Act, authorization of such acts is not a copyright violation in and of itself and cannot confer jurisdiction on federal court." *Id*. at 1432.); *Quality King Distributors, Inc. v. L'Anza Research International, Inc.*, 118 S.Ct. 1125 (1998) (first sale doctrine permits importation of a copyrighted U.S. product label sent abroad and then returned to the U.S.).

[292] *Boosey & Hawkes Music Publishers Ltd. v. The Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998).

[293] 149 F.3d 987 (9th Cir. 1998). However, U.S. public policy, such as our Fair Use Doctrine, may preclude US courts from enforcing the foreign judgment. *Saul Louis Feraud Int'l v. Viewfinder, Inc.*, ___ F.Supp 2d ___ (SDNY 2008).

[294] *ITSI TV Productions, Inc. v. California Authority of Racing Fares*, 785 F. Supp. 854 (E.D. Cal. 1992), *aff'd and rev'd on other grounds*, 3 F.3d 1289 (9th Cir. 1993).

[295] *Curb v. MCA Records, Inc.*, 898 F. Supp. 586 (M.D. Tenn. 1995); *Expediters International of Washington, Inc. v. Directline Cargo Management Services, Inc.*, 995 F. Supp. 468 (D. N.J. 1998). Extraterritorial procedures can be problematic. *United States ex rel Mayo v. Satan and his Staff*, 54 F.R.D. 282 (W.D. Pa. 1971) (Complaint dismissed for lack of instructions to U.S. Marshall concerning service.).

[296] 28 U.S.C. §§ 2201, 2202.

affirmative claims for relief the accused infringer has against the copyright owner should be pled and emphasized to improve your odds of maintaining your venue and plaintiff status.[297]

2. Plaintiff's Weak Link. As in any case, defendant should look for plaintiff's weakest links. Perhaps the suit can be quickly killed or crippled via a motion for partial summary judgment.[298] If this paper does nothing else, it identifies the surprisingly numerous necessary elements in plaintiff's case to be examined for possible attack. Early submission of your best narrow issue in a motion for partial summary judgment may be appropriate if your case is otherwise a loser, to keep the issue from being subsumed in the general rout. Your rotten defendant may deserve to hang, but if plaintiff's case lacks just one element, your motion may be an ice pick to plaintiff's heart.

3. Plaintiff's Speculative Damages. This is discussed above, but bears emphasis from defendant's point of view.[299] Defendant may plead plaintiff's failure to mitigate as an affirmative defense.

B. Defendant's Attorneys' Fees

1. Lay Foundation. Although recovery of attorneys' fees is not any suit's initial main goal, it usually becomes a material goal, and sometimes crowds out the original goal. A prevailing party in any federal case may seek recovery of narrowly defined "costs."[300] However, the Copyright Act gives the court discretion to award a prevailing defendant, as well as a prevailing plaintiff, their attorneys' fees.[301]

The typical Answer's bland denials put plaintiff to his burden of proof and afford defendant the opportunity to pounce on neglected elements of plaintiff's case upon the close of evidence. Sometimes, however, to encourage settlement and improve the odds of recovering attorneys' fees, defendant may plead a defense with explicitness if the issue's facts are fixed.[302] If the case is otherwise a lower, perhaps an early dispositive motion concerning defendant's best narrow issue is appropriate to keep it from being subsumed in the general rout. Your rotten client may deserve to hang, but if plaintiff's case lacks one element, the motion may be an ice pick to plaintiff's heart. If plaintiff defeats an early such motion due to pre-verdict motions' high burden of proof, but defendant ultimately wins on its point; defendant has a soap box from which to argue that plaintiff's unreasonableness should be punished by awarding defendant its §505 attorneys' fees.

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[297] A plaintiff has certain timing advantages in the trial, such as opening and closing the case, assuming the court does not realign the parties.

[298] *Street v. J.C. Bradford & Co.*, 886 F.2d 1472 (6th Cir. 1989) (similarities between copyrighted work and accused work concerned only non-copyrightable elements, summary judgment granted).

[299] *Carbo Ceramics, Inc. v. Terry*, No. 04-20873, (5th Cir., January 26, 2006) (unpublished) (Trade secret case analogous because although plaintiff won on liability, plaintiff was zeroed out due to its damages evidence being held "speculative").

[300] Fed. R. Civ. P. 54(d)(1); 38 U.S.C. § 1920; *Corwin v. Walt Disney Co.*, 81 U.S.P.Q.2d 1496 (11th Cir. 2007). Basically, court reporter costs and little else.

[301] § 505; *Fogerty v. Fantasy, Inc.*, 114 S.Ct. 1023 (1994).

[302] *Knitwaves, Inc. v. Lollytogs, Ltd.*, 104 F.3d 353 (2d Cir. 1996).

The general point is that a defendant can lay a foundation to recover his attorneys' fees if he ultimately wins by early pleading the sentences he wants to quote in his post-verdict motion for attorneys' fees.

Another foundation-laying measure is narrowly-targeted declaratory judgment counterclaims concerning issues where plaintiff is overreaching, perhaps for judgment that defendant's copying of a limited public domain portion of plaintiff's copyright work is not an infringement, plaintiff is not entitled to multiple statutory damages, etc. If plaintiff prevails on some of its infringement counts, and defendant prevails on some of its declaratory judgment counts, defendant will argue that the case produced mixed results, which fact the court should consider in awarding "prevailing party" attorneys' fees.[303] If defendant wins something pled, this can't hurt. At a minimum, declaratory judgment counts may help in the charge conference. A defendant who prevails against a non-copyright count via §301 preemption may seek §505 attorneys' fees.[304]

2. <u>Offer of Judgment.</u> The copyright defendant sometimes faces a case he is sure to lose and a plaintiff who refuses to settle reasonably, perhaps because plaintiff is in fact sure to win and recover his §505 attorneys' fees.[305] In such a circumstance, an immediate respectable Rule 68 Offer of Judgment is appropriate.[306] Neither lawyer can give a written guarantee concerning the Rule 68 offer's effect after the trial judge, and appeal work their will.[307] For the defendant with a bad case, this uncertainty is better than the certainty of getting killed.[308]

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[303] Some courts hold the party who succeeds more than the other party is entitled to full attorneys' fees (*Home Communications Corp. v. Network Prods. Inc.*, 902 F.2d 829, 853 (11th Cir. 1990) and some apportion between successful and unsuccessful copyright counts. *Warner Bros. v. Dae Rim Trading*, 877 F.2d 1120 (2d Cir. 1989).

[304] *Rosciszewski v. Arete Associates, Inc.*, 1 F.3d 233 (4th Cir. 1993) (Where §301 "preempts a state-law claim, it becomes a federal claim under Title 17")

[305] 17 U.S.C. § 505(a), discussed above.

[306] "If the judgment finally obtained by the offeree is not more favorable than the offer, the offeree must pay the costs incurred after making the offer." Fed. R. Civ. P. 68. Timeliness is critical because plaintiff's attorneys' fees incurred prior to the Rule 68 offer are arguably added to plaintiff's recovery in determining if plaintiff beat the Rule 68 offer.

[307] If you think this hyperbole, read Daniel Shelton, <u>Rewriting Rule 68: Realizing the Benefits of the Federal Settlement Rule by Injecting Certainty in Offers of Judgment</u>, Minnesota Law Review, volume 91:865 – 937 (2007); and Daniel Glimcher, <u>Legal Dentistry, How Attorneys Fees in Certain Procedural Mechanisms can give Rule 68 a Necessary Key to Effectuate its Purposes</u>, Cardozo Law Review, volume 27:1449 – 1484 (2006). The specific words used in the Rule 68 offer are critical. For a disastrous Offer of Judgment, *Townsend v. SKR Distributors*, Maine, Penobscot County, Superior Court, Docket No. CV-02-126, Order December 26, 2002, (defendant's Offer of Judgment was accepted and then defendant additionally had to pay plaintiffs' full attorneys' fees). Consider "a judgment in favor of Plaintiff of $XXX, less all costs and attorneys' fees currently accrued in favor of Plaintiff for which defendant is liable, same being capped at $XXX, with the result that the total judgment amount Defendant shall be obligated to pay due to any liability in this action, including all costs and attorneys fees otherwise recoverable by Plaintiff, shall be $XXX." The value of injunctive relief is uncertain.

[308] Gandalf (Good wizard): "Sauron will suspect a trap. He will not take the bait." Gimli (Dwarf): "Certainty of death. Small chance of success. What are we waiting for?" "The Return of the King," a <u>Lord of the Rings</u> trilogy movie.

First, many judges do not refuse to hear the parties' settlement positions and few look forward to trying a case in spite of a defendant's reasonable settlement offer solely because plaintiff is counting on collecting yet-to-be-incurred §505 attorneys' fees. [309] A Rule 68 offer creates the possibility that plaintiff's attorneys' fees will be denied if plaintiff's recovery does not exceed the offer and that they may be substantially reduced if plaintiff's recovery is not substantially more than the offer.[310]

Second, if plaintiff wins, but his recovery does not exceed the Rule 68 offer, defendant will claim entitlement to §505 "prevailing party" attorneys' fees**!**[311] Further, if plaintiff lacks a timely §505 copyright registration, then only defendant may recover attorneys' fees even if plaintiff wins, but not by enough.[312]

Delivering a Rule 68 offer with the Answer creates a mediation-type swirl of new assessments. It requires defense counsel to discuss costs and possible outcomes with the defendant to make an offer high enough to trap the wicked plaintiff. It requires plaintiff's counsel, who told plaintiff the suit was free because defendant would have to pay plaintiff's §505 attorneys' fees, to explain that rejecting the Rule 68 offer subjects plaintiff to instead possibly paying defendant's attorneys' fees.[313] This is Rule 68's intended function: surfacing likely costs and possible outcomes, and causing defendant to make a higher offer and plaintiff to accept a lower one.

In sum, an early Rule 68 offer generous enough to possibly exceed plaintiff's recovery presents an unreasonable plaintiff with an unanticipated balance of attorneys' fees terror.[314]

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[309] Different courts have different attitudes concerning encouraging settlement, ranging from zero to total involvement. Your court's preference is determinative.

[310] *Moriarty v. Svec*, 233 F.3d 955, 967 (7th Cir. 2000) ("Attorneys' fees accumulated after a party rejects a substantial offer provide minimal benefit to the prevailing party, and thus a reasonable attorneys' fee may be less than the lodestar calculation." (citations omitted)); *Boisson v. Banien Ltd.*, 221 F.R.D. 378, 32 (E.D. N.Y. 2004).

[311] Although the Supreme Court directly addressed the Rule 68 offer/statutory attorneys' fees interaction in *Marek v. Chesney*, 473 U.S. 1, 5 (1985), holding that attorneys' fees are "costs" if defined as same by federal or state statute or contract, the circuits are split on its §505 application. Some circuits award a losing copyright defendant Rule 68/§505 "prevailing party" attorneys fees if plaintiff recovers less than the Rule 68 offer. *Jordan v. Time, Inc.*, 111 F.3d 102 (11th Cir. 1997); *ScreenLife Establishment v. Tower Video, Inc.*, 868 F.S. 47 (S.D. N.Y. 1994); *Lucas v. Wild Dunes Real Estate, Inc.*, 197 F.R.D. 173 (D.S.C. 2000); *BIC Leisure Products v. Windsurfing Int'l, Inc.*, 850 F. Supp. 224 (S.D. N.Y. 1994) (patent case). In contrast, other circuits hold that if plaintiff obtains a net recovery less than the Rule 68 offer, then Rule 68 defeats plaintiff's §505 attorneys' fees, but defendant cannot receive §505 "prevailing party" attorneys' fees. *Harbor Motor Company v. Arnell Chevrolet*, 265 F.3d 638 (7th Cir. 2001); *Crossman v. Marocci*, 806 F.2d 329 (1st Cir. 1985); *O'Brien v. City of Greers Ferry*, 873 F.2d 1115, 1120 (8th Cir. 1980).

[312] Further, oddly, Rule 68 only applies if plaintiff obtains a judgment less than the Rule 68 offer. If defendant obtains a favorable judgment, he seeks attorney fees under §503. *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 718 F.3d 1006, 1035 (9th Cir. 2013); *Overseas Direct Import Co. Ltd. v. Family Dollar Stores Inc.*, 2013 WL 5988937, at *1(S.D. N.Y. Nov. 12, 2013).

[313] The best practice, *i.e.*, malpractice avoidance, is for this explanation to be in writing to avoid client relationship problems if, years and hundreds of thousands in fees later, plaintiff's recovery fails to exceed the Rule 68 offer.

[314] *UMG Recordings, Inc. v. Shelter LLC*, 718 F.3d. 1006 (9th Cir. 2013) (value of injunction obtained vs. offered money not obtained must be determined.); *Shapiro, Bermstein & Co. v. 4636 S. Vermont Ave., Inc.*, 367 F.2d 236,

Waiting even a few months dissipates its force, as plaintiff's recoverable attorneys' fees incurred prior to the offer get added to the prevailing party calculation. Whether the Texas Offer of Settlement Statute is applicable to state claims in federal court and can be used for the same purpose is an interesting question.[315]

3. "Prevail" in Spite of Losing. Even if plaintiff wins a huge judgment due to other counts, defendant may be entitled to attorneys' fees for successfully defending against copyright counts.[316] If plaintiff wins on less than all of his asserted copyright registrations, defendant will assert entitlement to attorneys' fees for the registrations defendant successfully defended against, at least as a credit against plaintiff's attorneys' fees[317]. These possibilities also create Rule 68 opportunities for creating uncertainty.

C. Affirmative Defenses

1. Statute of Limitations. The three-year statute of limitations is discussed above.

2. Co-Ownership or License. It is more likely that there are loose co-owners or licensees of the asserted copyright right than one might assume in the abstract. Obtaining a license from a loose co-owner or licensee may be a complete defense.[318]

3. Equitable Defenses. Estoppel is a complete defense but requires detrimental reliance.[319] Laches requires inexcusable delay and prejudice lasting more than the

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243 (9th Cir. 1966) (Defendant was "prevailing party" because its offered $50.00 exceeded plaintiff's damages due to plaintiff's damages expert being excluded. Defendant not awarded attorneys' fees because suit was pre-*Fogerty*).

315 Tex. Civ. Prac. & Rem. Code Ann. §§ 42.001-005 (Vernon 2008). There is arguably no conflict between Rule 68 and the Texas Offer of Settlement statute because Rule 68 only applies to an offer of judgment, not an offer to settle. *Garcia v. Wal-Mart Stores, Inc.*, 209 F.3d 1170 (10th Cir. 2000); *S.A. Healy Co. v. Milwaukee Metro. Sewage Dist.*, 60 F.3d 305, 310 (7th Cir. 1995). (Federal court application of a state offer of settlement statute awarding attorneys' fees for defending the state law claims upheld); *MRO Commc'ns, Inc. v. AT&T*, 197 F.3d 1276, 1279 (9th Cir. 1999) ("In an action where a district court is exercising its subject matter jurisdiction over a state law claim, so long as 'state law does not run counter to a valid federal statute or rule of court, and usually it will not, state law denying the right to attorney's fees or giving a right thereto, which reflects a substantial policy of the state should be followed.'" citing *Aleyska Pipeline Serv. Co. v. Wilderness*, 421 U.S. 240, 259 n. 31 (1975)).

316 *St. Luke's Cataract and Laser Institute, P.A. v. Sanderson*, U.S. Dist. Ct., Middle District of Florida, Cause No. 06-0023-CV (Defendant awarded $318,000 in statutory attorneys' fees and $30,000 in statutory costs as the prevailing copyright party against plaintiff's copyright counts in spite of plaintiff winning substantial damages and attorneys' fees under numerous other counts. While the case settled on appeal, 11th Circuit Docket No. 08-16030-FF, the appellate briefs present a good review of relevant cases.). *Fox v. Grevice*, __ F.3d ___ (5th Cir. 2010). (There also appears to be no Fifth Circuit precedent on whether a defendant must prevail over an entire suit before that defendant may seek attorneys' fees or whether success on an individual claim is sufficient . . . . We agree with the majority of Circuits that defendant does not have to prevail over an entire suit in order to recover attorneys' fees for frivolous § 1983 claims.")

317 *Shum v. Intel*, ___ F.3d ___, (Fed. Cir. 2010).

318 *McKay v. Columbia Broadcasting Systems, Inc.*, 324 F.2d 762 (2d Cir. 1963); *Lone Wolf McQuade Associates v. CBS, Inc.*, 961 F.Supp. 587 (S.D. N.Y. 1997) (retroactive license defeats infringement action).

three-year statute of limitations.[320] Extreme laches can bar future relief in addition to past relief.[321] Waiver, implied consent, unclean hands, and other such affirmative defense must be pled. The asserted inequitable conduct must be directly related to the copyright right in question and the reliance on an act of the copyright owner.[322] Although never yet successful, an argument can be made that posting a work on the Internet without a copyright notice comprises waiver, mainly as a path to an innocent infringement argument.

4. Abandonment. A long period of failing to police the copyright right may abandon it.[323]

5. No Notice Forfeiture. Publishing a work prior to January 1, 1978, without proper copyright notice forfeited its copyright right. Publishing a work without a proper copyright notice prior to March 1, 1991, forfeited its copyright rights subject to curative acts such as making an effort to put the notice on the distributed copies, getting a registration within five years of the publication, etc.[324]

6. Fraud on Copyright Office. While a copyright registration is *prima facie* evidence of validity,[325] defendants often assert that plaintiff committed fraud on the Copyright Office in obtaining it. Fraud must be [1] pled with particularity, [2] defendant "must establish that the application for copyright registration is factually inaccurate, and [3] that the inaccuracies were willful or deliberate . . . and [4] that the Copyright Office relied on those misrepresentations," and [5] defendant's burden of proof is "a heavy burden"[326] Because this is a steep hill, misstatements in copyright applications do not generally invalidate the registration absent proof of intentional fraud.[327]

Nevertheless, when litigation becomes likely, the registration and its deposit material should be examined for possible attack, correction, or supplementation. Attacks on the

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[319] *Carson v. Dynergy, Inc.*, 344 F.3d 446 (5th Cir. 2003) (Employee who wrote program and encouraged employer to continue using his program; estopped.) *Dallal v. New York Times Co.*, 2005 WL 1162171 (SD NY 2005) (eight years of unobjected-to use created equitable estoppel against infringement claim).

[320] *Living Media India Ltd. v. Parekh*, 1994 Copyright L. Dec. (CCH) Part 27, 239 (S.D. N.Y. 1994); *Stone v. Williams*, 873 F.2d 620 (2d Cir. 1989).

[321] *Byron v. Chevrolet Motor Division of General Motors Corp.*, 1995 Copyright L. Dec. (CCH) Part 27, 450 (S.D. N.Y. 1995) (7 year delay); *Jackson v. Axton*, 25 F.3d 884 (9th Cir. 1994) (20 year delay bars authorship dispute).

[322] *Agence France Presse v. Morel*, 769 F. Supp. 2d 295, 300 (S.D. N.Y. 2011) (Posting Haite earthquake photo on Twit Pic, a photo-sharing website, an act infringer could rely on).

[323] *Stuff v. E. C. Publications, Inc.*, 342 F.2d 143 (2d Cir. 1965), *cert. denied*, 382 U.S. 822 (1965); *Rohauer v. Killian Shows, Inc.*, 379 F. Supp. 723 (S.D. N.Y. 1994), *rev'd on other grounds*, 551 F.2d 484 (2d Cir. 1977), 431 U.S. 949 (1977).

[324] 17 U.S.C. § 405.

[325] 17 U.S.C. § 401(c); *Norma Ribbon & Trimming, Inc. v. Little*, 51 F.3d 45 (5th Cir. 1995); *Knoweldgeplex, Inc. v. Placebose, Inc.*, ___ F.Supp 2d ___ (ND Cal. 2008) (Defective deposit copy immaterial).

[326] *Lennon v. Seaman*, 84 F. Supp.2d 522, 525 (S.D. N.Y. 2000); 17 U.S.C. § 411.

[327] *Ganz Brothers Toys v. Midwest Importers of Cannonfalls, Inc.*, 834 F. Supp. 896 (E.D. VA. 1993) (errors and failures to disclose in an application do not invalidate registration where applicant was in good faith); *Schiffer Publishing Ltd. v. Chronicle Books L.L.C.* (E. Pa. 2005).

registration are common, if only due to the defendant's need to affect the suit's moral justice battle. Attacks include at least: (1) Prior foundational works were not disclosed.[328] (2) The new material is unprotectable.[329] (3) All of the true authors are not identified.[330] (4) An unlawful derivative work is not copyrightable.[331] (5) The registration was obtained by knowing fraud.[332]

Amended § 411 decrees that attacks on a registration's validity require the court to send the allegedly invalidating facts to the Copyright Office and the Copyright Office to send a responsive reply opining whether same invalidate the registration.[333] How this will work in practice is not yet known, but diagramming these steps surfaces a rat's nest of issues.

When the registered work shown in the deposit material does not align 100% with plaintiff's most recent version of the work that defendant copied, consideration should be given to seeking a copyright registration on the derivative work defendant copied. While statutory damages and attorneys' fees are not available for infringing the derivative work if it was not

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[328] A work may be entitled to copyright protection even if the work "is based on . . . something already in the public domain if the author, through his skill and effort, has contributed a distinguishable variation from the older works." However, some courts hold that if a preexisting work "pervades" the entire unauthorized derivative work, then the derivative work is not entitled to copyright protection.

[329] *Mathew Bender & Co, Inc. v. West Publishing Co.*, 158 F.2d 674 (2d Cir. 1998) (No infringement because copied published opinions not copyrightable.). *West Publishing Co. v. Mathew Bender & Co., Inc.*, 158 F.2d 693 (2d Cir. 1998) (No infringement because copied Westlaw's "star pagination" system not sufficiently original to qualify for copyright.) (*Coach, Inc. v. Peters*, 386 F. Supp. 2d 495, 496 (S.D. N.Y. 2005). *Coach*'s "Two linked Cs facing each other, alternating with two unlinked Cs facing in the same direction . . . were simply not sufficient to establish the necessary amount of creativity required for copyright protection."); *Darden v. Peters*, 488 F.3d 277 (4th Cir. 2007) (The examiner held, "copyright does not protect familiar shapes, symbols, and designs . . . or mere variations of typographic ornamentation, lettering, fonts, or coloring.") *Id.* The Court affirmed with regard to the map and found the application "for text, maps, and formatting of an Internet web page . . . simply *too broad* to warrant protection." *Id*. at 282 (Emphasis added, internal quotation marks omitted); *Fisher-Price Inc. v. Well-Made Toy Manufacturing Corp.*, 25 F.3d 119 (2d Cir. 1994)("parroting does not always mean piracy.").

[330] *St. Luke's Cataract and Laser Institute, P.A. v. Saunderson*, 573 F.3d 1186 (11th Cir. 2009).

[331] A work may be entitled to copyright protection even if the work "is based on . . . something already in the public domain if the author, through his skill and effort, has contributed a distinguishable variation from the older works."[331] However, some courts hold that if a preexisting work "pervades" the entire unauthorized derivative work, then the derivative work is not entitled to copyright protection. 17 U.S.C. § 1035; *Pickett v. Prince*, 207 F.3d 402 (7th Cir. 2000)(author of unauthorized derivative work does not obtain copyright rights in the derivative work); *contra, Liu v. Price Waterhouse L.L.P.*, 1999 WL 47025 (N.D. Ill., 1999). *Contra, Daniel Schrock v. Learning Curve Intern'l*, ___ F.3d ___ (7th Cir. 2009) (The standard for underlying or derivative work originality is the same.)

[332] *St. Luke's Cataract and Laser Institute, P.A. v. Sanderson*, 573 F.3d 1186 (11th Cir. 2009) (Knowing failure to disclose prior works); *Raquel v. Education Management Corp.*, 196 F.3d 171, (3rd Cir. 1999) (designating work as "audio visual work" rather than "musical work" on copyright application was a material mischaracterization invalidating the registration), *cert. granted*, 531 U.S. 952 (2000); *Quad, Inc. v. ALN Association, Inc.*, 770 F. Supp. 1261 (N.D. Ill. 1991) (copyright unenforceable due to failure to disclose parent software), *aff'd*, 974 F.2d 834 (7th Cir. 1992); *Lasercome America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990); *Whimsicality, Inc. v. Rubies Costumes Co.*, 891 F.2d 452 (2d Cir. 1989) (deliberate misclassification in application invalidated copyright); *GB Marketing USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763 (W.D. N.Y. 1991) (knowing failure to disclose material information in copyright application with intent to deceive the Copyright Office invalidated the copyright).

[333] 17 U.S.C. § 411.

timely registered,[334] § 504(a) damages and injunctive relief are. Plaintiff's assertion that defendant's accused work infringes plaintiff's derivative work does not abandon plaintiff's claim that defendant's copying also infringes plaintiff's original work.

7. Copyright Misuse. Copyright misuse is "use of the . . . [copyright] to secure an exclusive right or limited monopoly not granted by the [Copyright] Office and . . . contrary to public policy."[335] Misuse most typically occurs when the copyright owner leverages his copyright right to obtain other rights he is not entitled to, such as a license agreement which gives patent-like protection to preempt a field.[336]

License terms sometimes held to comprise copyright misuse include: (1) Licensee agrees not to create competing products.[337] (2) Licensee agrees not to use competing products.[338] (3) Copyright owner enforces license terms which effectively lock licensee in or prevent development of non-infringing works.[339]

Copyright misuse case law is still developing. Although the offending contract term need not rise to the level of an antitrust violation, whether market power or enforcement of the challenged terms to foreclose competition or both are required is unclear.[340] Perhaps the Supreme Court's holding that antitrust tying claims require proof of market power will affect copyright misuse law.[341] What is scary from the copyright owner's perspective is that technically permitted acts may be deemed misuse if contrary to copyright public policy.

Since evidence of the misuse, market power, enforcement, and effects contrary to public policy may be found in the copyright owner's agreements and relationships with third parties, pleading misuse may permit defendant to conduct discovery into the copyright owner's

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[334] Subject to § 412's unpublished exception and registration within three months of publication.

[335] *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 972 (4th Cir. 1990).

[336] *Metro-Goldwyn-Mayer Studios, Inc. vs. Groskter* Ltd., 81 U.S.P.Q.2d 1461 (C.D. Cal. 2006) ("In sum, the existing case law teaches that the misuse defense applies when a copyright holder leverages its copyright to restrain creative activity.").

[337] *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 972 (4th Cir. 1990).

[338] *Compare, Practice Management Info Corp. v. American Medical Association*, (copyright in Physician's Current Procedural Terms invalid because federal agency required that physicians use the book's numerical codes for describing medical procedures); *with, Veeck v. Southern Building Code Congress Intern., Inc.*, (copyright not invalid where model building code was adopted by several municipalities but there were no restrictive licensing provisions).

[339] It is unclear whether restricting reverse engineering or restricting a licensee from dealing in the copyrighted products of others comprises misuse. *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772 (5th Cir. 1999) (copyright owner's software agreements which limited the software's use to the copyright owner's hardware was misuse because it created patent like protection); *Reliability Research, Inc. v. Computer Associates International, Inc.*, 793 F. Supp. 68 (E.D. N.Y. 1992) (copyright license which contained a grant-back clause, *i.e.*, transferred the licensee's copyright rights to the copyright owner, could comprise misuse).

[340] *United States v. Microsoft Corp.*, 54 U.S.P.Q.2d 1365 (D.C. D.C. 2000) (Copyright owner is not entitled to use copyright ownership in ways that threaten competition.); *see also*, 15 U.SC. § 271(d) (no patent misuse absent market power).

[341] *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006).

third party agreements and relationships concerning the copyrighted work.[342] Because copyright misuse does not invalidate the copyright it can, in theory, be purged. Defendant's unclean hands may bar assertion of misuse.[343] Terms that are problematic under USA misuse law may additionally violate antitrust law, EU directives, European national laws and USA state laws. This is an evolving and unpredictable area.[344]

8. Copied Portion Not Protectable. Hopefully, most or all of the elements in common between the accused work and the copyrighted work are unprotectable, defeating the infringement claim.[345] Even if not all of the copied elements can be disposed of in this fashion, defense counsel will attack the copyrighted work by pointing out as many unprotectable elements as possible. First, this reduces how much the defendant unlawfully copied. Reducing the amount of the unlawful copying may reduce plaintiff's damages and defendant's wrongful profits. Second, reducing the copied protectable parts makes infringement less likely. Third, showing that parts of the copyrighted work are unprotectable tarnishes plaintiff's moral right as a creator, lessening the emotional appeal of plaintiff's case.

To create a factual basis for this attack, the defense seeks as many similar pre-existing works as possible and considers as many limiting theories as possible, *e.g.*, merger[346], functionality, insufficiently creative, merely factual, etc. Perhaps plaintiff's work encompasses portions from one or more prior works. These specific attacks cumulatively lend factual, legal, and emotional support for the general attack that plaintiff's work lacks originality or creativity[347] and therefore is invalid or at least thin.

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[342] *International Motor Contest Association, Inc. v. Staley*, 434 F. Supp. 2d 674, 82 U.S.P.Q.2d 1236 (N.D. Iowa 2006).

[343] *Atari Games Corp. v. Nintendo of America, Inc.*, 24 U.S.P.Q.2d 1145 (Fed. Cir. 1992) ("Atari's unclean hands prevent it from invoking equity . . . Atari appears ineligible to invoke the [misuse] defense. *Id.* at 847.).

[344] The effect of the copyright owner adding a savings clause to its no reverse-engineering, non-competition, single-source, and grant-back terms such as "except to the extent this limitation is prohibited or such activity is permitted by applicable law notwithstanding this limitation" or the like is unknown. Can't hurt.

[345] *Mathew Bender & Co, Inc. v. West Publishing Co.*, 158 F.2d 674 (2d Cir. 1998) (No infringement because copied published opinions not copyrightable.). *West Publishing Co. v. Mathew Bender & Co., Inc.*, 158 F.2d 693 (2d Cir. 1998) (No infringement because copied Westlaw's "star pagination" system not sufficiently original to qualify for copyright.) (*Coach, Inc. v. Peters*, 386 F. Supp. 2d 495, 496 (S.D. N.Y. 2005). *Coach*'s "Two linked Cs facing each other, alternating with two unlinked Cs facing in the same direction . . . were simply not sufficient to establish the necessary amount of creativity required for copyright protection."); *Darden v. Peters*, 488 F.3d 277 (4th Cir. 2007) (The examiner held, "copyright does not protect familiar shapes, symbols, and designs . . . or mere variations of typographic ornamentation, lettering, fonts, or coloring.") *Id.* The Court affirmed with regard to the map and found the application "for text, maps, and formatting of an Internet web page . . . simply *too broad* to warrant protection." *Id*. at 282 (Emphasis added, internal quotation marks omitted); *Fisher-Price, Inc. v. Well-Made Toy Manufacturing Corp.*, 25 F.3d 119 (2d Cir. 1994)("parroting does not always mean privacy.").

[346] *Oracle America Inc. v. Google Inc.*, ___ F.3d. ___ (Fed. Cir. 2014) (holding merger on affirmative defense)

[347] See discussion above concerning filtration of unprotectable elements out of the copyrighted work.

9. First Sale Doctrine. The copyright owner generally loses the right to control the use or sale of a lawfully purchased copy.[348] § 109 codifies the First Sale Doctrine.

10. Independent Creation. Even if the accused work and the copyrighted work are identical, the infringement claim fails if defendant proves he independently created the accused work, or copied it from some work unconnected to plaintiff's work.[349] Even if all you do is show that some part of the accused work did not come from plaintiff's registered work, this may lessen damages attributed to the infringement.

11. Derivative Work. Although the plaintiff's copyrighted work is generally entitled to copyright protection even if it is an unauthorized derivative work,[350] some courts hold that no copyright rights are created in unauthorized derivative works.[351] A compilation registration may or may not protect its individual elements.[352]

12. Innocent Infringement. Defendant must plead the §504(c)(2) affirmative defense of innocent infringement to minimize statutory damages.

13. Fair Use. Fair use in its several forms – First Amendment, parody, etc. – is an affirmative defense and a mixed question of law and fact.[353] Although a claim that defendant is inducing infringement by making or distributing a device with no substantial non-infringing uses arguably includes the burden of proving the no substantial non-infringing use element, the cautious defendant may plead that element.

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[348] See discussion above concerning the First Sale Doctrine. *Compare, Sebastian International Inc. v. Consumer Contacts, Ltd.*, 847 F.2d 1093 (3d Cir. 1988) (importer can buy copyrighted labels in the U.S., ship them overseas and bring them back to the U.S.), *with, Mirage Additions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988), *cert. denied*, 489 U.S. 1018 (1989) (cannot cut images out of book and remount them on ceramic tiles for sale because the tiles are derivative works).

[349] *Proctor & Gamble Co. v. Colgate Palmolive Co.*, 199 F.3d 74 (2d Cir. 1999) (Defendant independently created portion of advertisement that duplicated plaintiff's advertisement); *Denson v. Coca-Cola Co.*, 795 F.2d 973 (11th Cir. 1986); *R. Ready Productions, Inc. v. Cantrell*, 85 F. Supp.2d 672, 682 (S.D. Tex. 2000) (defendant must offer proof that plaintiff's product was not original; if defendant meets that burden, plaintiff must then offer proof of originality).

[350] *Donald v. Zack Meyer's T.V. Sales & Serv.*, 426 F.2d 1027, 1029 (5th Cir. 1970), *cert. denied*, 400 U.S. 992 (1971) (Copyright protection, even if the work "is based on . . . something already in the public domain if the author, through his skill and effort, has contributed a distinguishable variation from the older work").

[351] 17 U.S.C. § 103(A); *Pickett v. Prince*, 207 F.3d 402 (7th Cir. 2000)(author of unauthorized infringing derivative work does not obtain copyright rights in the derivative work if the preexisting work "pervades" the unauthorized derivative work); C*ontra, Liu v. Price Waterhouse L.L.P.*, 1999 WL 47025 (N.D. Ill., 1999). *Pickett v. Prince*, 207 F.3d 402 (7th Cir. 2000). Courts are split on whether a photograph of a copyrighted work is a derivative work. *Sarl Louis Feraud, Inc. v. Viewfinder, Inc.*, _____ F. Supp. 2d ____ (S.D.N.Y. 2008).

[352] *Alaska Stock LLC v. Houghton Mifflin Harcourt Publishing Co., et al.*, _____ F. Supp.2d _____ (D.C. Alaska 2010) (compilation registration did not protect individual photos unless sufficient information provided about each photo).

[353] *Campbell v. Acuff-Rose Music, Inc.*, 114 S.Ct. 1164, 1177 (1994); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 105 S. Ct. 2218, 2230 (1985).

14. Not Registered. Although it is plaintiff's burden to prove that its asserted copyright rights are registered, defendant may affirmatively plead that the Complaint fails to state a claim for any unregistered works.

15. Statutory Exceptions. While § 106's grant of rights to the copyright owner takes half a page, §§ 107-120 listing exceptions and defenses runs on for 48 pages. They are generally explicitly industry-specific.

D. Third Party Practice.

Since there is no right to contribution from other infringers, defendant should consider joining other potentially liable entities to reduce defendant's ultimate payment via the single recovery rule.[354]

XII. DIGITAL MILLENNIUM COPYRIGHT ACT.

A. Statute.

§ 1201 Circumvention of Copyright Protection Systems. (a) -

> **(1) No person shall [1] circumvent [2] a technological measure [3] that effectively controls access [4] to a work protected under this title;**
>
> **(2) As used in this subsection –**
>
> > **(A) to "circumvent a technological measure" means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, by-pass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner . . .; and**
> >
> > **(B) a technological measure "effectively controls access to a work" if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, . . ., to gain access to the work.**

§ 1202 Integrity of Copyright Management Information.

> **(a) False Copyright Management Information. No person shall knowingly and with the intent to induce, enable, facilitate, or conceal infringement**
>
> > **(1) provide copyright management information that is false, or**
> >
> > **(2) distribute or import for distribution copyright management information that is false.**

[354] Discussed above.

(b) Removal or Alteration of Copyright Management Information. No person shall, . . . -

(1) intentionally remove or alter any copyright management information,

(2) distribute or import for distribution copyright management information knowing that the copyright management information has been removed or altered . . ., or

(3) distribute, import for distribution, or publicly perform works, . . . having reasonable grounds to know that it will induce, enable, facilitate, or conceal an infringement . . . .

§ 1203 Civil Remedies. (c)

(2) Actual damages. – . . . actual damages suffered by the party as a result of the violation, and any profits of the violator that are attributable to the violation . . . .

(3) Statutory damages. –

(A) . . . a complaining party may elect to recover an award of statutory damages for each violation of section 1201 in the sum of not less than $200 or more than $2,500 per act of circumvention, device, product, component, offer, or performance of service, as the court considers just.

(B) . . . a complaining party may elect to recover an award of statutory damages for each violation of section 1202 in the sum of not less than $2,500 or more than $25,000.

(5) Innocent violations.—

(A) The court in its discretion may reduce or remit the total award of damages in any case in which the violator sustains the burden of proving, and the court finds, that the violator was not aware and has no reason to believe that its acts constituted a violation.

B. Copyright vs. DMCA.

In our prior analog world, copyright law was directed at copying and use of cellulose copies, *i.e.*, too similar or not, a fair use or not.[355] Access to the copyrighted book or movie was assumed, otherwise the infringer could not make copies. In contrast, in today's digital world, accessing the copyrighted work is the gate-keeper act and is often locked out via "digital rights management." Once a work is on the Internet, the horse is out of the barn.

[355] "Copyright protection subsists, . . . , in original works of authorship fixed in any tangible medium of expression . . . ." § 102(a).

The Digital Millennium Copyright Act[356] ("DMCA") gives technological means of preventing access to a copyrighted work the force of law. More technically, the DMCA makes unlawful acts that circumvent technological access controls, defeat copyright management systems, provide false copyright management information, remove copyright management information, or traffic in works with altered copyright information.[357]

While the public has broadly incorporated the Supreme Court's 1984 *Sony* holding that using an analog VCR recorder for "time-shift" copying of TV programs is lawful copying,[358] the public does not appreciate that making a home back-up copy of a lawfully purchased movie DVD by covering its inner ring with a Magic Marker to defeat its copy-protection code is unlawful access.[359] Under copyright law, regardless of how one obtains access to a work, viewing it and publishing a critical commentary about it are lawful uses. In contrast, access, even without copying,[360] and even if copyright fair use and First Amendment facts can be proved, may violate the DMCA.[361]

This brief DMCA discussion does not address take-down notices, ISP safe harbors[362] or the similar foreign laws that increasingly affect our clients' operations.[363]

C. Anti-Circumvention.

"No person shall circumvent a technological measure that effectively controls access to a work protected under this title without the authority of the copyright owner."[364]

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356 17 U.S.C. §1201, *et seq.* Through adoption of Public Law 105-304, a.k.a. the DMCA, Title 17 of the United States Code underwent revisions to the following sections: 101, 104, 104A(h), 108, 112, 114, 117, 411(a), 507(a), 701. Additionally, through Title I, section 103 "Copyright Protection Systems and Copyright Management Information," of the DMCA, an entirely new Chapter 12 of Title 17 of the United States Code was adopted, and, through Title II, an entirely new section of Chapter 5 of Title 17 of the United States Code was adopted.

357 17 U.S.C. § 1201 *et seq*.

358 *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 447 (1984).

359 This paper's teaching same breaches the DMCA.

360 *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, _____ F.3d _____ (9th Cir. 2010) ("These two specific examples of unlawful circumvention under § 1201(a) – descrambling a scrambled work and decrypting an encrypted work – are acts that do not necessarily infringe or facilitate infringement of a copyright." *Id*. at _____), *Contra*, *Chamberlain Group, Inc. v. Skylink Techs., Inc.*, 381 F.3d 1178 (Fed. Cir. 2004) (holding that § 1201(a) requires infringement of the plaintiff's copyright right).

361 17 U.S.C. §512(c); *ALS Scan, Inc. v. Remarq Communities, Inc.*, 239 F.3d 619 (4th Cir. 2001) ("playing without a licensed . . . player key would circumvent a technological measure that effectively controls access to a copyrighted work and violate the [DMCA] statute in any case."); *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002); *Universal City Studios, Inc. v. Coreley*, 273 F.3d 429 (2d Cir. 2001); *Universal City Studies, Inc. v. Reimerdes*, 82 F.Supp. 2d 211, and 111 F. Supp. 2d 294, (S.D. N.Y. 2000).

362 *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150 (N.D. Cal. 2008) (copyright holder must consider fair use prior to sending take down notice); *Perfect 10 v. CC Bell*, 488 F.3d 1102 (9th Cir. 2007).

363 The single most comprehensive and up-to-date collection of cases concerning this topic is David Hayes' "Advanced Copyright Issues On the Internet" found at http://www.fenwick.com/docstore/Publications/IP/Advanced_Copyright_2010.pdf

364 17 U.S.C. § 1201(a)(1)(A).

"A work protected under this title." The DMCA only protects works protected under "This title," *i.e.*, the Copyright Act. Circumventing double-secret encryption to access data not protected under § 106, or works whose copyright has expired, or to replace ink cartridges[365] or access a garage[366] does not breach the DMCA. In contrast, breaking a weak password to access a child's short poem breaches the DMCA.

"Technological measure that effectively controls access." Even a weak cipher qualifies as a technological measure "if, in the ordinary course of its operation" – *i.e.*, when a decryption program is not employed – it "effectively controls access," such as encryption, scrambling, authentication, or other measure which requires the use of a 'key' provided by a copyright owner to gain access to a work."[367] Breaking a cipher that is too weak to effectively control access is not a DMCA violation.[368] Likewise, if access is obtained via another open route, then the measure did not "control access."[369]

"Circumvent a technological measure?"[370] The defendant must be responsible for the circumvention. The DMCA does not apply to accessing a protected work via unauthorized use

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[365] *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, _____ F.3d _____ (9th Cir. 2010) "The authentication sequence thus blocked only one form of access: the ability to make use of the printer. However, it left intact another form of access: the review and use of the computer program's literal code" and "we conclude that Warden [block] is not an effective access control measure with respect to WOW's lateral elements." However, it was for WOW's dynamic non-literal elements. *Lexmark Intern., Inc. v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2004) (printer manufacturer's DMCA claim failed because its toner loading software program was not entitled to copyright protection).

[366] *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 381 F.3d 1178 (Fed. Cir. 2004) (competitor's transmitter that allowed consumers to access copyrighted software embedded in a garage-door opener did not facilitate the infringement of a right protected by the Copyright Act because it merely allowed access without permitting unauthorized copying).

[367] 17 U.S.C. §1201(a)(3)(A). H.R. REP NO. 551, *supra* note 6, at 39. 17 U.S.C. § 1201(a)(3)(B); *Davidson & Associates v. Jung*, 422 F.3d 630 (8th Cir. 2005) (evasion of online game's identification key violated the DMCA).

[368] *Agfa Monotype Corp. v. Adobe Systems, Inc.*, 404 F. Supp. 2d 1030, 1038 (ND Ill. 2006) (No DMCA violation because embedded bits did not effectively control access to or protect a right under DMCA).

[369] *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, _____ F.3d _____ (9th Cir. 2010) ("The authentication sequence thus blocked only one form of access: the ability to make use of the printer. However, it left intact another form of access: the review and use of the computer program's literal code" and "we conclude that Warden **[?]** is not an effective access control measure with respect to WOW's literal elements." However, it was an effective access control for WOW's dynamic non-literal elements.). *Lexmark Intern., Inc. v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2004). ("It is not Lexmark's authentication sequence that "controls access" . . . The authentication sequence, it is true, may well block one form of "access" – the "ability to . . . make use of" the Printer Engine Program by preventing the printer from functioning, but it does not block another relevant form of "access" – the ability to [] obtain" a copy of the work or to "make use of" the literal elements of the program (its code). Because the statute refers to "control[ling] access to a work protected under this title," it does not naturally apply when the "work protected under this title" is otherwise accessible. Just as one would not say that a lock on the back door of a house "controls access" to a house whose front door does not contain a lock and just as one would not say that a lock on any door of a house "controls access" to the house after its purchaser receives the key to the lock, it does not make sense to say that this provision of the DMCA applies to otherwise-readily-accessible copyrighted works . . . .).

[370] 17 U.S.C. § 1201(a)(3)(A). *I.M.S. Inquiring Management Systems, Ltd. v. Bershire Information Systems*, 307 F. Supp. 2d 528 (S.D. N.Y. 2004).

of a password validly issued to a third party and then loaned to the person who obtains unauthorized access,[371] or using the work after another circumvented the control measure.[372]

Without the authority of the copyright owner.[373] This exempts those whom a copyright owner authorizes to circumvent an access-control measure, not those whom a copyright owner authorizes to access the work.[374]

D. Anti-Trafficking.

Trafficking "**primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;"**[375] is unlawful. Any trafficking in circumvention technology, even for a wholly fair use permitted by copyright law, may breach § 1201(a)(2).[376] Trafficking is not unlawful unless the defendant knows it is unlawful trafficking.[377]

E. Copyright Management Information.

Section 1202 prohibits (a) distribution of false copyright management information ("CMI") and (b) removal or alteration of CMI.[378] CMI includes a work's title; identifying information about the author or contributors; terms and conditions for use; and identifying numbers or symbols.[379] Removing this paper's "©Mark Miller" could be a first breach and replacing it with "©Jane Doe" a second breach.

Copyright notices should be sprinkled within works likely to be copied because an infringer typically removes such CMI before distributing infringing copies – breaching § 1202. The proposition that removed or altered CMI must be in "the body" or immediately around plaintiff's work[380] must be in digital form[381] and automated are each losing ground.[382]

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[371] *Id.*

[372] *MGE UPS Systems, Inc. v. GE Consumer and Industrial, Inc.*, ___ F.3d ____ (5th Cir. 2010).

[373] § 1201(a)(3)(A).

[374] *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, ____ F.3d _____ (9th Cir. 2010), *Contra, Chamberlain Group, Inc. v. Skylink Tech., Inc.*, 381 F.3d 1178 (Fed. Cir. 2004).

[375] 17 U.S.C. § 1201(a)(2).

[376] *MDY Industries, Inc.*, supra, *Universal City Studies, Inc. v. Reimerdes*, 82 F.Supp 2d 211, and 111 F.Supp 2d 294, (S.D.N.Y. 2000) ("The anti-trafficking provision of the DMCA is implicated where one presents, holds out or makes a circumvention technology or device available, knowing its nature, for the purpose of allowing others to acquire it.")

[377] Liability for linking to a website that contains anti-circumvention information requires "clear and convincing evidence that those responsible for the link (a) know at the relevant time that the offending material is on the linked-to site, (b) know that it is circumvention technology that may not lawfully be offered, and (c) create or maintain the link for the purpose of disseminating that technology." 111 F. Supp. 2d at 340.

[378] 17 U.S.C. § 1202, *Associated Press v. All Headlines News Corp*, 608 F.Supp 2d 454, 462 (S.D. N.Y. 2009).

[379] 17 U.S.C. § 1202(c).

[380] *Levey Film Inc. v. Fox Sports Interactive Media LLC*, _____ F.Supp. 2d _____ (N.D. Fll 2014) (CMI does not need to be in digital form, be part of an automated system or connected to the work.); Removing CMI from the inside cover of a book of photos was held in one case to not be a §1202 violation. *Schiffer*, Id.; *Kelly v. Arriba Soft*

Section 1202(b) requires proof that the defendant intentionally removed or altered CMI knowing, or having reasonable grounds to know, that the removal will aid infringement."[383]

F. Remedies.

What drives DMCA consideration is statutory damages of up to $2,500 per unlawful circumvention and up to $25,000 per act of providing false CMI or removing or altering CMI,[384] plus attorneys' fees, all stacked on top of copyright infringement damages and without a copyright registration.[385]

XIII. INSURANCE

A. Submit Claim

While insurance issues are arguably not in a litigation attorney's scope of engagement, your client will be happier if, thanks to your suggestion to check his insurance policy, the asserted claim is covered by "advertising injury," "piracy" or other coverage. **Practice Point.** Your client may sue you if you do not provably suggest same. Even a cease and desist letter should be forwarded to the carrier rather than waiting to see if the matter becomes a suit.[386] To

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Corp., 77 F.Supp 1116 (C.D. Cal. 1999); *The IQ Group, Ltd. v. Wiesner Publishing, LLC.*, 409 F. Supp. 2d 587 (D.N.J. 2006) (removal of logo and hypertext link not a DMCA violation because they were not "copyright management information;" they were not connected to or part of a technological access or rights control system; they merely provided trademark and copyright information).

[381] *McClachey v. Associated Press*, 2007 WL 776103, 82 U.S.P.Q.2d 1190 (W.D. Penn. March 9, 2007) (Plaintiff used her home computer's software to print her name and copyright notice, therefore "digital" CMI requirement met. Defendant who copied a printed copy of plaintiff's photo and cropped out plaintiff's name and copyright notice violated DMCA). *IQ Group, Ltd. v. Wiesner Publishing LLC*, 409 F. Supp.2d 287, 597 (N.J. 2006).

[382] *Murphy v. Millennium Radio Group LLC*, No. 08-1743, 2010 WL 1372408, ___ F.Supp. 2d ___ (D.N.J. Mar. 31, 2010)(DMCA held to only apply to CMI of "automated systems); *IQ Group, Ltd. v. Weisner, supra; Silver v. Lavandeira*, No. 08 Civ. 6522, 2009 WL 513031 (S.D.N.Y. Feb. 26, 2009); *Textile Secrets Int'l Inc. v. Ya-Ya Brand Inc.*, 524 F.Supp. 2d 1184 (D.C. Cal. 2007); *Jacobsen v. Katzer*, 609 F.Supp. 2d 925, 934 (N.D. Cal. 2009) (finds for copyright plaintiff, but appears to follow holding of *IQ Group*); *contra*, *Associated Press v. All Headline News Corp.*, 608 F.Supp. 2d 454 (S.D.N.Y. 2009); *Fox v. Hildebrand*, No. CV 09-2085, 2009 WL 1977996 (C.D. Cal. July 1, 2009); *McClatchey v. The Associated Press*, No. 3:05-cv-145, 2007 WL 776103 (W.D. Pa. March 9, 2007).

[383] *Schiffer Publishing, Ltd. v. Chronicle Books, LLC*, 73 U.S.P.Q.2d 1090 (DC ED Penn. 2004). (Although Defendants removed CMI, they were not liable under §1202 because "Defendants did not believe Plaintiffs had a copyright in their photographs.") Thus, for example, ISPs that merely transmit material with deleted or altered CMI are typically not DMCA violators. *Hendrickson v. eBay, Inc.*, 165 F.Supp 2d 1082 (C.D. Cal. 2001); *but see Ellison v. Robertson*, 357 F.3d 1072 (9th Cir. 2004).

[384] 17 U.S.C. § 1203.

[385] In contrast, copyright infringement requires a registration for attorney fees and statutory damages, and statutory damages are limited to "per violation."

[386] Many policies define a "claim" to mean a civil proceeding commenced by the filing of a complaint or any written demand or notice to the insured that makes commencement of litigation likely. The cases are mixed concerning whether receipt of a demand letter threatening litigation is or is not a "claim." Sometimes waiting until service of a lawsuit can result in missing the policy's required reporting deadline. Further, most policies do not allow recovery of pre-tender costs. Thus, promptly reporting a claim or not may determine whether or not you can recover your initial investigation and defense costs. On a going-forward basis, some clients should consider Internet liability policies and riders. *Axis Surplus Ins. Co. v. Clear!Blue, Inc.*, 2008 WL 2026123 (E.D. Mich. May 12, 2008)

reduce the possibility of the carrier filing a declaratory judgment suit against your client, creating a two-front war, consider a gentle inquiry rather than a demand for a defense until you better understand the matter. From plaintiff's side, the Complaint can be drafted to more likely trigger or not trigger coverage.

B. Coverage

Comprehensive general liability (CGL) policies are typically sold on standard forms which are revised every few years responsive to coverage litigation to narrow coverage.[387] A CGL policy typically covers copyright infringement claims concerning advertising[388] that customers see before making their purchase of defendant's product or service and does not cover copyright infringement claims directed to works customers do not see until after making their purchase.[389] For example, if the Complaint alleges the text on the outside of defendant's packaging copies the text on the outside of the packaging that Microsoft software comes in, the claim is typically covered, while if the Complaint only alleges defendant copied WINDOWS software, the claim is typically not covered.[390] Copyright Complaints may include express or

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(Insured's receipt of letter from trademark owner concerning settling the dispute prior to getting insurance policy comprised a "claim"). Although insurance policies have prompt-notice provisions, some states, including Texas, hold that only a material breach of the timely notice provision that prejudices the insurer excuses the insurer. *Prodigy Communications v. Agricultural Excess & Surplus, Ins.*, No. 06-0598 (Tex. Mar. 27, 2009).

[387] This makes legal research concerning insurance coverage maddening, as reported decisions on "the CGL form" often concern a form which is slightly but critically different from the CGL form in the instant suit. The 1986 Insurance Service Office CGL form covers "misappropriation of advertising ideas or style of doing business." In the 2001 edition of the CGL policy, coverage may arise via an exception to an exclusion:

> [This insurance does not apply to] "Personal and advertising injury" arising out of the infringement of copyright, patent, trademark, trade secret or other intellectual property rights. However, this exception does not apply to infringement in your "advertisement," of copyright, trade dress, or slogan.

[388] "Advertisement" is defined as "a notice that is *broadcast* or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or support." *Stonewall Insurance Co. v. Asbestos Claims Management Corp.*, 73 F.3d 1178 (2d Cir. 1995) (applying Texas and New York law); Richard L. Antognini, What You Need to Know About Intellectual Property Coverage, 31 Tort & Insurance L.J. 895 (1996).

[389] There must be a "causal nexus" between the asserted injury and defendant's advertisement. *Sentry Ins. V. R.J. Weber Co., Inc.*, 2 F.3d 554, 556-57 (5th Cir. 1993) (*per curiam*). (Coverage denied because the insurance policy's "clear language provides that the policy covers a copyright infringement suit only if Weber infringes someone's copyright in the course of its advertising. If Weber infringes a copyright in another context, there is no coverage under the terms of the policy." *Id*. at 556.); *Poof Toy Prods., Inc. v. United States Fid. & Guar. Co.*, 891 F. Supp. 1228, 1235 (E.D. Mich. 1995) ("Where the complaint does not identify any connection between the copyright claims and the advertising activity, there is no duty to defend.").

[390] *Acuity v. Bagadia*, Wisconsin Court of Appeals, Case No. 06-1153, April 25, 2007. ("In order to determine that the policy covers the Oregon damages, we must answer 'yes' to three questions: (1) Did the damages arise from an enumerated offense in the policy? (2) Did UNIK engage in advertising? (3) Is there a causal connection between UNIK's advertising and the damages? . . . We therefore apply the broad definition of 'advertising' and find that UNIK advertised its product by sending samples to potential customers." Holding that distribution of infringing samples created advertising injury); *Fireman's Fund Ins. Co. of Wis. v. Bradley Corp.*, 2003 WI 33, ¶ 26, 261 Wis.2d 4, 660 N.W.2d 666; *Doron Precision Systems, Inc. v. United States Fidelity & Guaranty Co.*, 963 P.2d 363 (Idaho 1998) (Complaint alleged copyrighted computer programs and films were infringed by defendant's "copying of such material, placing the material on the market, by selling and giving away such material, and by showing and displaying such material." Display of the infringing materials held sufficiently related to advertising to require the

implied allegations of trademark infringement,[391] defamation, or trade libel, which allegations may be covered under personal injury or advertising injury coverage. Insurers must defend suits that seek potentially covered damages.[392] Even if the carrier believes it has no duty to indemnify, it may owe a duty to defend.[393] Intentional acts,[394] contract disputes,[395] and other circumstances stated in the policy's lengthy exclusions and rider booklets defeat coverage.[396]

C. The Coverage Dance

Knowing what is covered and what triggers exclusion informs defendant's truthful communication with the carrier. Defendant may benefit from having his independent counsel involved in communications with the carrier.

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insurer to defend.); *Amway Distributor's Benefits Association v. Federal Insurance Co.*, 990 F. Supp. 936 (W.D. Mich. 1997) (Complaint alleged Amway distributed infringing videotapes through down-line distributors. This was sufficiently related to advertising to be covered by insurance because "distributor Plaintiff's pool of existing down liners, as well as potential down liners, are the target market for advertising which promotes Amway products." *Id.* at 945-46.).

[391] Although most jurisdictions hold the GLC policy covers trademark infringement, *see, e.g.*, *General Casualty Co. of Wisconsin v. Wozniak Travel*, No. A08-321 (Minn. Mar. 19, 2009), the Fifth Circuit has a contrary case: *Sport Supply Group, Inc. v. Columbia Casualty Co.*, 335 F.3d 453 (5th Cir. 2003). *Sports Supply* is a much-criticized case. *See State Auto Property & Casualty Insurance Co. v. Travelers Indemnity Co. of America*, 343 F.3d 249 (4th Cir. 2003).

[392] *Kazi v. State Farm Fire & Cas. Co.*, 15 P. 3d 223, 228 (Cal. 2001); GuideOne Elite Ins. Co. v. Fielder Rd. Baptist Church, 197 S.W.3d 305, 308 (Tex. 2006); *Gray v. Zurich Ins. Co.*, 419 P. 2d 168, 176(Cal. 1966); *Frontier Insulation Contractors, Inc. v. Merchs. Mut. Ins. Co.*, 690 N.E. 2d 866, 868 (N.Y. 1997) ("The duty ... to defend its insured arises whenever the allegations ... potentially give rise to a covered claim…."); *Carr v. Vogelzang* (In re *Country Mut. Ins. Co.*), 889 N.E. 2d 209 (Ill. 2007); Allegation that the judicial system is being improperly used to abuse the protections afforded copyright and trademark holders may be covered claims of malicious prosecution or abuse of process. *See Carolina Cas. Ins. Co. v. Nanodetex Corp.*, 2013 U.S. App. Lexis 17181, *21-24 (10th Cir. Aug. 19, 2013) (policy excluding coverage for "malicious prosecution' still provided coverage for "malicious-abuse-of-process" claim); *Lunsford v. Am. Guar. & Liab. Ins. Co.*, 18 F.3d 653, 656 (9th Cir. 1994) (CGL policy that promised to defend an insured against "malicious prosecution" claims includes a duty to defend against "abuse of process" claims); *Toll Bros. v. Gen. Accident Ins. Co.*, 1999 Del. Super. LEXIS 313, *28-29 (Del. Super. Ct. Aug. 4, 1999) (same).

[393] *Hugo Boss Fashions, Inc. v. Federal Insurance Co.*, 252 F.3d 608 (2d Cir. 2001); *Concept Enterprises, Inc. v. Hartford Ins. Co. of the Midwest*, (CV-00-7267 NM (JWJY) (C.D. Cal. 2001) (Insurer must pay full cost of defense in a mixed copyright, trademark and contract case).

[394] Insurance typically does not cover intentional torts. *Charcor, Inc. v. Columbia Casualty Co.*, ___ F. Supp. 2d _____ (M.D. Tenn. 2010) (coverage excluded because all asserted claims required intentional conduct); *contra Vargas v. Hudson County Bd. Of Elections*, 949 F.2d 665, 672 (3d Cir. 1991) (coverage is "not confined to negligent or inadvertent actions"); *Sarrio v. McDowell*, No. 85-1692, 1987 U.S. Dist. LEXIS 12370, at *2 (E.D. La. Dec. 23, 1987).

[395] Current CGL policies exclude "Personal and advertising injury arising out of a breach of contract, except an implied contract to use another's advertising idea in your 'advertisement.'" This was held to exclude coverage if there is even an "incidental" connection between a licensee's breach of the contract and the infringement. *Sport Supply Group, Inc. v. Columbia Cas. Co.*, 335 F.3d 453, 458-459 (5th Cir. 2003) (Texas law).

[396] Some general liability policies exclude "infringement of intellectual property rights" and "'Personal and advertising injury' arising out of any violation of any intellectual property rights such as ... patent ..." ISO, Policy Form CG 00 65 12 07, § (I)(2)(g). Infringement begun before the policy period is typically not covered. *Two Pesos v. Gulf Insurance*, 901 S.W.2d 495 (Tex. App.—Houston [14th Dist.] 1995).

If the carrier offers to defend, it will do so subject to a lengthy reservation of rights letter[397] which the insured typically accepts because then the carrier will start writing checks to the carrier's chosen lawyers. However, the carrier's attorney may not aggressively seek to maintain coverage, and counsel with copyright experience, which the insured believes his defense deserves, typically have a higher hourly rate than the carrier's approved lawyers. While the insured can suggest attorneys it believes will put the insured's interests first, getting the carrier to agree will require negotiation concerning hourly rates.[398] The carrier is entitled to allocate defense costs between covered and non-covered claims and recover the latter cost from the insured, but this is typically not asserted for pure defense.[399] If the case develops toward potential exclusion of coverage, carrier-appointed counsel may have a conflict of interest and the insured may be entitled to independent counsel at the carrier's expense.[400] Of course, unless the insured is paying independent counsel to monitor the case, the insured will be unaware of such issues.

If the insured rejects the carrier's reservation of rights letter because the insured believes the carrier's defense duty is clear, the carrier stands on its reservations, the insured directly retains counsel and the claim is later determined to be covered, then the carrier is responsible for reasonable defense costs for covered claims.[401] A carrier who refuses to defend is bound by the Judgment's findings, including those which establish coverage.[402] Thus, if the carrier refuses to defend, plaintiff and defendant may have a common interest in structuring an Amended Complaint's claims and the Judgment's findings to establish coverage.[403] For example, plaintiff may not seek a willfulness finding because that lets the insurance company off the hook, leaving only the judgment-proof defendant or, alternatively, seek a willfulness finding to prevent defendant from discharging the award in bankruptcy.[404]

Proactively, counsel may suggest that clients read their policies, get provable answers to "if we get sued for copying, are we covered?" questions, and get an insurance broker with

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[397] A reservation of rights letter is an interminably long letter from the insurance company setting out all possible reasons why the incident is not covered and offering to pay for the insured's defense, but only if the insured agrees the carrier can bail out at any time, the carrier can seek recovery of all its attorney's fees if carrier changes its mind about its defense responsibility, and that the carrier can still contend it is not liable to pay an adverse judgment.

[398] As a practical matter, the price gap between counsel who are and are not on the carrier's approved list is typically so great that the carrier's suggested counsel will be used.

[399] *Equal Employment Opportunity Commission v. Southern Guaranty Insurance Co.*, 894 F.2d 785 (5th Cir. 1990).

[400] This varies from state to state.

[401] *Britt v. Cambridge Mut. Fire Ins. Co.*, 717 S.W.2d 476 (Tex.Civ.App.—San Antonio 1986, writ ref' n.r.e.); *Rhodes v. Chicago Ins. Co.*, 719 F.2d 116 (5th Cir. 1983). Where fees and expenses are attributable to both covered and non-covered claims, the cases give mixed results. The insurer is typically obligated to pay costs "reasonably related to the defense of the covered claims," even if those costs are also related to non-covered claims. *Compare Cas. Co. v. Bd. of Educ.*, 489 A.2d 536, 545 (1985).

[402] *Mid-Continent Casualty Co. v. JHP Development, Inc.*, 557 F.3d 207 (5th Cir. 2009) (applying Texas law).

[403] *Steil v. Florida Physician's Insurance Reciprocal Exchange*, 448 So.2d 589 (Florida.Court.App. 1984).

[404] In re *Albarran*, 347 B.R. 369 (9th Cir. BAP 2006); *but see*, In re *Barboza*, 545 F.3d 702 (9th Cir. 2008) (Copyright Act "willfulness" not equal to Bankruptcy Act "willfulness," remand to determine if the infringement was "intentional" or merely "reckless").

experience in this area to shop for and choose between coverages and prices.[405] Directors and officers coverage ("D&O") is important because they are increasingly included in copyright suits.[406]

XIV. COPYRIGHT RESOURCES

The Chuck Norris of U.S. copyright law is Professor Nimmer, whose 11-volume Nimmer on Copyright treatise is 39 shelf-inches long and lengthening, and is cited in every difficult copyright case.

The Copyright Office website http://lcweb.loc.gov/copyright has many Guides which are a wonderful source of technical information in plain English.

The Franklin Pierce Law Center's Intellectual Property Mall collects decisions of the Copyright Office's Appeals Board, and links to the Ninth Circuit's Model Jury Instructions for copyright cases: www.ipmall.fplc.edu/jury/c-ad]fu.htm.

XV. CONCLUSION

A copyright infringement case should be approached as if it were a jigsaw puzzle. Your case's factual, statutory, court-created and practically necessary puzzle pieces should be identified, addressed, and related to each other sooner rather than later. Plaintiff's case can be successful if the pieces fit, but a shambles if one does not.[407]

Copyright litigation is even more expensive than expensive garden-variety litigation. While turning a blind eye to infringement is infuriating, filing a copyright infringement suit without enough money in the bank can be a negative-yield activity.[408]

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[405] Local insurance agents are unlikely to see these issues often enough to be your best resource. National and international commercial insurance brokers such as Marsh, Aon, and Willis, and US retail brokers such as Hayes Companies, William Gallagher, and Woodruff-Sawyer have IP specialist brokers who work with insurers to produce alternative packages. A good starting place is the annual Intellectual Property Insurance Market Survey published by Betterly Risk Consultants, Inc., at www.betterly.com.

[406] From the director or officer's perspective, the safest coverage is independent non-rescindable D&O coverage, paid for by company. Otherwise: (a) corporate bankruptcy may, as a practical matter, end the company's D&O policy; (b) company's failure to disclose material facts on the insurance application may negate carrier's duties (need severability); (c) if the joint company/D&O policy includes a self-insured retention amount before coverage kicks in, and company bankrupts, the officer/director is in a pickle. (need insolvent company carve out); (d) policy should pay defense costs on an as-incurred basis; (e) claims made by company bankruptcy trustees or creditors should be covered; (f) need "priority of payment" clause that D&O defense and liability is paid first to avoid getting capped by carrier's payment of company's defense and liability; (f) "final adjudication" clause that director's own misconduct exclusion is not triggered until a court finally adjudicates that he engaged in the excluded conduct; (g) numerous exclusions may kill D&O coverage unless the D&O policy carves out same. For example, insurers often assert that an employee "intentionally" infringed.

[407] Apologies to Jim Croce, Bad, Bad Leroy Brown. Leroy, after messin' with the wife of a jealous man, "looked like a jigsaw puzzle with a couple of pieces gone."; *Cf.* Qi Jigueng (1528-88) principal architect of the Great Wall. "If there is one weak point and 100 strong points, then the whole is weak."

[408] "God is on the side with the most artillery." Napoleon Bonaparte.

This educational overview does not advise anyone about any specific situation. Statements are made which have exceptions, do not apply to all facts, and with which skilled lawyers disagree. Nothing stated here is 100% true or attributable to the author's firm or clients.